LKAB

2011
ANNUAL REPORT
SUSTAINABILITY REPORT

LKAB | 2011

ANNUAL REPORT

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE REPORT

FINANCE

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ABOUT LKAB

PERFORMANCE IN IRONMAKING

LKAB is a high-tech minerals group operating on a global market and stands for top class innovation, research, development and production. Our Performance in Ironmaking customer promise means that LKAB's products provide its customers with added value in their own production.

LKAB PELLETS 2011

The majority (88 per cent) of LKAB's production of 26.1 Mt of iron ore products consisted of iron ore pellets with over 66 per cent iron content. Well balanced and tested additives in pellet production increase productivity, reduce energy needs and wear, and decrease the incidence of slag in steel production.

GROWTH UNDERWAY

LKAB's growth target is fully 37 million tonnes of iron ore products per year from 2015. This requires more iron ore to refine into high-quality products. That is why LKAB wants to open three new mines in the Svappavaara field.

R&D SUPPORTS LKAB'S GROWTH

When an ore deposit is profitable to mine it is called mineralization. R&D activities, including process development, generate ore and contribute to LKAB's profitability and competitiveness.

HIGH QUALITY PRODUCTION

In 2011 LKAB's deliveries attained a quality value of 96.7 per cent. That is the best Q-value attained for a full year since measurements were initiated in 2000.

REDUCED ATMOSPHERIC EMISSIONS

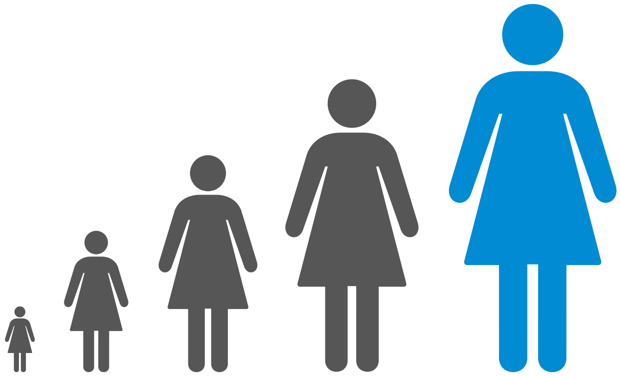
Although pellet production more than tripled, LKAB has managed to reduce emissions of sulphur dioxide, fluorine and particulates for the last 30 years. This sharp reduction was achieved through more efficient production, new technology and increased knowledge. The goal is to further reduce emissions.

TOGETHER FOR THE ENVIRONMENT'S SAKE

After the successful joint European project ULCOS, LKAB is now involved in the Japanese project Course 50 (CO_2 Ultimate Reduction in Steelmaking), with the goal of reducing carbon dioxide emissions from Japanese steel mills by up to 30 per cent. LKAB's experimental blast furnace in Luleå plays a central role in these projects.

URBAN TRANSFORMATION

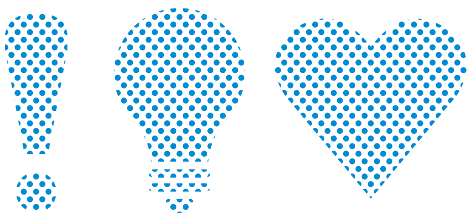
According to TNS, 97 per cent of the population in Gällivare and 96 per cent in Kiruna accept the urban transformation in Malmfälten. In the 2011 annual accounts, LKAB made a provision for urban transformation of SEK 1,234 million.



17%

ARE WOMEN

out of all LKAB employees. In recent years, the number of female employees at LKAB has increased steadily. A conscious effort that paid off. The long term goal is for women to make up 40 per cent of our workforce.



3 KEY WORDS

COMMITTED • INNOVATIVE • RESPONSIBLE

LKAB's core values were established in 2011 to unite employees and give rise to the strong, attuned LKAB of the future.

SHANGHAI

INTERNATIONAL TRADE ROUTES

In 2011, LKAB established a purchasing office in China. The aim is to streamline purchases to strengthen LKAB's global competitiveness. LKAB Trading Co. Ltd. will gradually cut out the middle men and buy directly from producers. Purchasing volumes are estimated at about 10–15 per cent in the long term.

5.1 BILLION

WAS HOW MUCH LKAB INVESTED IN OPERATIONS IN 2011

In the 2000s, investments in internal operations have exceeded SEK 30 billion. Among these investments are two pelletizing plants, a modernised port in Narvik, and new locomotives and cars to name a few. Currently, the largest investments are being made in new main levels in Kiruna's and Malmberget's underground mines.

LKAB REPORTS EARNINGS BEFORE TAX OF SEK FOURTEEN THOUSAND EIGHT HUNDRED AND ONE MILLION FOR 2011. ANOTHER RECORD!

OVER THE LAST 30 YEARS, LKAB's PRODUCTION INCREASED BY MORE THAN

300%

WHILE EMISSIONS OF SULPHUR DIOXIDE, FLUORINE AND PARTICULATES WERE REDUCED BY

50%

+10 million tonnes

LKAB's GROWTH INCREASES NEED FOR ORE

The plan is for three open pit mines in Svappavaara to be operational by 2015 to enable production of an additional 10 million tonnes of iron ore products annually. Gruvberget is already in production. In 2011, the Mertainen pit was explored, and in 2012 applications for permanent mining there and for emptying the water from the old Leveäniemi pit will be submitted.

World class

NOBEL LAUREATE IN MALMFÄLTEN

Dan Schechtman, recent Nobel laureate in chemistry, visited Lapplands Gymnasium school for a highly acclaimed lecture to about 250 students. The visit was made possible by the LKAB Academy foundation, whose goal is for the Malmfälten municipalities to have the best schools in Sweden.

68
WAGONS/TRAIN
so-called long trains.

100 t
ORE CAPACITY/CAR

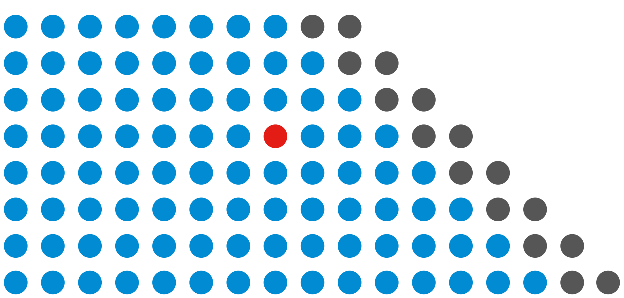
6,800 t
HAULAGE CAPACITY/TRAIN

LKAB

17.1 Mt
WAS SHIPPED FROM THE HARBOUR IN NARVIK
with 187 shiploads.

2.9 Mt
OTHER DELIVERIES
to customers and stocks

5.7 Mt
WAS DELIVERED FROM LULEÅ
with 405 shiploads.



26.1
MILLION TONNES
LKAB's production of iron ore products in 2011, of which about 23 Mt was pellets.

10,046
PERSONS WERE REGISTERED FOR SAFETY TRAINING
at the end of 2011. LKAB replaced its previous safety training course for contractors with the SSG Entre Safety Passport. The programme includes both general and LKAB-specific sections, and all contractors working in LKAB's industrial areas must take and pass the course.

Environmental benefits
OF LKAB GREEN PELLETS
The total carbon dioxide emissions for production of crude steel, about 2,000 kg CO_2/tonne, is reduced when LKAB pellets are used as iron raw material. Production of LKAB pellets generates seven times lower carbon dioxide emissions compared to sintering at steel plants and three times lower than in hematite-based pellet production. The reduction is about 215 kg and about 95 kg CO_2/tonne of crude steel, respectively.


Grete Solvang Stoltz
VP Human Resources

1,200
NEW EMPLOYEES
must be hired by LKAB by 2015. Nearly 400 were hired in 2011.

Luossavaara-Kiirunavaara AB (publ).
LKAB is wholly owned by the Swedish state.
President and CEO: Lars-Eric Aaro
Chairman of the Board: Marcus Wallenberg
Company registration number: 556001-5835

PERFORMANCE IN IRONMAKING

Overview of the past year

LKAB | Group

Four-year summary

SEK MILLIONS	2011	2010	2009	2008
Net sales	31,122	28,533	11,558	23,128
Operating profit	14,705	12,312	659	10,327
- operating margin, %	47.2	43.2	5.7	44.7
Profit before tax	14,801	12,381	1,192	10,389
- profit margin, %	47.6	43.3	10.3	44.9
Tax	-3,841	-3,275	-473	-2,748
Net income for the year	10,960	9,106	719	7,641
Non-current assets	27,679	25,083	23,688	21,414
Current assets	26,051	21,546	11,867	14,915
Shareholders' equity	37,893	32,951	25,375	25,218
Cash flow for the year	649	5,415	-3,140	3,948
Return on equity, %*	30.9	31.5	2.8	32.2
Equity/assets ratio, %	70.5	70.7	71.4	69.4
Capital expenditures**	5,126	3,973	3,543	4, 716
Average no. employees	4,191	4,030	3,778	4,086

*After tax **Property, plant and equipment

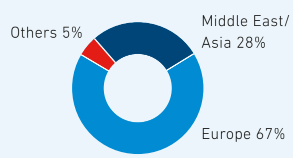
2011

Profit before tax of SEK 14,801 million was the best ever in monetary terms.

A provision of SEK 1,234 million was made for urban transformation in Kiruna and Malmberget.

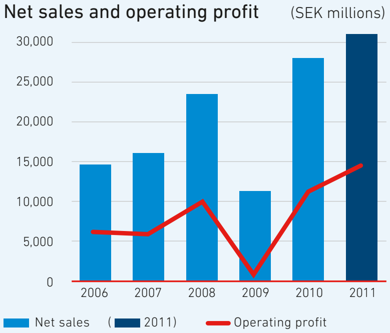
A dividend of SEK 5,000 million was proposed to the owner.

Sales per market region 2011 (%)



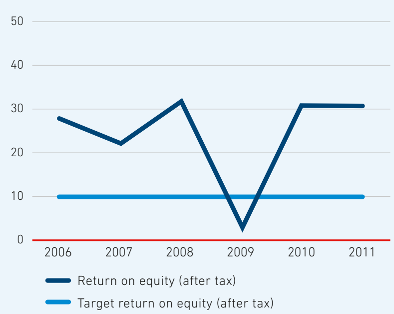
Europe is the Group's largest market.

Net sales and operating profit (SEK millions)



Net sales increased to SEK 31,122 (28,533) million. Operating profit increased 19 per cent to SEK 14,705 (12,312) million.

Return on equity (%)



Targeted return on equity is 10 per cent over a business cycle.

Mining Division including Marketing & Logistics Division

Financial highlights – Mining

SEK millions	2011	2010	2009
Sales	28,335	25,908	9,613
Operating profit	13,624	11,524	537
Operating margin, %	48.1	44.5	5.6
Operating assets	34,064	29,331	27,862
Operating liabilities	11,881	10,031	6,885
Capital expenditures *	5,067	3.908	3,461
Depreciation*	1,805	1,735	1,741
Impairments*	1	300	0
Average no. employees	3,535	3,376	3,158
- of which Parent Company	3,166	2,998	2,800
Production, Mt	26.1	25.3	17.7
Deliveries, Mt	25.7	26.0	18.7
Stocks, Mt	1.6	1.1	1.6

*Property, plant and equipment

Production of iron ore products (Mt)

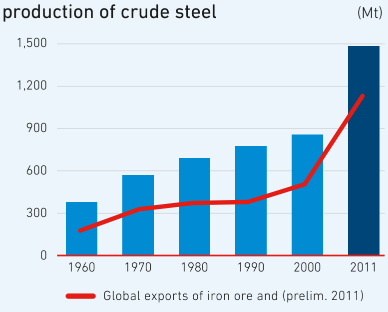
	2011	2010	2009
Pellets	22.9	22.1	14.7
Fines*	3.2	3.2	3.0
Total	*26.1*	*25.3*	*17.7*

*Incl. special products

Production by location (Mt)

Iron ore products	2011	2010	2009
Pellets Kiruna	12.8	12.2	8.1
Pellets Svappavaara	3.6	3.4	2.3
Pellets Malmberget	6.5	6.5	4.3
Special products Kiruna	1.0	0.9	0.5
Fines Malmberget	2.2	2.3	2.5
Total	*26.1*	*25.3*	17.7

Global exports of iron ore and production of crude steel (Mt)



(Source: CRU, December 2011, worldsteel, January 2012)

01 | JANUARY

Parts of the M1250 main level began to be tested in Malmberget. A Public Affairs operation was established in Brussels. Conceptual study started on eventual extraction of apatite and rare earth metals.

02 | FEBRUARY

Agreements were signed for the first Mine City Park in Kiruna, including a new city hall and relocation of several historic buildings. Land needs in central Malmberget were presented.

03 | MARCH

Environmental Court of Appeal said no to LKAB's application for mining in Gruvberget. LKAB appealed to the Supreme Court. Storms and cold stopped trains and ships. The cargo loader in Narvik was stopped for three weeks for emergency maintenance.

04 | APRIL

Lars-Åke Helgesson was elected new chairman of LKAB's Board. A decision was made to purchase four locomotives and 300 ore wagons. CEO Lars-Eric Aaro discussed strategy with the majority of employees.

05 | MAY

Test mining started in Mertainen. LKAB gave grants of SEK 50 million to the HLRC foundation at Luleå University of Technology and said it would form an LKAB Academy. An information office was opened in Kiruna.

06 | JUNE

Family Days with a circus was organised and free visits were offered at Teknikens Hus, a science centre in Luleå. Scholarships for upper secondary school students were awarded, and innovative proposers and improvement teams were commended.

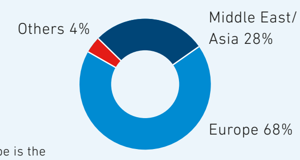
2011

In May new annual price agreements were signed for iron ore products, denoting an average of +20 per cent for all products.

Logistics operations were transferred in October from Mining to Marketing & Logistics.

Record production and delivery of pellets.

Sales per market region 2011 (%)



Europe is the home market for LKAB's blast furnace products, and direct reduction products are sold to the Middle East and North Africa.

Deliveries (Mt)

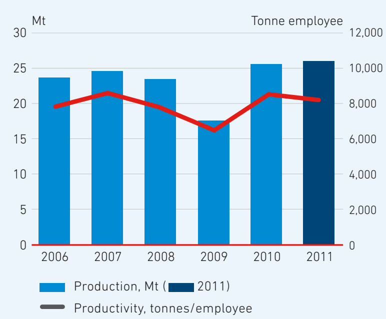
	2011	2010	2009
Pellets	20.9	20.8	14.3
Fines*	4.8	5.2	4.4
Total	*25.7*	*26.0*	*18.7*

**Incl. special products*

Shipped

	2011	2010	2009
From Narvik, Mt	17.1	17.2	14.1
Shiploads	187	215	157
From Luleå, Mt	5.7	5.8	2.3
Shiploads	405	437	293
Other deliveries to customers and stocks, Mt	2.9	3.0	2.3
Total, Mt	*25.7*	*26.0*	*18.7*

Production and productivity



Minerals Division

2011

Roger Johansson was appointed in January as the new MD of Minelco AB, the Swedish division of the operation.

Record in the production of magnetite products in Minelco's production facility in Malmberget.

During the year the last load of magnetite was delivered to the gas pipeline project Nord Stream in the Baltic Sea.

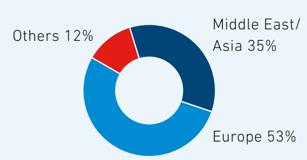
Minelco was awarded the EU's Authorised Economic Operator status in August.

Financial highlights – Minerals

SEK millions	2011	2010	2009
Sales	2,628	2,814	2,141
Operating profit	603	433	-95
Operating margin, %	22.9	15.4	-4.4
Operating assets	1,329	1,264	1,352
Operating liabilities	676	721	1,029
Capital expenditures*	21	10	13
Depreciation*	24	30	47
Impairments*	0	0	317
Average no. employees	358	380	384

**Property, plant and equipment*

Sales per market region 2011 (%)



Europe is subsidiary Minelco's home market. Growth is also occurring extensively on other markets.

Special Businesses Division

2011

Peter Schmid was appointed in September as new CEO of Wassara AB.

LKAB Mekaniska AB (formerly KGS Mekaniska) continued its collaboration with K-industrier on LKAB's order for 300 new ore wagons. LKAB Berg & Betong AB (formerly KGS) turned 50.

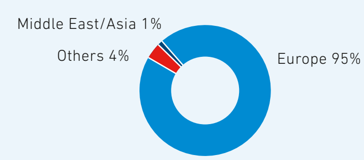
LKAB Fastigheter AB (formerly Fastighets AB Malmfälten) acquired a residential area from TOP Bostäder in Gällivare and built homes in Gällivare as well as Kiruna municipalities.

Financial highlights – Special Businesses

SEK millions	2011	2010	2009
Sales	2,523	1,861	1,098
Operating profit	405	244	168
Operating margin, %	16.1	13.1	15.3
Operating assets	1,125	1,121	1,063
Operating liabilities	610	449	375
Capital expenditures*	39	55	55
Depreciation*	62	56	39
Impairments*	0	0	0
Average no. employees	298	274	236

**Property, plant and equipment*

Sales per market region 2011 (%)



Most sales from other subsidiaries are services to the Parent Company.

07 | JULY

LKAB's summer school for children ages 11-13 continued. CEO Lars-Eric Aaro was a guest host on the P1 summer radio show. Track-laying for the new railway in Kiruna was started. The art project Empty Room ran in Malmberget.

08 | AUGUST

LKAB's energy certification was upgraded to European standard EN 16001. Training began in the integrated executive management process.

09 | SEPTEMBER

A new agglomeration laboratory was inaugurated in Malmberget. Purchasing office was established in China. LKAB's Art Association celebrated its 50th anniversary. Iggesunds Park was inaugurated in Kiruna. Redistribution of deliveries between customers and markets began and continued throughout the year.

10 | OCTOBER

Marcus Wallenberg took over as new Chairman of the Board. SveMin's work environment award was given to Nils Thuuri. The County Administrative Board rejected LKAB's application for draining the water from the Leveäniemi mine.

11 | NOVEMBER

Tage Lundin was named Swedish purchasing manager of the year. The last boat with fines departed to customer Ruukki, which from January 2012 changes over to 100 per cent pellets. LKAB purchased fictitious carbon dioxide credits from Sveaskog.

12 | DECEMBER

Nobel Laureate Dan Schechtman was a guest at LKAB Academy. New railway in Kiruna was tested. Planning started for information office in Svappavaara.

A larger and stronger LKAB

Record profit with confidence and growth. That summarizes 2011. At the same time, there is no shortage of future challenges. In pace with global developments, as wealth and economic growth are increasingly within reach of people around the world, demand for raw materials increases. Especially for steel, and hence iron ore.

"The door is wide open now, and we have a chance to build a larger, stronger company. The goal is LKAB 37: an increase in delivery capacity of fully 35 per cent to 37 Mt of iron ore products annually from 2015."

Net income for the year before tax was SEK 14.8 billion, an improvement of 19 per cent from the previous year. Historically high iron ore prices and strong demand for LKAB's products drive this very positive earnings trend.

Financial concerns and debt crises meant that demand for iron ore declined in Europe during the year's last two quarters. Several iron ore suppliers lost volumes. However, LKAB managed to quickly and flexibly reallocate products between customers and markets. Deliveries totalled 25.7 million tonnes (Mt), nearly reaching last year's record of 26 Mt. Production increased by more than three per cent, from 25.3 to 26.1 Mt. It was particularly pleasing to beat our pellets record in both deliveries and production.

Niche supplier on a growing market

Overall, LKAB is a small iron ore supplier, even though we produce about 90 per cent of the iron ore within the EU. Our global niche is refinement to climate-smart iron ore pellets of high quality combined with knowledge and experience. As the world's second largest pellet supplier, our goal is to always deliver world-class products – nothing else will do. Thanks to cutting-edge innovation and research and long-term, close customer relationships, LKAB has continuously managed to improve its processes and products. Our market strategy is to provide more customer value than competitors, to deliver what we call Performance in Ironmaking to our customers.

The market for iron ore has grown by almost 250 per cent over the past 10 years and the global market has become increasingly volatile, that is, fast-moving. Over the same period, LKAB increased delivery capacity 30 per cent, but that is not enough. Our customers are growing, and we need to grow with them. The door is wide open now, and we have a chance to build a larger, stronger company. The goal is LKAB 37: an increase in delivery capacity of just over 35 per cent to 37 Mt of iron ore products annually from 2015.

For LKAB, it is business critical to be a major supplier to each client. My biggest concern is that LKAB does not get the quick permit process it needs to grow in pace with customer demand and to remain one of their preferred suppliers. If LKAB's products have too little of a share in a steel process, the respective customer can no longer experience the added value that we deliver in our products. LKAB will then be a supplier like any other and we risk marginalisation on the market. LKAB needs to have a significant position in its customers' blast furnaces and direct reduction works so we can implement our diversification strategy. Without growth, there is great risk that LKAB will lose market shares and that competitors will take our place.

Attractive LKAB needs attractive communities

Growth also gives rise to challenges. Optimism is strong. In Kiruna and Gällivare Municipalities investments of SEK 25 billion are being made by LKAB and unemployment is very low.

LKAB is very much a knowledge company and needs to be highly competitive with other mining companies and industries in order to retain existing employees and attract new ones. We foresee a need to recruit about 1,200 persons by 2015, provided that we obtain the necessary environmental permits in time to realise our path to growth.

Attractive communities in which our employees and their families thrive and develop are necessary

LARS-ERIC AARO
PRESIDENT AND CEO

if we are to remain an attractive employer. In order to strengthen schools in our business locations in Norrbotten County in 2011, we founded the LKAB Academy, for example. Of course, LKAB also takes responsibility for the urban transformation needs caused by our operations, so we made a provision in the accounts for urban transformation in Kiruna and Malmberget, just as we did in 2010. The amount this year is SEK 1,234 million.

LKAB helps drive growth in Norrbotten County together with local municipalities and other partners. As LKAB dismantles company-owned homes affected by the mine expansion, we have also started the process of building new ones. There is a large market for contractors and consultants/architects who will build the new cities. The common goal is to build homes that "stand out" and that make the cities attractive to current and future residents. LKAB-owned homes will be characterised by innovation, design and energy-smart technical solutions and materials.

LKAB chose to place and finance a large part of the applied research via a special foundation at Luleå University of Technology (LTU), called the Hjalmar Lundbohm Research Centre. Today, about 25 researchers work within the foundation and in 2011 four new professors were appointed in disciplines that are of strategic importance to both LKAB and LTU. LKAB contributed an additional SEK 50 million to the foundation during the year.

LKAB is a strong brand that was built by generations of committed, innovative and responsible employees for more than 120 years. As for innovation, LKAB was already using driverless trains underground in the 1960s and that was long before we understood it to be known as IT.

"LKAB is a strong brand that was built by generations of committed, innovative and responsible employees for more than 120 years. As for innovation, LKAB was already using driverless trains underground in the 1960s and that was long before we understood it to be known as IT.

In 2011, we anchored our values and modernised the company's image. With increasingly volatile markets and changes in social structure and attitudes, we need to safeguard the world's view of the company. LKAB is a high-tech businesses that generates added value for customers and society at large. That is what we want all our stakeholders to know and we do it by working with active marketing and communication activities.

These values should also be visible in the results that the company delivers. Accidents that lead to absence were reduced by about 40 per cent over the previous year, a sign of taking responsibility. LKAB's approach is and remains "safety first" with the long-term goal of zero accidents. Absence due to illness remains at very low levels, and equality and diversity efforts are ever-present. One visible result is that the number of women is growing steadily.

Long-term environmental initiatives

LKAB's high-quality, climate-friendly iron ore products, mainly pellets, streamline customer processes while reducing global emissions of the greenhouse gas carbon dioxide. LKAB's pellets are made of magnetite, a mineral that is converted to hematite in the manufacturing process. The oxidation gives off 60 per cent of the heat energy required in the manufacturing process, so LKAB needs to use significantly smaller quantities of fossil fuels, like coal and oil, in the production process compared with competing minerals and processes.

In order to reduce greenhouse gas emissions, the EU has had carbon dioxide emissions trading since 2005. For the third trading period (2013 to 2020), LKAB is expected to receive an allocation that covers much of its emission needs. This is in line with the system's intention to reward carbon dioxide efficient producers that are in a globally competitive position. A final decision on the allocation will be taken by the EU Commission in 2012.

LKAB is the sole pellet supplier in the world that has emission costs, so our view is that a trading system should be worldwide in order to reduce global emissions while increasing the competitiveness of companies that choose to work actively with energy and carbon dioxide reducing technology.

We work closely with the iron and steel industry in Europe under the ULCOS project to eventually reduce carbon dioxide emissions by 50 per cent. After our success with this project, LKAB is now involved with our unique experimental blast furnace in the Japanese project called Course 50, which has the goal of reducing carbon dioxide emissions in Japanese steel mills by up to 30 per cent.

LKAB is also looking for new solutions, like working with Sveaskog to generate interest around the world in a trading system of carbon dioxide credits associated with carbon dioxide sequestration in fast-growing forests.

The availability of energy at competitive prices is very important to LKAB, which is one of Sweden's single largest electricity consumers. We work actively to reduce our energy needs and with replacing fossil fuels with renewable energy. However, the result of these efforts does not cover our great need. That is why LKAB is also a partner in VindIn AB, basic industries' joint wind power company. Through this company LKAB is expected to have access to renewable electric power that will satisfy up to five per cent of its total electricity requirements in 2015.

Outlook for the future

Industry analysts anticipate continued strong demand for high-quality iron ore products. Industrialisation, expanding prosperity and urbanisation, mainly in Asia, are increasing the world's need for iron ore. In the first quarter of 2012 demand for LKAB's pellet products remained high, particularly for direct reduction pellets.

LKAB invested more than SEK 30 billion in its operation during the 2000s and will continue to invest about SEK 5 billion per year over the next few years.

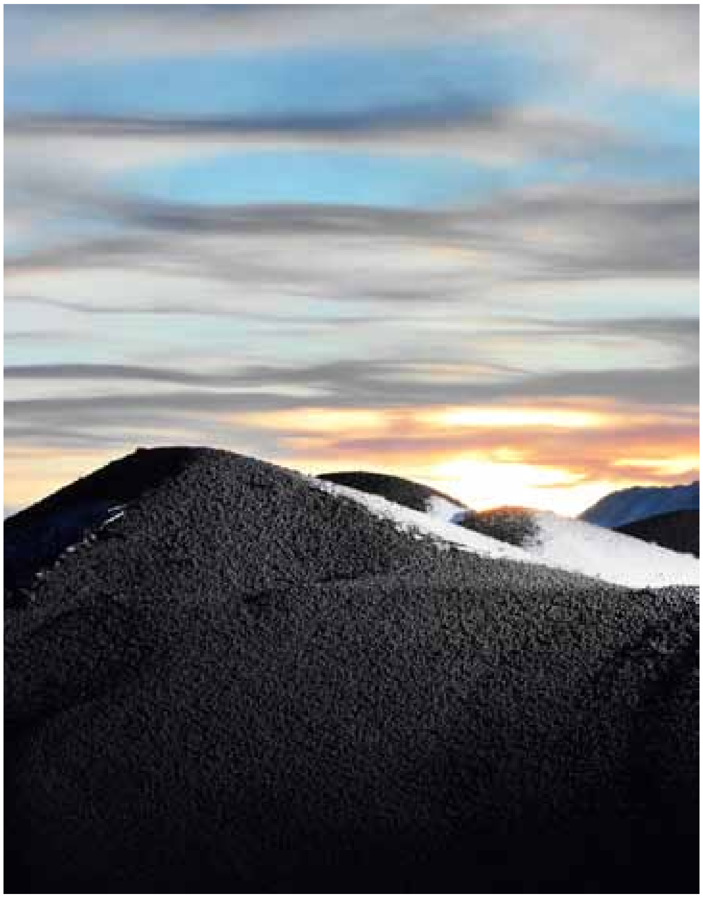
In order to grow, LKAB needs access to more iron ore to refine. It is therefore important for the company to be able to invest in new mining capacity, and that we get the necessary permits in time for the new mines in Norrbotten: Gruvberget, Mertainen and Leveäniemi. Equally important is that logistics between production sites and ports can handle the growing volumes. The Swedish Transport Administration will extend four passing sidings for meeting trains on the Ore Railway. Work will be completed in 2015, by which time

LKAB will have 17 modern trains in constant circulation between the production locations in Kiruna, Svappavaara and Malmberget and its own ports in Luleå and Narvik.

With several years of strong performance behind us, we continue to work with commitment, innovation and responsibility on building a bigger, stronger LKAB to contribute to growth in Norrbotten, Sweden and Europe.

Luleå, March 2012

Lars-Eric Aaro, President and CEO



Business concept and strategy

LKAB's business concept is, based on the Swedish ore fields, to manufacture and deliver to the world market products and services for steel manufacturing that generate added value for customers. Other closely related products and services that are based on LKAB's know-how and that support the main business can also be included in the operation.

LKAB is Europe's largest iron ore producer. But from a global perspective, LKAB is a small player. A large part of LKAB's competitiveness lies therefore in being a prominent, important supplier to steel industries with high product and quality requirements. From this perspective, LKAB has, in only a few decades, shifted its market position from being a pure commodity producer to becoming one of the world's leading developers of refined iron ore products.

LKAB has a consistently high product quality and heavy focus on the customer. By manufacturing the world's most environmentally friendly iron ore product, LKAB Green Pellets, LKAB has a unique position in a world where the customer as well as the customer's customer are placing increasingly more emphasis on reduced environmental impact.

LKAB's vision is to be perceived by its customers as the supplier that provides the greatest added value and thus is a leader in its chosen market segments. Our Performance in Ironmaking brand promise summarises the company's lofty ambitions and means that LKAB will offer products that improve its customers' production performance and profitability in more efficient processes.

LKAB's business strategy is to develop, manufacture and sell iron ore products with characteristics that surpass our competitors'. An important, business-critical objective is to also be a major supplier to each customer. To maintain and strengthen its industry position and to not be marginalised, LKAB must be able to guarantee the availability of iron ore products in pace with its customers' growth. Drastically increasing production over the next few years is consequently LKAB's company-wide objective.

LKAB has identified six strategic development areas that are crucial for the company to be able to follow its business strategy and achieve the goal of an annual production of about 37 million tonnes of finished iron ore products by 2015.

GROWTH

LKAB will grow organically or through acquisitions to guarantee iron ore raw materials. This growth will also accommodate upgrades and efficiency improvements in existing logistics and production structures and development of new business and added value through the Group's own ore deposits and expertise.

Desired outcome: LKAB will grow at least in pace with its customers, thereby continuing to be a significant supplier.

INCREASED FLEXIBILITY

Increasingly substantial shifts in the global economy make it necessary to better handle variations in demand for different products and different markets. Better production and product flexibility, a permanent presence in growth markets such as China, and sales to customers outside the steel market will reduce the impact of market fluctuations.

Desired outcome: Through diversification, LKAB will be able to offer the breadth of products that are in demand and strengthen its market position during economic downturns.

PERFORMANCE IN IRONMAKING

LKAB is a global leader in pelletising. Thanks to a sustained R&D effort, LKAB has a basic understanding of the product's function in its customers' reduction processes and its own world-class manufacturing. With the unique experimental blast furnace and recently opened agglomeration lab at its heart, LKAB continues to gradually establish a complete research centre about steel and pellets manufacturing.

Desired outcome: Deliver the best added value by developing and delivering products that increase the customers' business advantage and competitiveness.

SAFE, LEAN PRODUCTION

Sustainability in the industrial value chain, from ore to finished products in customer processes, is business-critical for LKAB. Safety and accessibility in the mines affects established growth targets. Rising energy costs have a direct impact on profitability. Emissions trading for carbon dioxide affects both our own pellet production and the choice of renewable energy sources. Streamlining and cost control mean lower resource utilisation and improved profitability.

Desired outcome: Competitiveness is strengthened through continuous, sustainable improvements that provide increased efficiency in the operations.

URBAN TRANSFORMATION

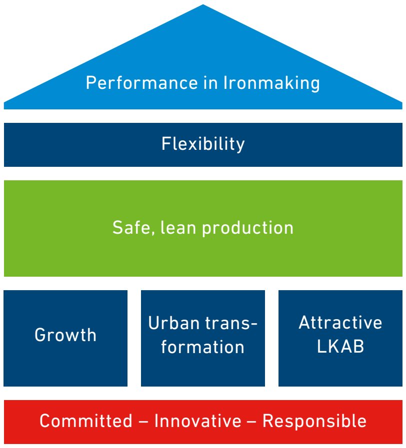
LKAB's ore mining in Kiruna and Malmberget mean that more and more land must be utilised for mining. So that LKAB's production is not affected, it is essential that the urban transformations are planned well in advance, in common cause with the municipalities and in agreement with community members. LKAB is actively involved in the process of building the new "attractive communities", as pertains to infrastructure, housing and selection.

Desired outcome: Manage the urban transformation so that production interruptions are avoided, and act in such a way that people feel confident in LKAB.

ATTRACTIVE LKAB

As the world's technologically leading iron ore company, competence management is a defining issue in LKAB's progress. Growth targets indicate that 1,200 new employees must be hired 2011-2015. LKAB builds its attractiveness as an employer inside the company by working actively with health and safety, equality and diversity, and performance, skills and career development. The company also builds its brand outward – locally, nationally and internationally – with various community agencies, government authorities, organisations and potential employees.

Desired outcome: Strengthen LKAB's brand so that the right talent can be hired, and increase interest in and understanding of LKAB among external stakeholders whose decisions influence the company and its business.



LKAB's values unite the Group and form a solid foundation for the larger, stronger LKAB being built with six strategic areas of focus.

Growth in a global market

LKAB had another strong year in 2011. Records were broken in production and deliveries of iron ore products were close to last year's record level. LKAB did well in global competition despite the fact that the year ended in financial distress with impaired solvency in several EU countries.

LKAB delivered 25.7 million tonnes of finished iron ore products, which basically was the expected outcome. The target for 2011 was initially delivery of 27 million tonnes. Because of disruptions in production facilities, logistics systems and raw goods shortages due to low iron content in the Malmberget mine, the forecast was revised in the latter half of the year to about 26 million tonnes.

Flexibility maintained deliveries

During the first six months of the year, the iron ore market showed no signs of slowing. But as a result of imbalances in the global economy, steel mills in the Nordic countries reduced their production to around 75 per cent of normal in the third quarter. In line with the flexibility strategy, however, LKAB could divert the loss of about 600,000 tonnes to other customers and stronger markets.

Even the steel mills in Europe decreased their production, which hit competing iron ore producers, but largely did not affect LKAB. This is proof that LKAB's intention to be responsive, quality-conscious and a major supplier to each customer reduces the impact of and reinforces the company's position during uncertain market conditions.

The debt crisis, the aftermath of the earthquake in Japan and above all the credit tightening in China made the spot price in the Asian market decline 30 per cent in October. Market players with variable pricing were hard-pressed and forced back to the negotiating table. In agreement with its customers, LKAB also signed annual contracts in 2011 but was not affected to any great extent. On the other hand, LKAB's flexibility strategy, with increased volumes to new markets such as China, means that the annual price model in some cases can be replaced by some form of variable price contracts.

Continued good market outlook

In spite of the fluctuations in the global economy, the underlying global demand for steel remains high. Over the last ten years, the global iron ore market has grown almost 250 per cent, and in 2011, total sales of iron ore in the world (seaborne trade) increased 4.1 per cent year-on-year.

China remains the world's largest steel producer and iron ore importer, increasing its steel production by 8.9 per cent in 2011 over the previous year. Iron ore imports increased 10.9 per cent, an increase of 67.1 million tonnes during the same period. LKAB's shipments to China increased in 2011 from five to nearly six per cent.

LKAB's home market in Scandinavia and Europe, which accounts for about 70 per cent of LKAB's total sales, remains uncertain due to the continuing debt crisis. However, signals from the European steel industry indicate that the worst could be over. Steel production in the Middle East and North Africa (MENA) was stable in 2011 with the exception of Egypt and Libya.

First-quarter shipments in 2012 were also confirmed by customers in usual quantities and demand for LKAB's pellets is high, particularly for direct reduction pellets in the MENA countries. The market outlook for 2012 is therefore considered good despite several uncertainties.

Since the world market price for iron ore products fell in the fourth quarter of 2011, LKAB's prices were lowered for the first quarter of 2012. The price level for the second to fourth quarters is currently difficult to assess, but price levels are likely to remain at historically high levels.

Natural minerals

Through its subsidiary Minelco, LKAB delivers industrial minerals for many different industries and applications. In 2011, there was strong demand for the company's prioritised minerals: magnetite, mica and huntite. Minelco's product portfolio contains only natural minerals, which points to possible future competitive advantages over synthetic materials because environmental laws are being tightened in more and more countries.

Even on the market for industrial minerals there was uncertainty in the last quarter of the year. This uncertainty resulted in a decline in deliveries to the polymer industry, which buys all prioritised minerals. The construction industry and the renewable energy market, in which magnetite is a primary product but other minerals such as mica, barite and hematite are traded, showed no signs of slowing. Demand for Minelco's main products in Asia, zircon and titanium minerals, was high the first nine months but slowed at the end of the year. Despite economic uncertainty and downturns in some markets, sales volumes for the full year exceeded the target.

The magnetite business continued to do well and Minelco's plant in Malmberget hit a new production record in 2011. Demand from the water treatment industry was high and exceeded delivery capacity. In North America, demand for magnetite products from the water treatment industry continued to look good, and there is a market for all magnetite that can be produced in Malmfälten. In Europe, the market for renewable energy is growing, creating opportunities for new business.

MINING INDUSTRY IMPORTANT FOR SWEDEN

The mining industry is a prioritised issue for both Norrbotten's and Sweden's growth. The Swedish state, which owns LKAB and the infrastructure, can establish the right conditions for further expanding growth.

"Plans for infrastructure are long term. At the same time, we must ensure that we are flexible so that investments are made at the right time and in the right way to the best possible advantage for all players."

Increasing traffic on the Ore Railway requires that the infrastructure is well developed and functioning. One of the potential bottlenecks with increased traffic flow is the Ofotbanen Railway, stretching from Riksgränsen to Narvik, where haulage capacity and number of passing sidings do not meet current needs.

"We would like to see the Ore Railway as a logistics flow from Luleå to Narvik. That is why I have been in discussions with my Norwegian colleague about Ofotbanen and how that part can be adapted to current needs."

A well-functioning dialogue always increases the possibility of good solutions for all parties.

"I really enjoy meeting with representatives of LKAB; they always look for opportunities instead of problems. LKAB is a good corporate citizen that manages to inspire both pride and confidence in people."

Catharina Elmsäter-Svärd, Minister of Infrastructure

Demand for minerals with flame-retardant properties like Minelco's huntite looks good for 2012. Minelco's jointly owned mine in Turkey contains the world's largest known deposit of huntite.

The production facilities in Turkey and England are close to capacity and planning for increased capacity is in progress. Sales in 2011 were the highest ever. The market for refractory minerals is stable, especially for recovered minerals, since demand for recovered minerals is increasing due to economic as well as ecological considerations. The main market is England, but there are plans to cultivate business primarily in the rest of Europe where the market for refractories has far greater potential considering its population of steelworks. The company also sees an opportunity to recover LKAB's own refractory waste. There is also great potential in the North American market.

Highest profit ever

Despite falling prices and a weak market over the last quarter, LKAB made an operating profit for full-year 2011 of SEK 14,705 million, the Group's best performance ever. A profit that can be attributed to sustained delivery volumes and an annual average high price level (plus 20 per cent year-on-year) for all iron ore products, on average.

What affected LKAB's business most in 2011 was not market factors, but a lack of availability of iron ore raw materials, some disruptions in processing plants and ore transportation, along with the unforeseen maintenance stop of a ship loader and late arriving ships to the unloading harbour in Narvik. The latter meant that some of December's iron ore shipments did not leave Narvik until January 2012.

Europe's largest iron ore project

Demand for LKAB's products remains high. The positive challenge for 2012 is to produce and deliver the volumes that customers want. The greatest threat to LKAB's growth target of 37 Mt is currently the supply of iron raw materials and bottlenecks in railway transport to the unloading ports.

Additional iron ore is scheduled to be taken mostly from Europe's largest iron ore project today, which includes three new open-pit mines in the Svappavaara field: Gruvberget, Mertainen and Leveäniemi. Production has been ongoing since the summer of 2010 in Gruvberget, and exploration of Mertainen was done during the year.

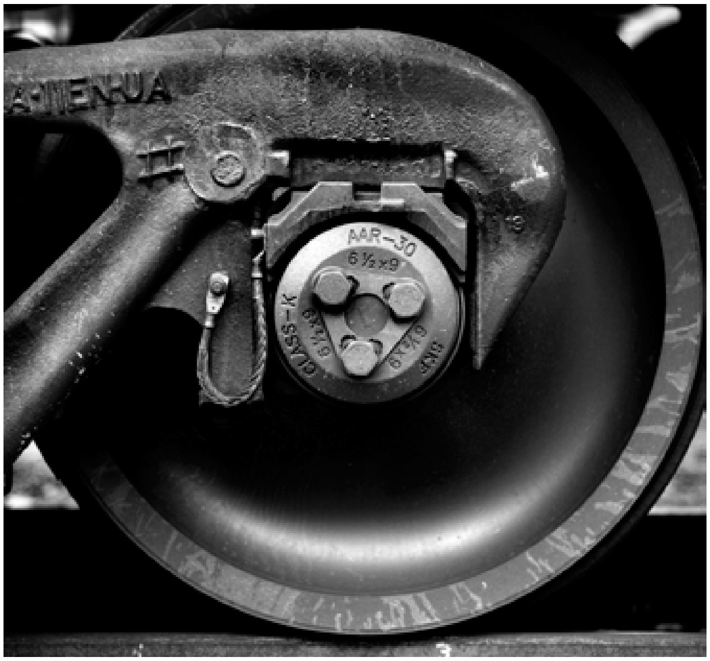
Held back by permits and logistics

Permit applications for permanent mining in Mertainen and draining the water out of the old Leveäniemi open pit mine were submitted in early 2012. Raw material shortages may seriously threaten LKAB's growth plans and ability to follow the market's and customers' growth. Along with the SveMin trade association, LKAB is driving the issue of how the mining industry as a whole can help the relevant authorities simplify processing and reduce the turnaround time in permit matters.

RECORD YEAR FOR PRODUCTION AND PELLETS

LKAB's deliveries of iron ore products was 25.7 million tonnes in 2011. The amount of pellets rose to a record level of 20.9 Mt, which represents about 81 per cent of the total delivery volume.

In total, LKAB produced 26.1 Mt of iron ore products during the year. Such large volumes have not been manufactured since the degree of refinement was gradually increased from lump ore and fines to more and more pellets. This occurred in the early 1980s when the olivine pellets were introduced. The volume of pellets produced reached 22.9 Mt – a record that represents about 88 per cent of production.



THE ORE RAILWAY – BACKBONE OF INCREASED ORE PRODUCTION

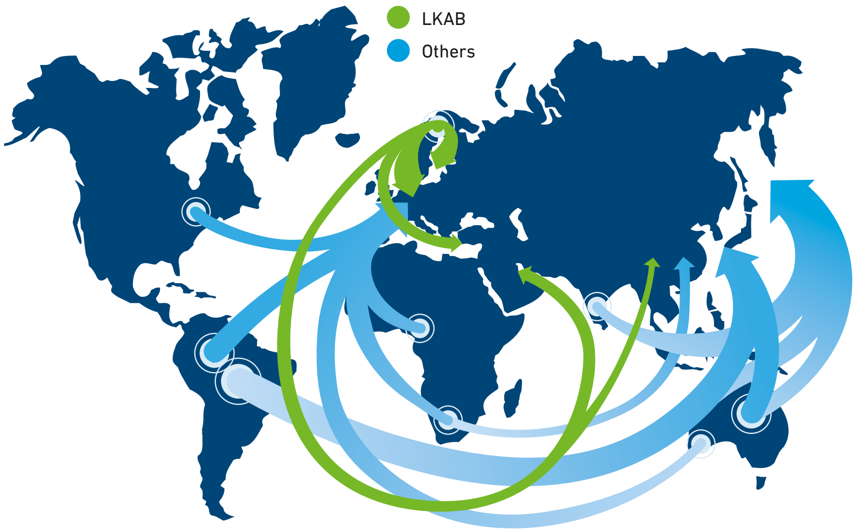
A prerequisite for LKAB's business is efficient transport along the Swedish Ore Railway and the Norwegian Ofotbanen Railway from the mines in Malmfälten to the unloading ports in Luleå and Narvik. Every day, 15 ore trains go to Narvik or Luleå, corresponding to about 1,700 truckloads a day. This amounts to a transport volume of more than one truck per minute around the clock, every day of the year.

Since 2010, all ore is hauled from LKAB by new trains. The new IORE engines are capable of pulling 68 wagons compared to the previous 52, and the load capacity per ore wagon increased from 80 to 100 tonnes. Overall, this has provided LKAB with a theoretical increase in transport capacity of 60 per cent. Today LKAB owns 13 trains, which provide a maximum haulage capacity of 33 million tonnes per year.

For the railways to cope with the new, heavier trains with their 30-tonne axle loads, the Transportation Administration has undertaken a comprehensive reinforcement project that began in the mid-1990s. In September 2011 it also became clear that the Transport Administration will extend four passing sidings between Gällivare and Luleå, and between Kiruna and Riksgränsen in 2012 and 2013. This decision was welcomed by LKAB and represents an eagerly awaited increase in capacity along the Ore Railway.

One problem for the ore transports is, however, that the Ore Railway extension in Norway on the Ofotbanen line has not been upgraded at the same pace. Although there is scope for increasing the capacity of ore trains along the Ore Railway, it is not possible on the Ofotbanen. This means that LKAB cannot utilise the full capacity of the trains since safety margins would not be met on the Norwegian side. There are also too few passing sidings for more trains per day to pass. This has created a logistical bottleneck that worries LKAB and may affect the company's growth plans. LKAB is however in discussions with the Norwegian National Rail Administration on solutions to capacity needs.

Concurrently, there are capacity issues on both the Swedish and Norwegian sides if more operators in the future intend to use the Ore Railway and Ofotbanen. LKAB's growth strategy requires a transport capacity on the Ore Railway of at least 40 million tonnes of iron ore products by 2015. This implies a need for even more and longer passing sidings on the rail route between the mining towns and harbours in Luleå and Narvik.



Global trade in iron ore

Countries with most exports	Countries/regions with most imports
Australia	China
Brazil	Japan
India	EU
South Africa	South Korea
Canada	Middle East
Sweden	

Source: CRU, December 2011

Mineral reserves and resources

LKAB reports mineral reserves and resources in compliance with recommended rules adopted by SveMin (FRB Standard). They are based on "The International Template for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves, July 2006" prepared by the Committee for Mineral Reserves International Reporting Standards. Håkan Selldén is LKAB's specialist in ore-based development and is accredited by SveMin. He has more than 30 years of experience in the mining and minerals industry and has compiled LKAB's accounting in the tables to the right.

LKAB, niche player on a global, growing market

The world's three largest iron ore suppliers are Vale, Rio Tinto and BHP Billiton. Together, they stood for about 38 per cent of the estimated iron ore production in the world in 2011 (1,825 Mt). LKAB made 26 Mt of iron ore products in 2011, representing about 1.4 per cent of world production.

Iron ore exports (seaborne trade) in the world were about 1,079 Mt in 2011, and Vale, Rio Tinto and BHP Billiton accounted for about 60 per cent. Most of LKAB's deliveries (21 Mt of 26 Mt in 2011) were exports. This represents a market share of about two per cent.

LKAB, one of the world's leading pellet producers

The global pellet capacity in 2011 was 518 Mt and production was about 430 Mt. With the current pellet capacity of about 26 Mt, LKAB is one of the world's leading pellet producers. Vale in Brazil is the world's largest pellet producer, with a capacity of about 48 Mt. Other large pellet producers are Cliffs (US), Metalloinvest (Russia-CIS) and Samarco (Brazil). Of the seaborne pellet trade of about 120 Mt, LKAB stood for about 14 per cent.

Mineral reserves

Per 31 December 2011 (to dressing plant)

	Quantity, Mt		Per cent Fe	
	2011	**2010**	**2011**	**2010**
Kiruna				
Proven	590	579	48.7	48.7
Probable	76	79	47.1	46.2
Malmberget				
Proven	174	270	42.4	42.5
Probable	105	-	41.2	-
Gruvberget				
Proven	8	10	53.2	53.2
Probable	-	-	-	-

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Mineral reserves include minerals within approved mining concessions. The mineral reserve in Kiruna comprises minerals above 1,365 m (from levelling point). The mineral reserve in Malmberget comprises minerals above 1,250 m (from levelling point) in the Eastern Field. The Western Field comprises minerals above 600 m (from levelling point). Mineral reserves for Gruvberget include magnetite minerals above 220 m (from levelling point). The proportion of broken tonnage of waste rock/ore in open pits is 1.7. When calculating the reserves, the prices in force over the period 2004-2005 were used.

Mineral assets besides mineral reserves

Per 31 December 2011 (to dressing plant)

	Quantity, Mt		Per cent Fe	
	2011	**2010**	**2011**	**2010**
Kiruna				
Measured	93	95	48.9	49.0
Indicated	160	159	45.7	45.2
Inferred	81	81	44.2	46.5
Leveäniemi				
Measured	80	80	47.1	47.1
Indicated	30	30	47.0	47.0
Inferred	-	-	-	-
Mertainen				
Measured	-	-	-	-
Indicated	-	-	-	-
Inferred	157	-	34.9	-
Malmberget				
Measured	21	116	39.8	43.4
Indicated	175	-	39.8	-
Inferred	30	-	42.7	-

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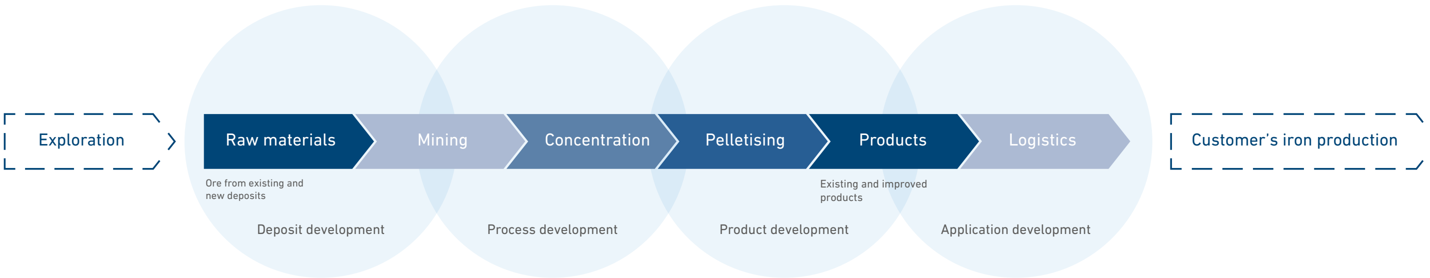
The mineral resources in Kiruna down to 1,500 m (from levelling point) are reported. Mineral resources in Malmberget are reported for the Eastern Field down to 1,250 m and between 600 and 800 m for the Western Field. At deeper levels, there is insufficient data to enable an estimate of grades and quantities. Mineral resources for Gruvberget are not presented in this report.



LKAB's industrial value chain, from ore to finished products in customer processes, is long and complex. Research and development requires a cross-functional approach and improved process integration for LKAB to reach its growth target of 37 million tonnes.

Countries producing the most steel 2011

	Mt
China	683.26
Japan	107.6
USA	86.25
India	72.2
Russia	68.74
South Korea	68.47
Germany	44.29
Ukraine	35.33
Brazil	35.16

Sweden	4.87

Source: worldsteel

R&D positions LKAB

LKAB's group-wide strategy is to be a major supplier in the customer's product mix in order to avoid marginalisation. Growing with the customer requires increased production, but also products that satisfy customer needs and development of more efficient processes. LKAB is now a world leader in the development of high-tech iron ore pellet products. The ability to always stay one step ahead of the competition is crucial to LKAB's long-term competitiveness.

LKAB's research and development work is long term and highly intense. Innovations like olivine pellets and knowledge of large-scale underground mining are historically significant R&D landmarks that laid the foundation for LKAB's current market position. LKAB is the only iron ore producer to offer testing in an experimental blast furnace, which is a unique opportunity for customers to work with LKAB on developing new products, tuning blast furnace processes and developing new technologies to improve profitability. A successful concept that should help to secure delivery volumes during difficult market conditions.

TWO PATHS TO STEEL WITH LKAB'S FUTURE PRODUCTS

The globally predominant method for producing crude iron is in blast furnaces. In the blast furnace process, iron carriers (pellets, sinter or lump ore) are heated up and the oxygen is removed, or reduced, with dry distilled carbon (coke). More than 90 per cent of all steel in the world is produced in blast furnaces. One of the weaknesses in the blast furnace process is its environmental impact, since the reduction process generates large amounts of carbon dioxide. Another weakness is the vast amounts of energy required, which often comes from fossil fuels.

Of the other ironmaking methods, the natural gas based direct reduction processes are dominant. In the direct reduction process, the oxygen is reduced with natural gas instead of coke and at a lower temperature. The iron carriers then form a porous iron mass called sponge iron, which is then further processed into various grades of steel. The direct reduction processes have less impact on the climate since they generate less carbon dioxide per tonne of steel produced compared to blast furnace steel. LKAB is conducting research on new generations of direct reduction pellets in which carbon dioxide emissions can be reduced dramatically – up 80 per cent or more.

Efficient direct reduction processes require iron ore raw material of very high quality. LKAB's direct reduction pellets have a very high iron content and contain additives that increase productivity, reduce energy needs, wear and waste products, and give the steel industry the best value-in-use. Direct reduction pellets represent about 30 per cent of total production at LKAB, and demand in the steel industry is growing steadily. Direct reduction pellets are therefore an increasingly important product for LKAB.

Important for business strategy

To widen its technological lead, LKAB established a pelletising research laboratory in Malmberget. The agglomeration laboratory gives LKAB a unique opportunity to develop new types of pellets through interdisciplinary research in areas such as mineral processing, chemistry, metallurgy, and command and control technology. Within a few years, an experimental installation for direct reduction processes will be constructed, and in the long term there are also plans for an experimental pelletising plant. The goal is a complete research centre for pelletising and reduction processes that will ensure LKAB's position as the world's leading pellet manufacturers in the future.

Besides research on new pellet products and how to use them in customer processes, intensive work on developing our own mining and manufacturing processes is in progress to lower costs and environmental impact. Other priority areas of research include how to maximise the product results of ore in existing and new deposits and how to increase safety and accessibility in the mines.

Research and development plays a key role in and for LKAB's six strategic focus areas. For example, process and product development has direct effects on LKAB's profitability. An increased ore yield of one per cent, from mine to finished product, gives an increase in profit of about SEK 180 million. Increased production in the processing plants results in around SEK 500 million in increased earnings per million ton annually.

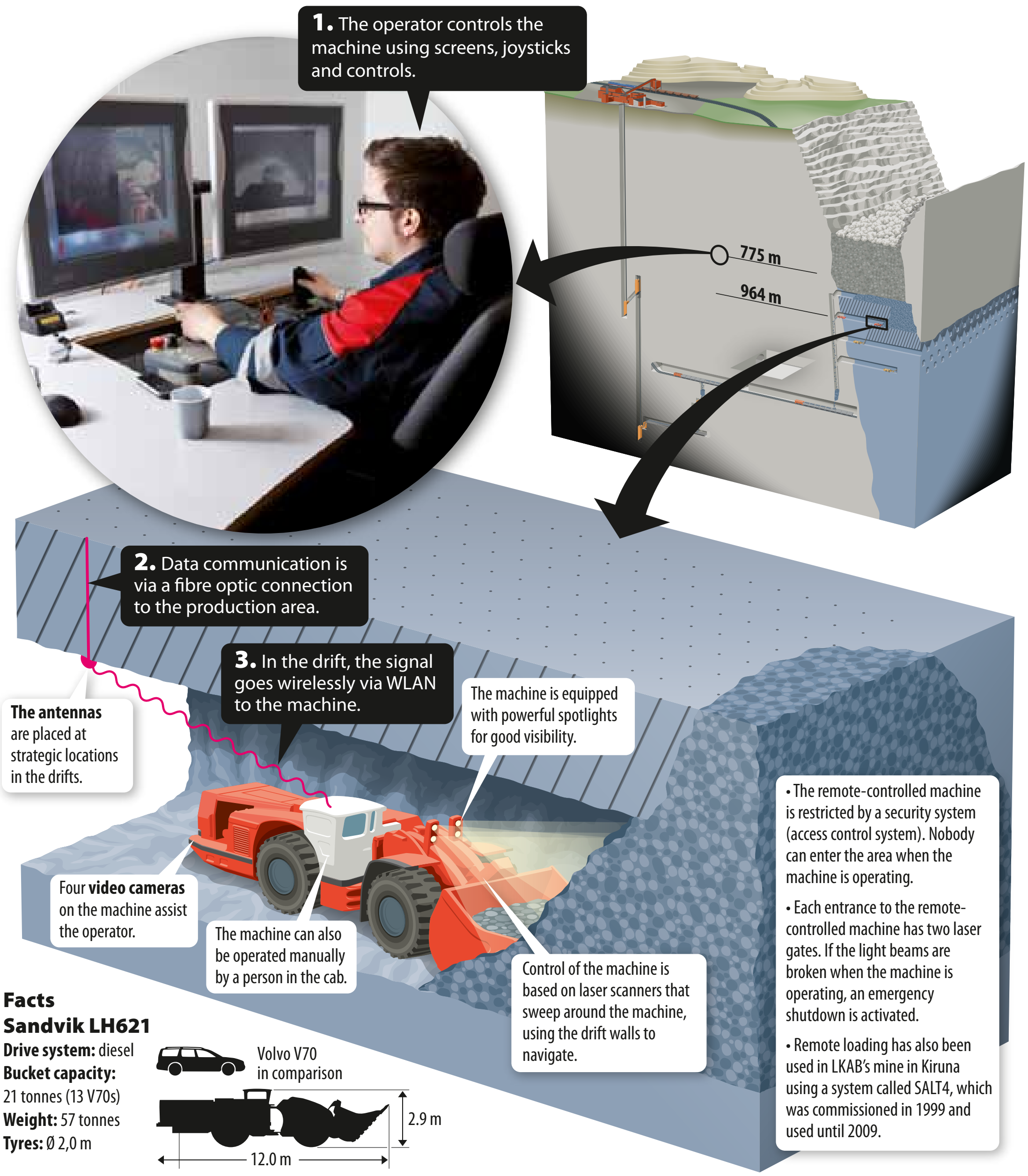
Research as open innovation

Since LKAB has a business strategy based on technological leadership, the company has long opted for extensive interaction with external centres of excellence, both nationally and internationally. Our own research is closely linked to Luleå University of Technology, the Hjalmar Lundbohm Research Centre and the LKAB Excellence Centre in Mining and Metallurgy. This external research collaboration creates research synergies and is a key factor in recruiting talent to the company.

REMOTE LOADING INCREASES PRODUCTION

A good example of LKAB's world-leading R&D work is the new remote control system in the Kiruna mine that facilitates increased night loading. This enables maintaining of delivery levels despite changeovers to new main levels.

"LKAB has been a pioneer in this development"



Source: Mats Strömsten, research engineer, LKAB, Sandvik

SVENSKA GRAFIKBYRÅN. PHOTO: FREDRIC ALM

Loading can be done at night, right after blasting, as soon as visibility is good enough. It takes a few hours for the blasting fumes to air out, so manual operation must wait for several hours. Reote loading is better for the work environment in terms of ergonomics and safety. The operator does not always have to be at the mine face and does not have to sit in a bumpy machine or in front of a computer screen all day. It is possible to switch between automation and manual operation, which means variation on the job.

A sustainable strategy toward increased production

Long-term thinking and sustainability issues like occupational health and safety and environmental management have a deep and fundamental connection to and roots in LKAB's operation. Sustainability plays a central role in the Group's strategies and growth targets which indicate the direction the company will take for the future. The company's main product, LKAB Green Pellets, is the world's most climate-smart iron ore product and is highly relevant to LKAB's future competitiveness.

From a commercial and competitive perspective, it is imperative that LKAB grows with its customers when demand in the global iron ore market increases. If steel mills cut production, the iron ore supplier with the highest per centage in the product mix will have the greatest chance of retaining its deliveries.

LKAB's products provide customers with added value. With LKAB Green Pellets, steel mill productivity is higher with lower emissions. For the difference between our products and others to be noticeable, LKAB must play a sufficiently large role in the customer's process.

Being a major supplier to each individual customer means that immunity to market volatility and recession improves. This means in turn that LKAB is given a greater opportunity to remain a strong employer, community builder and growth engine in the local communities and region.

As more ore is taken from the mines, more land will have to be utilized and the communities will be transformed. The big challenge of urban transformation is not only that neighbourhoods must be moved, but also that each individual's questions, uncertainty and anxiety are met with respect. LKAB's commitment to the areas it operates in has historically been characterised by good community relations. Mutual understanding and building a new and better community together is the real urban transformation.

Working from a sustainability perspective gives LKAB the opportunity to exploit the possibilities and fend off the threats that the company may face economically, ecologically and socially in the long term. Sustainability is therefore an important part of LKAB's business and an instrument for growth and value creation that is fully integrated into the company's six strategic focus areas.

LKAB's six strategic focus areas

- GROWTH
- INCREASED FLEXIBILITY
- PERFORMANCE IN IRONMAKING
- SAFE, LEAN PRODUCTION
- URBAN TRANSFORMATION
- ATTRACTIVE LKAB

Prioritised sustainability issues

LKAB works in four sustainability areas: urban transformation, occupational health and safety, equal opportunity, and environmental and climate impact. It is in these areas the company has significant risks and opportunities from a sustainability perspective, and they are also integrated into LKAB's strategies. Improvement efforts occur systematically to improve key performance indicators to set target levels within the four focus areas. See also sustainability management on page 46.

In this year's materiality analysis, LKAB has gone through the issues that we perceive to be particularly important to our stakeholders. These issues are attractive communities, competence management, health and safety, availability of iron ore raw materials, emissions and energy use. We describe how we address these issues later in the Sustainability Report.

Stakeholder dialogues and materiality analysis

A stakeholder is defined by LKAB as a group that is interested in and affected by LKAB's operation. The most important stakeholders are owners, customers, employees, government authorities, suppliers, local residents and the media. LKAB distinguishes itself by the strong relationships the company has with local communities, local authorities, landowners and the Sami population. Dialogues with these groups provide LKAB with an important outside perspective and clearly indicate which sustainability issues stakeholders perceive as important.

In 2011, LKAB began work on establishing clear procedures for handling incoming comments and complaints about the business in which contacts with stakeholders and case management is structured and can be followed up. In 2011, 41 complaints were received. In essence, they concern vibration and dust, and in some cases noise. Read more on stakeholder dialogues below and on page 24.

STAKEHOLDER DIALOGUES DURING THE YEAR

Stakeholder dialogues are important sources of information and feelers to the outside world. LKAB also takes in views from stakeholders through industry associations and partnerships, and by continuously monitoring trends. The scope of the dialogue process and the number of channels is increasing. Here are some examples of our engagement with stakeholders during the year.

STAKEHOLDER GROUP	DIALOGUE OCCASIONS	ISSUES
Customers	Collaborative projects, meetings	Green pellets, delivery reliability and Performance in Ironmaking – pellet quality
Employees	Employee conversations, workshops, training programmes, salary survey, strategy meetings with the CEO	Safety, professional development, wages, influence
Authorities, County Board and municipalities	Public and private meetings and consultations, workshops	Environmental, land and planning issues, urban transformation
Owner	Individual meetings, Board meetings, Annual General Meeting, ministerial visits to Malmfälten	Goals and strategies for sustainability, equality, diversity, corruption, energy efficiency, urban transformation
Suppliers	Training courses, meetings, contract discussions	Collaboration issues, contracts, health and safety, environment
Local residents and reindeer husbandry	Meetings, visits to information centres, cooperation agreements, direct distribution of magazine to all households in Kiruna, Svappavaara, Gällivare/Malmberget, chats	Urban transformation, construction and compensation, dust, noise, vibration, reindeer migration trails, winter grazing, impact of construction, freedom of movement, hunting, fishing
The media	Press releases, press conferences, meetings	Urban transformation, financial results, permit issues

Top: One of the 10 bridges over the 18 kilometre long new railway line in Kiruna is a wildlife passage covered with soil, grass and trees that is also used for reindeer migrations.
Above: Lars-Eric Kuhmunen, Gabna Sami village and Tor-Erik Huuva, Laevas Sami village.

COOPERATION AGREEMENT WITH SAMI VILLAGES

All three cities in Norrbotten where LKAB mines iron ore – Kiruna, Svappavaara and Malmberget – are located inside or adjacent to the land on which the Sami villages have their year-round lands, that is, the unconditional right to reindeer grazing all year round. LKAB works closely with the Sami people on environmental impact and land use issues and in several cases has drawn up formal agreements with different Sami villages in all operational locations.

In 2011, the planning of the new open pit mines in Svappavaara led to discussions in six cases with Sami villages Gabna and Laevas. The discussions concerned reindeer migration trails, winter grazing and the ability to cross water courses in the winter. As one stage in identifying and managing impacts from planned mining on reindeer husbandry, LKAB set up cooperation agreements with the two villages. The cooperation agreement regulates LKAB's and the Sami villages' cooperation during the development of in-depth reindeer husbandry analyses and social impact assessments.

"Historically, the Sami villages have had to move when mining operations claimed land; the Sami villages were forced to adapt their livelihoods as the mining businesses expanded," says Tor-Erik Huuva, head of the Laevas Sami village. "Today we have ongoing dialogues that will create better opportunities for the villages and the existing mines to live side by side. Even though we are not entirely satisfied with the restrictions on grazing areas and outdoor activities, LKAB shows that they listen to the reindeer industry and that they want to keep the lines of communication open."

After the analyses and impact assessments are completed, LKAB and the Sami villages will still need to agree on how the impact of future planned activities on reindeer husbandry can be regulated.

"As I see it, our dialogue with LKAB worked very well and it has been easy to get hold of the coordinators of various issues," says Lars-Eric Kuhmunen, head of the Gabna Sami village. "We are aware that it is difficult to fix all plans in exact detail, but we have been informed directly of all changes that have come up along the way."

Attractive communities

Urban transformation is a prioritised sustainability issue and an essential part of LKAB's growth strategy. As more land is claimed for mining activities, LKAB's goal is to help the new communities that are built to be better than the existing ones when it comes to infrastructure, housing, selection and public functions. LKAB's attractiveness as an employer is closely linked to quality of life in local communities.

Urban transformation is the result of LKAB's continued mining operations and growth plans, which means that parts of Kiruna, Malmberget Svappavaara must be moved. This same growth has also greatly increased the need for a qualified workforce and contractors/consultants within LKAB in the coming years. Living environments weigh heavily when qualified employees are to be recruited and an attractive LKAB requires attractive communities.

As the mining below ground continues, the communities of Kiruna and Malmberget are affected fundamentally. Over the next 20 years, LKAB estimates that about three thousand flats must be dismantled in Kiruna alone. This is a challenge for everyone involved: residents, municipalities, landowners, Sami villages, authorities, LKAB and many others. LKAB's ambition is to help build these future communities via cooperation and open dialogues. The goal is to ensure mining activities with communities that remain functional and attractive during the transformation phase.

Increased information

One of the key issues concerning urban transformation is access to information. Surveys show that more than 80 per cent of local residents in Malmfälten read the magazine LKAB Future. In February 2012, www.lkabframtid.com merged with www.lkab.com in connection with the website's relaunch. The site now has a special section directed to residents in Malmfälten. In May 2011 LKAB opened a new information office in Kiruna, which quickly became popular. During the year the office hosted more than 10,000 visits, and visitors asked questions about things such as LKAB's mining and the urban transformations. In Malmberget, the information office had about 2,400 visits during the year. The decision was taken to also open an information office in Svappavaara in 2012.

Events in 2011

- SEK 1,234 million was set aside for urban transformation in Kiruna and Malmberget.

- LKAB formed the LKAB Academy. One of its goals is to turn the upper secondary schools in Kiruna and Gällivare into the best in Sweden. The Academy is part of LKAB's investment in future competence management and aims to get young people involved in community development.

- The Hjalmar Lundbohm Research Centre at Luleå University of Technology, received SEK 50 million to be used for research on urban transformation and logistics.

- Several interdisciplinary research and collaborative projects with LKAB, the municipalities in Malmfälten and LTU were started. Among these are Nya Giron, Attractive Living In Cold Environments (ALICE) and Attractive and Sustainable Cities in Cold Climates (ATTRACT). All are aimed at stimulating growth and flexible, innovative, sustainable city planning and construction.

- Lindbäcks Bygg constructs 28 new energy-efficient flats in Bäckåsen in Gällivare with LKAB as the financier. The building is within the IUC Norrbotten LÅGAN cooperative project, whose objective is constructing buildings with energy consumption of only 75kWh/m^2, which is close to the requirement for passive houses.

- In open dialogues with the residents, property companies, schools and Gällivare Municipality, LKAB is conducting a project called "A Nicer Malmberget" with the goal of creating a pleasant living environment for residents based on their own preferences. This effort also resulted in summer jobs for 17 young people in 2011.

- The New Gällivare project will be conducted by the municipality through 2012 in close cooperation with local residents and businesses, including LKAB. The purpose and goal is to compile good decision-making information for the urban transformation and highlight its business opportunities, both locally and regionally. A well-attended growth conference and workshop was also offered, at which stakeholders from all over Sweden discussed the opportunities associated with the urban transformation.

- The Kiruna Archery Club, whose outdoor range ended up in LKAB's deformation zone five years ago, got a new building and range that complies with the Swedish Archery Association's regulations.

More stakeholder dialogues

LKAB held extensive stakeholder dialogues on urban transformation during the year. Besides daily meetings with community citizens at the information offices, LKAB held several individual and joint meetings, seminars and consultations with various community authorities, visiting government ministers, government agencies, schools, interest groups, land and property owners, representatives of the Sami people, businesses and others. The issues discussed included sustainable construction and urban transformation opportunities, property assessment and purchasing, obligations, compensation and involving young people in the change process.

Mine City Parks

Land areas affected by deformations are increasing. The deformations were measured and predictions are being made as to how long an area may be occupied and used. This means that the area can be open to public for many years despite deformations. Together with Kiruna and Gällivare Municipalities, LKAB decided to establish publicly accessible green areas as buffer zones between urban and industrial land, known as Mine City Parks.

Based on conditions in the detailed development plan, LKAB and the municipalities will determine how the areas should be used and designed. The residents of the mining towns may also submit proposals for what the Mine City Parks should contain.

The Mine City Parks are a way to facilitate community planning and provide a safe living environment during the transformation phase. The first phase of the Mine City Park in Kiruna was inaugurated in September 2011. The detailed development plan was approved by the County Administrative Board in December 2011 after review as per the Planning and Building Act regarding cultural sites of national interest. An appeal is currently being dealt with in the Land and Environmental Court.

New homes being built and planned

LKAB has begun redevelopment of two barracks in a first stage that will create 24 new flats at the old Army Ranger Regiment in Kiruna. The flats will be leased by LKAB Fastigheter and be ready for occupancy in early 2013. Up to 250 flats are being planned in the area. On Mt. Luossavaara's southern slope, a first phase of 150 new flats is being planned. LKAB has requested

On Christmas Day 2011, an ice skating rink was opened in Mine City Park in Kiruna, a collaboration between LKAB and Kiruna Municipality. There was Christmas music, and ginger snaps, hot drinks and hot dogs were served.

URBAN TRANSFORMATION – NOT JUST BUILDING NEW HOUSES

Urban transformation is increasingly a fact in Malmfälten. Both Kiruna and Malmberget are affected to different extents. New roads and railways are being constructed, residential ares are being moved and, to a large extent, new cities are taking shape. Maria Viklander, professor at Luleå University of Technology, has worked on the Nya Giron project, which is helping to design the new Kiruna. The Attractive Living in Cold Environments (ALICE) project covers all of Malmfälten and will start in 2012.

"We have a chance to not only build new houses, but also create a whole new community with all that implies. New building techniques and new building materials can give a future sustainable community. The entire infrastructure is included: roads, energy issues, water and sanitation. And above all, we have the chance to build a community in which people want to live and can be happy."

Besides researchers from Luleå University of Technology, representatives from the municipalities concerned and LKAB are working on the urban transformation project, which in itself can be a challenge.

"Sometimes we don't speak quite the same language. The initial meetings in particular have to take the time they take so that everyone understands each other. After a while it usually works out well."

Maria Viklander
Professor, Department of Civil, Environmental and Natural Resources Engineering, Luleå University of Technology

a planning decision from Kiruna Municipality and expects to start building in 2013 with occupancy in autumn 2014.

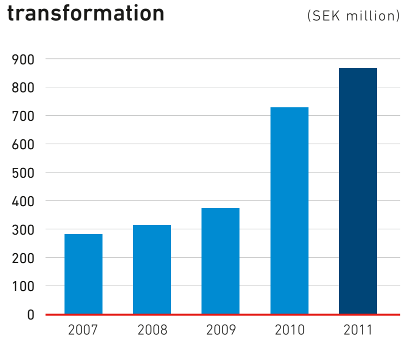
In Gällivare, the first 28 flats in Bäckåsen were ready for occupancy in 2011. After LKAB headed up this effort, other players, including HSB, have started new construction projects in Gällivare.

Acquisition, removal and reclamation

LKAB acquired three properties in Kiruna during the year in light of the urban transformation. For the construction of the new E10 and future construction projects on Mt. Loussavaara, LKAB tore down a number of older industrial buildings and remediated the area so that it meets requirements for residential purposes. Fourteen properties were acquired in Gällivare over the year. Six buildings in the Johannes commercial area in Malmberget were demolished and the land areas were remediated. Six historical buildings in the area were dismantled and are being stored temporarily in a warehouse in Vitåfors pending relocation.

In Grönland, at the former olivine mine, subsidiary Minelco completed some remaining remidiation work during the summer and autumn.

Payments for urban transformation



Group payments for urban transformation in 2011 totalled SEK 869 million, of which SEK 624 million was for new railways, including preparatory work.

Swedish law states that a mining company that affects its environment should pay for the damage and intrusion caused by the operation. By the end of 2011, payments for urban transformation in Malmberget and Kiruna (compensatory damages for infrastructure impacts) were made as per the above chart, so far totalling just over SEK 2.8 billion.

In the annual accounts for 2011, LKAB set aside SEK 1,234 million for urban transformation in Kiruna and Malmberget.

THE FIRST NOBEL LECTURE IN MALMFÄLTEN

LKAB works actively to find new ways to engage and enthuse young people, the community builders and employees of the future. This year, LKAB used its international network to get Dan Schechtman, the most recent Nobel Laureate in Chemistry, to come to Lapplands Gymnasium School and inspire upper secondary students from Malmberget, Kiruna, Pajala and Jokkmokk. The lecture was also broadcast live on the internet. The event was moderated by two talented high school students from Välkomma School: Johan Björnström and Victor Norberg. Dan Schechtman was impressed: "The LKAB Academy is a very important initiative that gets young students interested in a technical higher education. It supports optimism for the future, technological advances and trust in the industry as builders of the future. That is more important for Sweden than you could imagine."

Long-term growth catalyst

LKAB is Norrbotten County's largest industrial group. In 2011, the company made its best profit ever, despite the weakening economy. Through a strong focus on sustainable growth, LKAB generates considerable, long-term economic value for its stakeholders.

In 2010, LKAB was Sweden's largest industrial investor and the eighth largest exporter with an export value of about SEK 23 billion. In 2011, LKAB increased investments from about SEK 4 billion to more than SEK 5 billion. A large proportion of the investments benefitted local communities and the region as a whole. LKAB's strong growth is directly and indirectly an economic base for contractors, consultants and workers from throughout the region and other parts of the country. Thus, LKAB helps increase the number of small businesses, private purchasing power and municipal tax revenues.

This means that LKAB brings great economic value to its stakeholders, including the owner, and is one of the main propellants of economic development in local communities and the entire region. Despite the negative effects the debt crisis in Europe and other issues had on the world economy in the second half of 2011, LKAB fared well thanks to its flexible product and sales strategy. LKAB is a major contributing factor to Norrbotten being Sweden's most successful growth region, even during recession.

Suppliers benefit

Producing iron ore pellets requires equipment and services that are purchased from a number of suppliers worldwide, creating jobs in many countries.

Meanwhile, local suppliers play an important role in LKAB's operation, particularly in service, repairs and transportation. LKAB is dependent on local contractors to assist with specialist knowledge, equipment and additional work capacity. A large number of technical consultants assist LKAB in development and planning. These local suppliers benefit economically from the growing Swedish mining industry that LKAB represents. In 2011, LKAB paid a total of SEK 11,625 million to its suppliers.

LKAB expects suppliers to have a sustainability focus that includes the environment, safety and other social issues like respect for human rights.

Business ethics

LKAB's values and ethics policy outlines the individual employee's responsibilities and how the Group and its employees should act within the company as well as in external relationships. LKAB's goal is to run a sound, successful operation with high integrity.

Everyone involved in purchasing at LKAB undergoes a training programme that describes the risks concerning corruption, bribery and subornation and how they should be handled. In 2011, 38 employees

Anders Dahlin, Johan Bucht and Erik Hjortsberg looking up at pure Svappavaara ore.

attended the course, and so far 215 persons have attended. LKAB did not need to take action in cases of corruption during the year and did not conclude any contracts with partners due to corruption offenses.

About 6,000 persons participated in LKAB's Family Days in Norrbotten in the summer of 2011. Circus Maximum, led by Bengt Källqvist, held four performances.

Local and international commitment

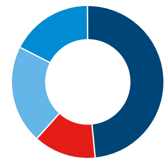
Commitment to local communities and actively contributing to community development is an important issue for LKAB no matter its place of business. In Kiruna, LKAB participates in the local employer's network for human resource and occupational health and safety issues (KIRSAM). In Gällivare and Kiruna, LKAB is one the owners of local commerce companies Expandum and Progressum, which aim to develop the economies of the municipalities. LKAB is also a partner in the venture capital company Norrskenet.

LKAB also sponsors technology-related activities in schools and for young people through the HjärnQulan project. This includes donations for special technical equipment, study tours to LKAB or other technically interesting operations like Teknikens Hus, a science centre in Luleå, and Berzelius Days in Stockholm.

In the countries where LKAB subsidiary Minelco is active, several smaller investments are being made to promote positive developments.

For additional information about the Group and Parent Company's generation and distribution of economic value, please see the Annual Report's income statements, balance sheets and cash flow statements.

Generated and distributed economic value (SEK million)



Suppliers	11,625	(11,696)
Employees	3,260	(2,907)
Shareholders	5,000	(500)
Taxes	4,165	(2,575)

Of the SEK 31,991 million that LKAB's operation generated in 2011, SEK 24,050 million was allocated to various stakeholder groups, and SEK 7,941 million was reinvested in the Group. Of taxes paid, SEK 4,083 million was in Sweden, SEK 26 million in Norway and SEK 56 million in other countries.

Sponsoring

LKAB's sponsorships aim to strengthen its brand and to benefit the recipients as well as the local community. In our operational locations, we sponsor mainly culture and sports, which is part of LKAB's investment in attractive communities and which contributes to better public health. Our strategy is to offer breadth in sponsorship that helps attract young talent and to help them reach the top. Some examples are world-class wrestlers Sofia and Johanna Mattson and Henna Johansson, and Olympic and world champions in cross country skiing Charlotte Kalla and Marcus Hellner. At the 2011 Swedish Sports Gala, Marcus was named Male Athlete of the Year. He is also a member of the men's ski team, which received the prestigious Svenska Dagbladet gold medal for achievement in 2010.

LKAB has a contract with Norrbotten Theatre for a culture initiative for children and youth in Malmfälten.

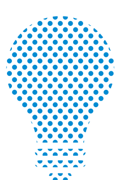
LKAB's sponsorship in the form of grants, mainly to education, culture and sports in northern Sweden and Norway amounted to SEK 134 million.

Cross country skier Charlotte Kalla is one of the top athletes LKAB sponsors. She competes for IFK Tärendö and was named Female Athlete of the Year at the 2011 Sports Gala.

Attractive LKAB

LKAB is built on knowledge. Our employees are the melting pot of skills that position the company in a global, competitive market. Being an attractive employer that can recruit, retain and continually develop a skilled workforce is high-priority work.

COMMITTED



INNOVATIVE

RESPONSIBLE

Committed, qualified employees are essential if LKAB is to maintain its position as one of the world's leading pellet suppliers. Efforts to always advance and improve operations should permeate the entire Group. Employees and their expertise contribute substantially to forming LKAB into an attractive, competitive company. The strategic focus area "Attractive LKAB" very greatly affects LKAB's ability to fulfil its Performance in Ironmaking customer promise.

Our values

For more than a century, generations of employees have built our brand and constantly cultivated the company. Today, LKAB is a different company than the one founded 122 years ago. Iron ore is still mined in Malmfälten, but the work, experience, tools, products and customer offering have changed fundamentally.

As the world changes, LKAB's image also needs to be modernised, and the Group's values, strategies and goals must be clarified externally and within the organisation. In 2011, CEO Lars-Eric Aaro met with more than 3,500 employees in Sweden and Norway to explain the Group's strategies and where LKAB is heading. New tools for operations management were developed, for which focus lies on increased participation and motivation.

One of the tools developed during the year was LKAB's core values. They were formulated via a comprehensive project that employees were involved in through a variety of activities such as interviews, surveys and workshops. LKAB's values are based on three strong core value words: Committed, Innovative and Responsible. Together with the Performance in Ironmaking customer promise, the core values are one of the Group's key instruments, both internally and externally, in its daily work toward the LKAB 37 growth target.

Subsidiary Minelco worked with a process for HR dialogues during the year to identify areas of development for personnel projects. The aim is to provide information on policies and instructions on ethics, information, quality control, the environment and energy, personnel, occupational health and safety, and travel.

Events in 2011

- Training increased more than 45 per cent to 6.7 training days per employee per year. Besides extensive training in occupational health and safety, courses were conducted in operations management, performance development and maintenance. Extensive industrial training in view of the new main levels in the Kiruna and Malmberget mines was also conducted.

- In-depth interviews were conducted with 60 employees of varying backgrounds as part of "Attractive LKAB". Read more on page 30.

- About SEK 110 million is being invested in the newly established LKAB Academy and the Hjalmar Lundbohm Research Centre at Luleå University of Technology. Read more under "Attractive Communities" on page 23.

- LKAB carried out several high-profile recruiting events, including one at the Wilderness Fair in Stockholm together with Swedish Lapland, which resulted in considerable national attention and good PR. Aviation Day at the F21 air force base in Luleå had more than 40,000 visitors, and many also took the opportunity to visit LKAB's recruitment booth.

- Increased and high-profile recruitment efforts during the year resulted in nearly 6,000 job applications, which is 10-15 qualified applicants per advertised position. Of these, about 400 permanent and 950 temporary positions were filled.

- Of the new recruitments in 2011 for permanent positions, 28 per cent were women. For temporary or fixed term positions the corresponding number of women were 38 per cent.. Among the temporary positions, the figure was 38 per cent. The per centage of women at LKAB has increased from 14.3 per cent in 2010 to 16.7 per cent in 2011. This means that the number of women in the Group has quadrupled since 2000.

- A salary survey was carried out in 2011. No generally unjustified wage differences were found, but a number of individual cases were identified and these led to adjustments.

Training

Attracting, developing and retaining employee skills within the Group is business critical for LKAB. The company invests heavily in development opportunities for staff, for example through training and career transition.

In 2011, major training initiatives in performance development, operations management and maintenance were carried out. The one-year trainee programme was conducted for the fourth time with eight participants. The number of training days per employee per year was 6.7 (4.6). The target of at least five training days per employee per year was surpassed by a wide margin.

In 2011, LKAB replaced its previous safety training course for contractors with the SSG Entre Safety Passport. It is a computer-based, interactive course used by many different companies in the industrial sector. The programme includes both general and LKAB-specific sections, and all contractors working in LKAB's industrial areas must take and pass the course. The programme is valid for three years but the switch meant that all contractors working for LKAB took the course during the year. A total of 10,046 persons registered for LKAB's course at SSG by the end of 2011.

Recruitment and personnel turnover

With increased production and retirements, LKAB will have to hire about 1,200 new employees by 2015. The challenges are many. The range of professional skills in demand is wide and the strong growth in Norrbotten combined with generation succession causes competition for labour.

LKAB's recruitment process is broad and comprehensive. Through an open, active dialogue, LKAB builds its brand and its image as a trustworthy company. LKAB's involvement in elementary and secondary schools along with colleges and universities sharpens their programmes and gives the company a good platform for future recruitment. By actively working with diversity and equal opportunity issues, LKAB aims to be a workplace for everyone and as such broaden the recruitment base. The long term objective is for the per centage of women employed in the Group to be 40 per cent.

Through a close, dynamic dialogue with employees and distinct values LKAB strives to boost the company's attractiveness and identity as an employer. Employee development is continuous and careers in various parts of the Group and/or as leaders is encouraged. A manager platform was also developed in 2011.

Personnel turnover during the year was 16.7 per cent. About 400 new employees were hired and about 220 persons left the Group, mostly through retirements.

Göran Lantto, Marie-Louise Fors and Agne Vallsten work at the processing plants in Svappavaara.

Number of permanent employees distributed by region 2011

	Total
Sweden	3,371
Norway	177
Finland	3
Holland	22
Germany	16
Belgium	3
England	207
Slovakia	1
Turkey	37
Asia	58
USA	5
Total	3,900

At the end of the year, LKAB had 3,900 permanent employees, of which 1,228 were white collar and 2,672 were blue collar workers. There were 43 part-time employees. There are options available for full-time employment and part-time for employees with small children.

Personnel turnover – Group

Year	**Per cent**
2006	6.2
2007	8.0
2008	8.2
2009	4.6
2010	12.2
2011	16.7

Calculated on number of external departures and recruitments in relation to permanent employees as of 31 December last year. Personnel turnover divided by region or age is not disclosed.

PERFORMANCE DEVELOPMENT HONES LKAB

In early 2011 a project was started by LKAB and the PTK unions in Sweden to jointly develop and implement a simple, efficient way of developing, prompting and rewarding good performance. The goal was to find more consistent and clearer approaches to the Group's various models of employee dialogues concerning personal and professional development, performance reviews and salary. The training aims to get employees to take responsibility and, supported by their immediate supervisors, pursue and develop their own performance toward set goals and to act according to LKAB's core values of commitment, innovation and responsibility.

Gender equality and diversity

Historically, LKAB is a male-dominated workplace. As late as 1976, women were not allowed in the mines. But times and the mining profession have changed and LKAB is now an employer that interests many women, especially from the younger generation. The number and per centage of women is shown in the adjoining diagram. The proportion of women on LKAB's Board is 50 per cent and in Group Management 33 per cent.

Competence management is strategically a very important area for LKAB. To get a broad base for future recruitment, the company strives to be an attractive employer to all regardless of gender, age, disability, cultural background or sexual orientation. From this perspective it is important for LKAB to counter all forms of discrimination in the workplace.

Equality and diversity issues are dealt with at LKAB at the department level and within a joint group called the Diversity Group. An action plan for equal treatment was developed by several departments, and a survey on equal treatment was carried out by an external party in 2011. The survey was conducted via in-depth interviews with 60 employees of varying backgrounds. The preliminary report shows that actions need to be taken. The matter is under consideration by the Diversity Group, which will present its findings and action plan in 2012.

A notification was received by the Swedish Equality Ombudsman concerning perceived discrimination in the appointing of internships at LKAB in 2011. No discrimination could be proven and the Ombudsman closed the case without taking action. Several cases of harassment were reported to LKAB's HR department during the year. These were investigated and LKAB has taken action as per existing procedures.

The average age of LKAB's employees is 42.8 (excluding those employees outside Sweden in the Minelco subsidiary).

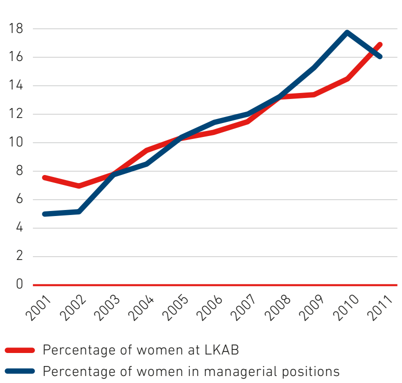
Health and safety

Since 2006, LKAB has conducted an assertive, focused health and safety programme in the whole Group under the slogan "Safety First". The aim is primarily to influence employees' behaviours and attitudes and to focus on preventive risk management. The work also aims to identify risks beforehand and analyse incidents and accidents.

The safety programme at LKAB is based on keeping employees highly involved in the process and ensuring they take responsibility for themselves and others. The goal is to create awareness that changes behaviour, thus creating a safe workplace. An important element of the safety programme is education. In 2011, two new programmes were launched: "LKAB's Safety Passport", which all new employees must undergo before they start working at the company, and a four-hour programme on health and safety values on their first day of work.

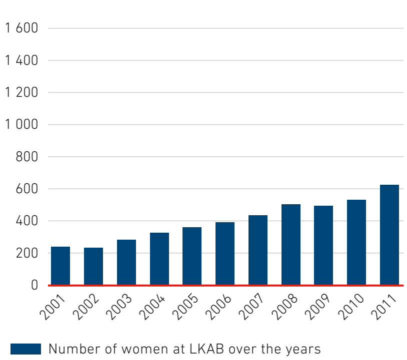
During the year, subsidiary Minelco anchored LKAB's health and safety values with employees as well as in approach and governing documents, including a health and safety manual and a central reporting system.

Percentage of women at LKAB



The percentage of women in the LKAB Group is 16.7 per cent. In the Parent Company, where roughly 80% of the employees work, LKAB follows up the proportion of female managers with subordinate staff and the proportion was 15.9 per cent in 2011. In previous years, the term "female manager" comprised the total number of women in senior positions, with or without subordinate staff. That figure is 19.3 per cent for 2011.

Number of women at LKAB



The number of women has steadily increased in the Group and totalled 622 at year-end. The long-term goal is at least 40 per cent women. Today, with about 4,000 employees, that target is about 1,600 women.

Accidents leading to absence

The number of accidents leading to absence fell by about 40 per cent compared with 2010.

Accidents

The number of accidents resulting in absence was 48, compared with 77 accidents last year. The number of accidents per million hours worked fell from 11.3 to 6.8, so the objective of a 20 per cent reduction in accidents was met.

Of course it is gratifying that accidents are decreasing. A key success factor is the long-term, systematic occupational health and safety work being done in the company. LKAB's long-term goal is zero accidents. "Safety First" is one of LKAB's main priorities, and in the strategic plan established in 2010 the target for the next few years was a 50 per cent decrease in the number of accidents by 2012.

Absence due to illness

For many years LKAB has maintained a very low absence due to illness rate in terms of the national average. Long-term absence due to illness in recent years has been about 0.5 per cent. That LKAB has so few employees on long-term sick leave can be largely attributed to the systematic process of rehabilitation conducted in the company. The Parent Company has a rehabilitation coordinator who investigates cases where someone has been on sick leave for more than 28 days. Together with the responsible supervisor and the individual concerned, an action plan for getting the person back to work as soon as is medically feasible is drawn up. The work is done in close collaboration with the Swedish Social Insurance Agency or the corresponding agency in other countries.

The number of occupational diseases per 1,000 employees was 3.74.

Health and drug counselling

Generally, health at LKAB is good as shown by the health and safety surveys and health checks that are performed. However, there are indications of some increase in stress-related disorders. This has meant that stress management preventive efforts have been intensified by things such as increasing the psychosocial support staff as well as training for employees. Employees also receive training in occupational health and safety, which includes ergonomics and psychosocial health. LKAB works with preventive health care, which includes free physical training and a goal of increasing the number of completed training sessions by at least five per cent per year. The number of training sessions during the year totalled 34,224, an increase of 7 per cent compared with 2010.

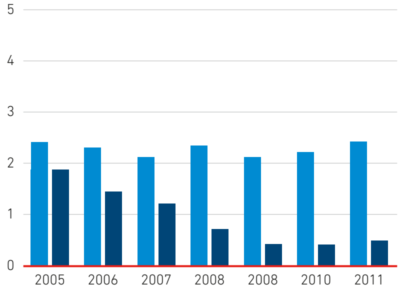
For safety reasons it is entirely necessary to have a drug and alcohol free work environment at LKAB. Since 2006, all managers and safety officers receive training on alcohol and drug abuse. As part of its preventive work, LKAB introduced random drug testing for all employees and contractors in the Swedish operation in 2006. If an employee tests positive for illegal substances, they are offered rehabilitation with the goal of stopping the abuse and retaining the employee.

COMMENDED HEALTH AND SAFETY PROGRAM

By working together on Safety First, personnel at the KA3 concentration plant and KK4 pelletising plant in Kiruna managed to keep their workplace free from accidents with sick leave for more than 1.5 years. For this feat, manager Nils Thuuri received industry representative SveMin's health and safety prize of SEK 25,000.

Winning the prize was a team effort showing that safe workplaces can only be achieved when everyone is committed, takes responsibility for themselves and others, and when health and safety are always present on the agenda.

Absence due to illness (%)

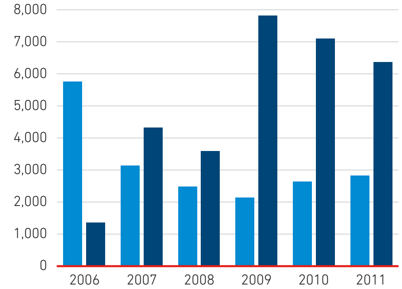


Short-term absence due to illness
Long-termabsence due to illness

Group – Absence due to illness as a per centage divided into short- and long-term absence.

Absence due to illness in 2011 was marginally higher than in 2010 at 2.9 per cent (2.6). Long-term absence due to illness was 0.5 per cent and short-term absence was 2.4 per cent. LKAB's goal is for long-term absence due to illness to be a maximum of 1.5 per cent, a goal that has been met for several years.

Incidents and risks (Number)



Incidents Risks

Before 2006, risk reports were included under "incident".

Reporting and analysing risks and incidents is important for avoiding accidents. During the year 6,353 hazards and 2,849 incidents were reported.

Anna Ahlgren, quality control engineer, Kiruna, an exciting recruitment from Lund

Competence management is a critical success factor for LKAB, to both cope with retirements and increased production. In the years up to 2015, some 1,200 persons will be hired to fill various functions within the company. Besides recruiting employees from the surrounding region, it is important to attract people who live in other places, whether they have a previous connection to LKAB's business locations or not.

For Anna Ahlgren, her study venue of Jönköping was a first step north from her childhood home in Lund. The biggest step north, to Kiruna, was not exactly planned.

"I knew there was a company called LKAB and that it had something to do with mines. During a visit to a career fair in Stockholm, I got more information and I decided to apply for a trainee position."

So she moved to Kiruna for a job as a trainee. The position is such that graduates can develop and receive training before starting their employment. One part of the programme includes visits to all LKAB operations – from mine to harbour. After her one-year trainee period, Anna has now transferred to a quality control engineer position at the KA1 and KA2 concentration plants.

"I can really recommend LKAB as an exciting and stimulating workplace where you can work with almost anything."


SKI GO

Responsible iron ore production

Availability of iron ore is essential to LKAB meeting its growth target of 37 million tonnes of iron ore products by 2015. Additional iron ore has to come from new deposits, so environmental permits for mining operations are business critical. Responsible environmental initiatives also have a direct effect on LKAB's cost curve and supports the company's strategies and goals.

Growth and permits

To meet the growth target of an output of 37 million tonnes of iron ore products by 2015, increased availability of iron ore raw material is LKAB's most important success factor. Efforts to increase production at existing mines is underway, but additions from new deposits are essential. The planned open-pit mines Gruvberget, Mertainen and Leveäniemi near Svappavaara are central to the raw material supply, so permits for mining operations are business critical.

The fact that environmental issues must be analysed accurately and fully is a given. LKAB's goal is to be an industry role model from an environmental and sustainability perspective, and the company stands behind all the environmental requirements placed on Group operations. However, there is a desire in the entire mining industry for faster processing of regulatory matters. Trade organisation SveMin works with the issue of how the mining industry as a whole can help speed up the process.

Raw material shortages are a serious threat to LKAB's growth plans and ability to follow market and customer developments. Today, the demand for LKAB's processed iron ore products exceeds the supply. Problems in raw material supply prevent LKAB from taking new market shares and in some cases prevent the company from becoming the major supplier as is pursued from a competitive perspective.

Fundamental to LKAB's operations is having modern, up-to-date environmental permits. Conducting business in accordance with applicable conditions is also fundamental. The permits regulate how the business may deal with emissions, residues and waste from mining and processing operations. All licensed operations provide annual environmental reports that can be read at LKAB's website. Read more in the Administration Report on page 74.

Emptying Leveäniemi

During the year, LKAB sought to drain the water from the old Leveäniemi open pit mine in Svappavaara. The Leveäniemi mine is an important source of raw materials in LKAB's planned production increase. About

Mined quantities of minerals

kiloton

	2011	2010	2009
Iron ore, Sweden (kiloton)	42,700	42,600	27,400
Dolomite, Sweden (kiloton)	187	104	139
Olivine, Greenland (kiloton)	0	0	284
Huntite, Turkey (kiloton)	31	17	16

LKAB mines iron ore from underground mines in Kiruna and Malmberget and from open pit mine Gruvberget in Svappavaara.

Dolomite is mined in open pits in Masugnsbyn. Annual measurements of mined quantities are made around the end of the year, so the number of rounds and thus quantities can vary from year to year.

Subsidiary Minelco mines huntite in Turkey in open pits.

Olivine is no longer mined by LKAB.

The figures were rounded.

Input goods

kiloton

	2011	2010	2009
Mining			
Crude ore	42,700	42,600	27,400
Explosives	19	19	15
Additives [1]	852	866	569
Concrete [2]	496	480	
Minerals			
Minerals, presold	1,487	1,879	1,216
Additives	0.07	0.06	0.07
Packing material	0	0	1.41

1) Olivine, dolomite, bentonite, lime and quartzite. Concerns quantities supplied to production. Differences between delivered and consumed quantities in production can vary, depending on chemistry, the precision of measuring equipment and other factors.

2) The ballast in concrete (35 wt%) consists of crushed waste rock from mining operations.

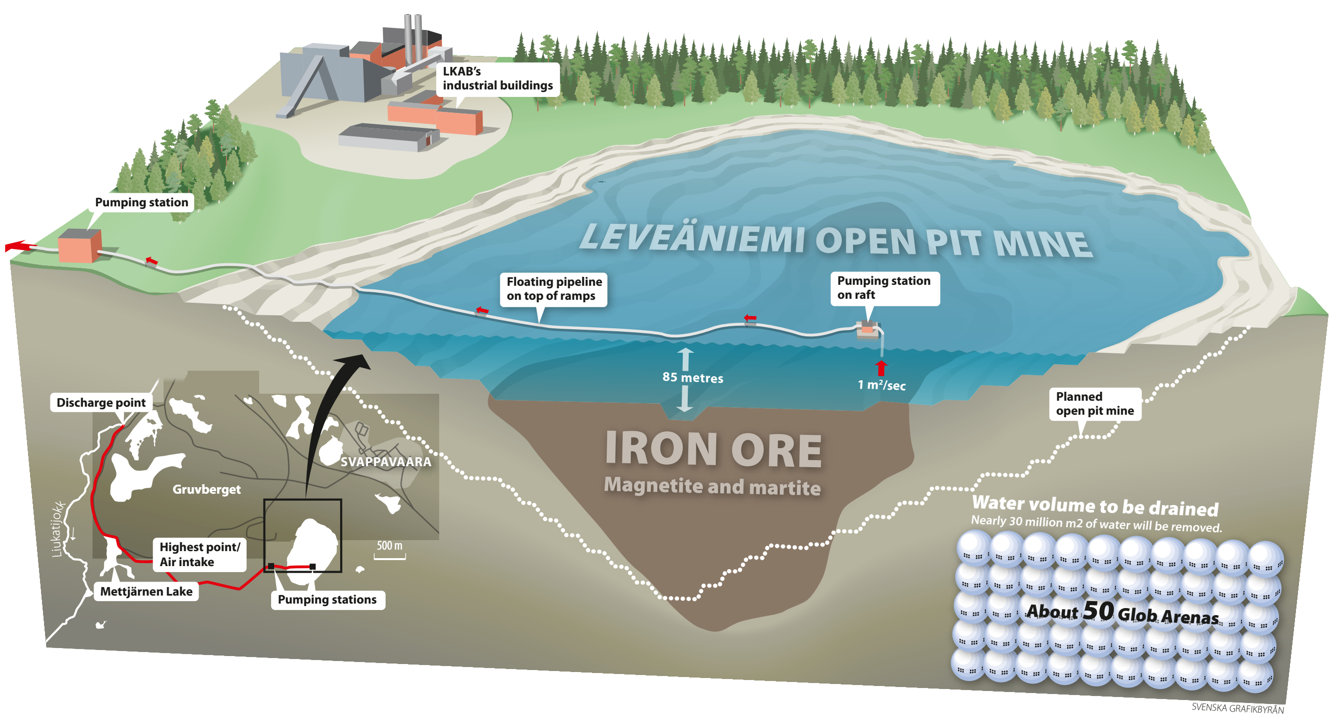
The figures were rounded off, except for additives and packing materials.

Open-pit mine Leveäniemi opened in 1964 but was closed in 1983 for market reasons. LKAB now plans to reopen it as one of three new mines in the Svappavaara field. The other two are Gruvberget and Mertainen.

27-35 million cubic meters of water are to be drained via a nearby stream system into the Torne River over the course of two years.

The County Administrative Board has rejected the application on the grounds that environmental effects are uncertain. It is mainly the copper content that is of concern and the copper's effects on fish stocks in the Liukattijoki stream system, not the Torne River. Although concentrations of copper are very low, the County Administrative Board does not want to unnecessarily expose the stream system in case a later application for an environmental permit for mining should be rejected.

LKAB's own tests show that the water in the Leveäniemi pit does not exceed environmental quality standards for copper or other metals. LKAB has now revised the plan for draining the mine so that it completely excludes significant environmental effects. A new application was submitted in early 2012.



Energy

LKAB is one of Sweden's largest single consumers of electricity, accounting for about 1.5 per cent of the country's total electricity consumption. Rising energy costs and greater environmental focus mean that LKAB works actively to reduce its energy needs and replace fossil fuels with renewable energy.

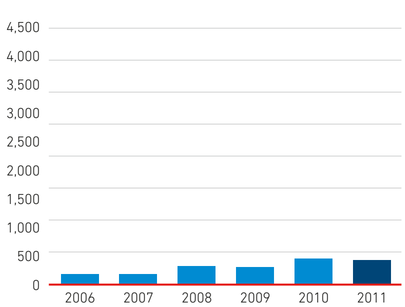
In the core business, Performance in Ironmaking, business and sustainability goals are intertwined. Despite the possibility of utilising the oxidation energy from the magnetite ore in pellet production, LKAB is highly energy dependent. In its own production process the energy goal is clearly defined: in comparison to 2006, reduce energy use by five per cent per tonne of produced pellets by 2012. Total energy consumption should decline by two per cent per ton of finished iron ore product (pellets, fines and products outside the steel market). Energy costs should also be reduced by SEK 200 million per year.

LKAB has work processes for energy issues with specific energy coordinators. They gather up and prepare energy efficiency proposals that are discussed and resolved with representatives from all areas of operation in energy committees and energy forums (internal meetings).

Events in 2011

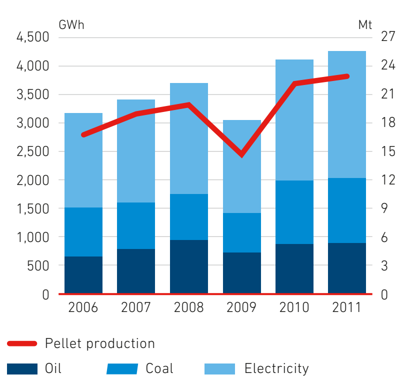
- The use of electrical energy, fossil fuels and recycled waste heat in 2011 totalled 3.9 TWh distributed as 2.2 TWh electricity, 0.9 TWh of oil, 1.2 TWh coal and 0.4 TWh recovered waste heat.
- LKAB's energy consumption per tonne of pellets increased in 2011 by 3 per cent over the previous year.
- LKAB has a target of reducing energy use per produced tonne of pellets five per cent by 2012 as compared to 2006. Results through 2011 and projections for 2012 indicate that the target will not be met.
- As a partner in VindIn AB, basic industry's joint wind power company, LKAB's share of renewable electricity will, as planned, equal five per cent of total needs by 2015.
- Since 2004, LKAB has been involved in the Swedish Energy Agency's Programme for Energy Conservation, thus reducing its electricity tax by SEK 0.5 per consumed kWh. In return, LKAB works systematically with energy issues and documents its procedures.

Surplus heat recovered internally (GWh)



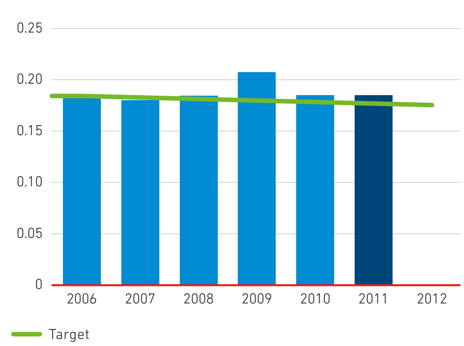
Refers to Kiruna, Svappavaara and Malmberget

Energy consumption



Refers to Kiruna, Svappavaara, Malmberget, Luleå, Narvik and subsidiaries, excluding sales to external end users and the energy consumption of ore trains. Between 2006 and 2010 all vehicle fuel purchased was reported as oil. As of 2011 only internally consumed vehicle fuel is reported as oil. Given this, the above graph can be misleading. If the internal consumption of automotive fuel is estimated to have been the same in 2010 as consumption in 2011, the total energy consumption rose by about 6 per cent from 2010 to 2011.

Energy consumption per tonne pellets (MWh/tonne pellets)



Refers to the facilities in Kiruna, Svappavaara, Malmberget, Luleå, Narvik and subsidiaries, excluding sales to external end users.

Energy consumption in 2011 only includes internal transports, while 2010 energy consumption includes internal and external transports. Given this, the above graph can be misleading. If the internal consumption of vehicle fuel is estimated to have been the same in 2010 as consumption in 2011, the energy consumption per tonne of pellets rose by about 3 per cent.

Fuel consumption

2011 (TJ)

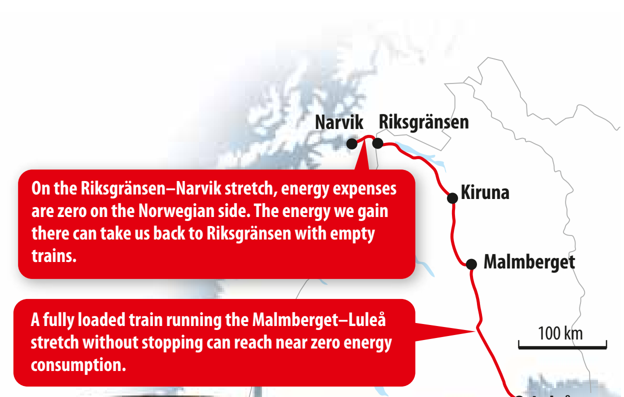
	Coal	Diesel oil	Oil fuel	Natural gas	Electricity [1]
Kiruna	3,109	68	1,092	0	4,208
Svappavaara	1,039	6	125	0	825
Malmberget	0	116	1,616		2,704
Luleå	0	0	28	0	57
Narvik	0	13	17	0	140
Minelco	0	42	58	0 [2]	68

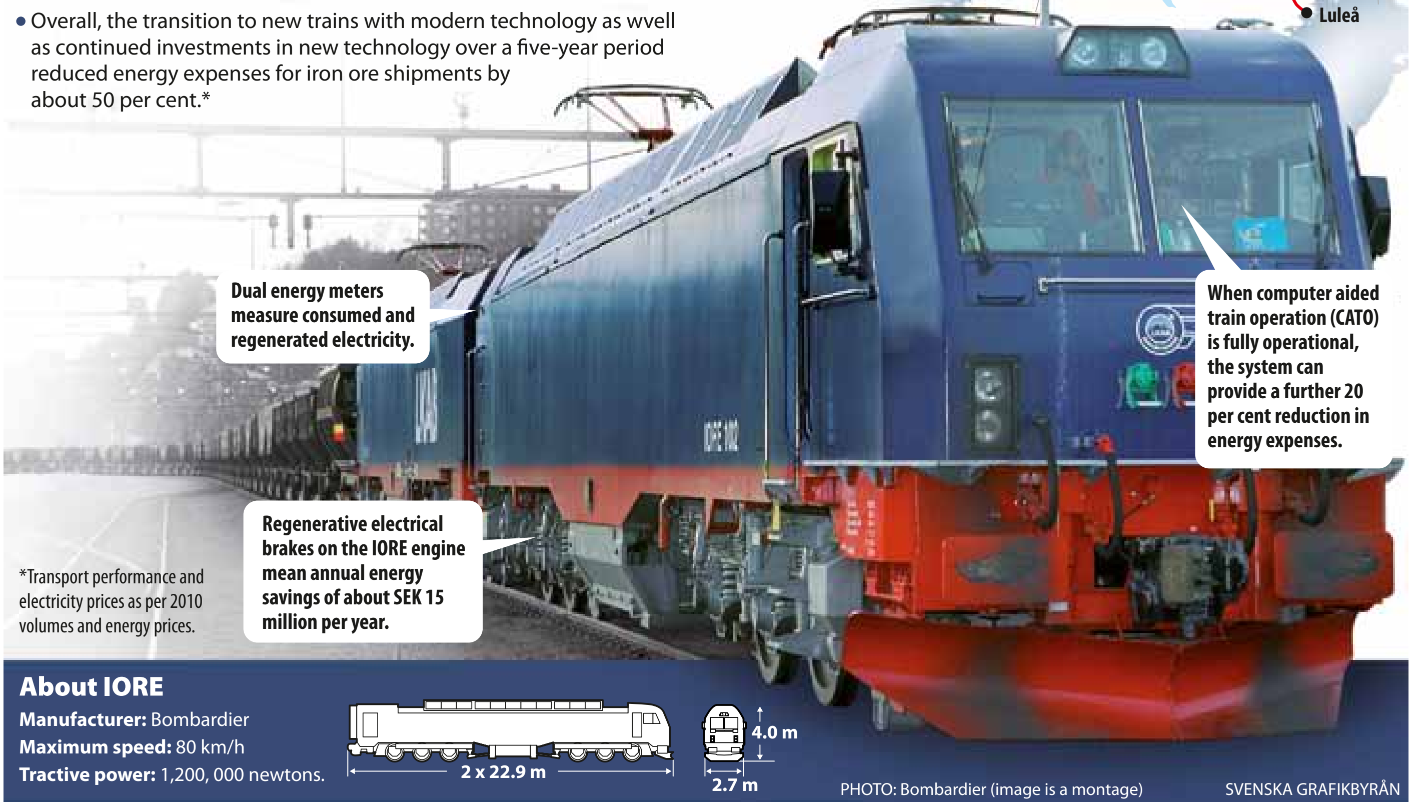
1) Electricity purchased from Vattenfall is based on an energy mix of 51 per cent hydropower, windpower and biofuel power (renewable energy sources), 48.7 per cent nuclear power, and 0.3 per cent coal, oil and peat (fossil fuels), based on Vattenfall's power sales in 2009. Refers to electricity use in Kiruna, Svappavaara, Malmberget, Luleå, Narvik and Minelco, excluding sales to external end users.

2) Minelco consumed natural gas with an energy value of 6 GJ (0.006 TJ) in 2011.

IORE, the climate-friendly locomotive

- The IORE locomotive and 100-tonne ore cars make it possible to run longer trains totalling up to 8,500 tonnes. The IORE locomotive with its better energy efficiency and new cars with lower rolling resistance give an expected energy savings of 15 per cent.
- Electricity expenses for train operation at LKAB are about SEK 50 million per year.*
- Overall, the transition to new trains with modern technology as wvell as continued investments in new technology over a five-year period reduced energy expenses for iron ore shipments by about 50 per cent.*





*Transport performance and electricity prices as per 2010 volumes and energy prices.

About IORE
Manufacturer: Bombardier
Maximum speed: 80 km/h
Tractive power: 1,200, 000 newtons.

PHOTO: Bombardier (image is a montage) SVENSKA GRAFIKBYRÅN

THE WORLD'S MOST CLIMATE-SMART PELLETS ARE HAULED BY THE WORLD'S MOST ECO-FRIENDLY TRAINS

A decisive factor for LKAB's business is the efficient transport that occurs along the Ore Railway to the unloading ports of Narvik and Luleå. Fifteen times a day finished iron ore products and additives corresponding to 1,700 truckloads are transported along the Ore Railway. Thanks to eco-driving initiatives and locomotives capable of generating electrical energy during braking, energy consumption can be reduced more than 25 per cent. Under ideal conditions, the ore trains can generate almost as much energy as they consume. The measured record was an ore transport to Narvik where energy feedback returned 6,200 kWh of the 8,400 consumed. Total consumption was only 2,200 kWh for the full stretch.

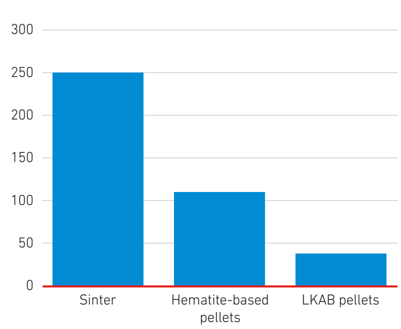
Carbon dioxide

Around five per cent of total global carbon dioxide emissions come from processing iron ore and steelmaking. According to a study done by MEFOS in 2010, LKAB has the world's most carbon-efficient refining process and also conducts leading research on more efficient iron ore products to reduce emissions in the steel industry.

When LKAB's magnetite ore is sintered into pellets, more than half of the energy needed is provided by oxidation of magnetite into hematite in the sintering process. Emissions of carbon dioxide in LKAB's pellet production are therefore only one-seventh of the amount of sintering of fines and a third of the amount of pellets made from hematite. This is a fact that makes LKAB Green Pellets a unique product. Reduced carbon dioxide emissions from the mine to crude steel is a strategically important market position and one of LKAB's strongest competitive advantages. LKAB is a world leader in low-carbon pellet production and is working to develop the next generation of pellets and technologies with the goal of significantly reducing carbon dioxide emissions further.

Reduced emissions from its own processes is an important issue for LKAB. The majority of carbon dioxide emissions come from the sintering of raw pellets from magnetite into hematite in the pelletising plants. Other carbon dioxide emissions come mainly from transports. Reducing LKAB's emissions of CO_2 requires that the pelletising plants be converted to use alternative fuels instead of coal and oil. That is a big change that requires investments and research efforts to ensure the quality of pellet products. In the FlexiFuel project that started in 2011, fossil fuels were replaced in transports and boiler plants with biofuels. In addition, attempts to use gasified biomass in the pellet process are in progress.

CO_2 emissions during sintering and pelletising (kg CO_2/tonne)



The total carbon dioxide emissions for production of crude steel, about 2,000 kg CO_2/tonne, is reduced when LKAB pellets are used as iron raw material. Production of LKAB pellets generates seven times lower carbon dioxide emissions compared to sintering at steel plants and three times lower than in hematite-based pellet production. The reduction will be about 215 kg and about 95 kg CO_2/tonne of crude steel, respectively.

Source: Benchmarking of Carbon Dioxide Emissions from Iron Ore Pelletising, Lawrence Hooey, MEFOS, 2010-05-24

Events in 2011

- Carbon dioxide emissions per tonne of pellets produced decreased by nearly one per cent compared to 2010.

- The scenario is for LKAB to greatly reduce carbon emissions in the long run. In order to achieve a long-term sustainable energy supply LKAB works with several different projects, such as FlexiFuel and other projects that study alternative fuels. Strategies and goals related to renewable fuels will be determined in 2012.

- The European research project called Ultra Low CO_2 Steelmaking (ULCOS), which was partially conducted in LKAB's experimental blast furnace in Luleå, went into a new phase in 2011 with the conversion of a production-scale blast furnace in France. The goal is to reduce carbon dioxide emissions from steel production up to 50 per cent.

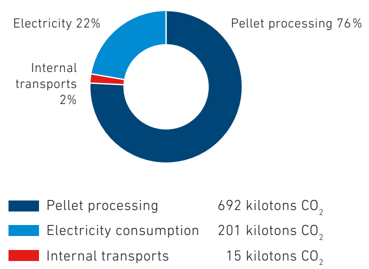
- Experience and cutting-edge knowledge on low carbon dioxide steelmaking has made LKAB into an internationally sought-after technology and knowledge provider. After the successes of the ULCOS project, LKAB is now involved in the Japanese project Course 50 (CO_2 Ultimate Reduction in Steelmaking), with the goal of reducing carbon dioxide emissions from steelworks by up to 30 per cent.

- In 2013, a new third trading period for emission rights begins. This means that the EU sets new CO_2 emission targets with reductions of 20-30 per cent and that the prior free allocation of emission rights does not cover all emissions. Companies are expected to increasingly reduce their carbon dioxide emissions or buy a bigger share of their requirements. In 2011, all industries affected by the trading system in the EU had to apply for a certain free allocation. The better the carbon dioxide efficiency of an industry compared to other actors in the EU, the higher the free allocation to which it may be entitled. LKAB has applied for a free allocation of emission rights to help cover the company's needs. A decision on the allocation will be taken by the EU Commission in 2012. Read more in the Administration Report on page 75.

- LKAB and the forestry industry are working together in the ABCD project to sequester carbon dioxide in carbon sinks in the forest's biomass. In 2011 LKAB bought fictitious carbon dioxide credits in increased growth from Sveaskog for SEK 300,000.

- Subsidiary Minelco began a project to develop carbon dioxide footprints for selected products and method of selecting ship transports base on their environmental impact. Much of the land freight has gone by rail instead of truck. Minelco Ltd signed the government's undertaking to reduce environmental impacts (Climate Reduction Commitment) in 2011. Companies pay a federal tax on CO_2 emissions to create incentives for reducing emissions. Plans for reducing emissions will be developed.

Carbon dioxide emissions %



Direct and indirect emissions.

Combustion of fossil fuels and additives in pellet processing and oil-fired boilers represent 76% of LKAB's carbon dioxide emissions.

Consumption of electricity (indirect emissions) account for 22%.

The quantity of vehicle fuel consumed internally at LKAB accounts for about 2% of carbon dioxide emissions. Transport activities of contractors are not included in the documentation, nor are carbon dioxide emissions for ore transport by rail.

Atmospheric emissions

LKAB's atmospheric emissions come mainly from the ore processing plants and consist mainly of carbon dioxide, nitrogen oxides, particulates and acidic gases like sulphur dioxide, hydrogen fluoride and hydrogen chloride. In the dressing, concentrating and pelletising plants, particulate sources are encapsulated and connected to particulate extraction systems where the incoming air is purified before discharge into the atmosphere.

Over the last 30 years, LKAB's atmospheric emissions have been halved, even though pellet production more than tripled. The decrease results from more efficient production and treatment plants, new technologies, and increased knowledge and awareness. Planning of flue gas installations for Svappavaara pelletising plants and the oldest pelletising plant (Bandugnsverket) in Malmberget is proceeding. The investment in Bandugnsverket is about SEK 700 million and means that emissions of sulphur, chlorides and fluorides will be reduced by about ninety per cent. Simultaneous with the flue gas treatment installation, new particulate treatment equipment is being installed that is five times more effective than that currently used. This means that Bandugnsverket is soon among the pelletising plants that have the world's lowest emissions, as the pelletising plants in Kiruna already have.

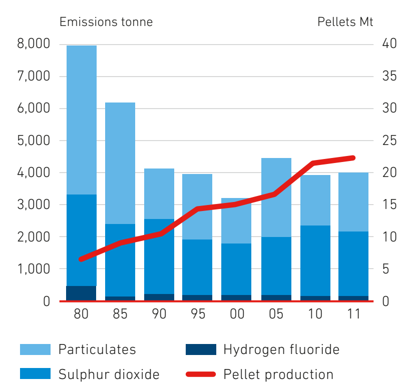
In 2011, particulate treatment installations were replaced in Malmberget's dressing plant to reduce atmospheric particulate emissions and meet future emission requirements for the facilities. Conditions concerning atmospheric emissions were met for all facilities in 2011. Guidelines were exceeded on several occasions in Malmberget and Kiruna and can be read about in the Administration Report on page 75.

Atmospheric emissions kiloton

	2011	2010
Particulates	1.84	1.55
Sulphur dioxide, SO_2	2.03	2.28
Hydrogen fluoride, HF	0.18	0.22
Hydrogen chloride, HCl	0.59	0.68
Nitrogen oxides, NOx	4.14	4.19
Carbon dioxide, CO_2	707	696

Refers to operations in Kiruna, Svappavaara and Malmberget. For particulates and carbon dioxide Luleå and Narvik are also included. Reported carbon dioxide emissions include carbon dioxide from pellet processing, oil-fired boilers and internal transports.

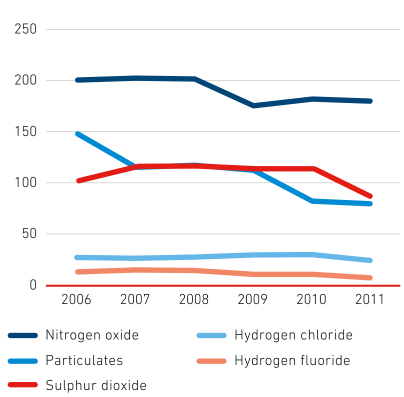
Atmospheric emissions



LKAB's building up of capacity is based on strict environmental standards. Since 1980, emissions of particulates, sulphur dioxide and fluoride have been almost halved, while pellet production more than tripled.

Refers to operations in Kiruna, Svappavaara and Malmberget. For particulates Luleå and Narvik are also included.

Emissions per produced tonne of pellets (g/tonne pellets)



Emissions from ore processing in Kiruna, Svappavaara and Malmberget

LKAB's newest pelletising plant, KK4 in Kiruna, is counted among the pelletising plants with the world's lowest emissions. Thanks to an investment of SEK 700 million, Bandugnsverket, Malmberget's oldest pelletising plant, is soon also counted among these clean pelletising plants.

Dust

Mining operations and ore processing mean that vast quantities of ore and waste rock are crushed and separated. This gives rise to diffuse dust particles. Alongside this, dust arises from tailings ponds, loading, unloading and other material handling, lime and waste rock disposal, and roads and transport. Finding solutions for preventing the formation of dust is an important issue.

LKAB works continuously with dust control measures, such as watering roads, and sweeping and salting as soon as the snow melts. In 2011, a large number of continuously used gravel roads were paved to minimise dust. Paving will continue throughout 2012 and beyond.

In 2010, parts of the pipline system that supply the sprinkler installation around Kaptensgropen in Malmberget with water were frost-proofed. This meant that the watering season could be extended two months compared to 2010.

In the summer of 2011, LKAB planted 40,000 seedlings at Koskullskulle to prevent the spread of dust using protective vegetation. The crushing operations and material handling at the Nalo depot within the industrial area were also reviewed in order to reduce the spread of dust in the vicinity.

In Svappavaara, a watering installation for the crushing facility at Gruvberget will be ready by summer 2012. The temporary crushing and dressing installation has now been moved to the waste rock disposal site, so the community is better protected from the operations.

In Kiruna, operations in the lower industrial area (UNIO) are a primary source of diffuse dust in the community. Extensive crushing and logistics operations such as loading and unloading are done in the area. LKAB started a project designed to gradually move the operations from UNIO to another place to minimise dust generation near Kiruna.

Air quality measurements

LKAB periodically checks the diffuse dust generation in its communities by measuring particulate deposition at a number of measuring points. To get a clearer picture of dust distribution, the number of measuring points has gradually increased. In Malmberget, Koskullskulle and Kiruna there are also gauging stations that provide air quality information, such as concentration of suspended particles (TSP) and harmful particles (PM10), that is, small inhalable particles whose size determines how far into the respiratory tract they reach, consequently risking health problems. The diffuse dust generated by operations is of a dirtying nature. No results suggest that the dust spread to the community is a health hazard.

LKAB has no specific conditions related to dust. In Sweden there are no accepted standards, guidelines or the equivalent on dust deposition. However, LKAB has worked for many years toward an internal target value for the dust deposition. Particularly in recent years, LKAB has ascertained that the target value has not always been achieved at all points in the various operating locations, mainly due to increased operations with major ongoing construction work and recently started mining operations.

During the summer of 2011 LKAB planted 40,000 seedlings at Koskullskulle to obtain protective vegetation that prevents the spread of dust.

FACTS
PARTICLE SIZE

Inhalable particles typically have a size of about 10 microns (0.01 mm) or less. The largest that can penetrate the lungs has a diameter of about 15 microns. The air's content of particles of this size is usually referred to as PM10 (particulate matter 10). Particles referred to as PM2.5 have a diameter of less than 2.5 microns and are thus even smaller particles.

Vibrations

There are two reasons for vibrations associated with mining operations. Blasting operations at night time results in vibrations that can be felt by local residents. In underground mining, changes and movements in the rock mass occur near mining areas and are known as seismic activity. This sometimes gives rise to vibrations and tremors felt in neighbouring parts of communities. LKAB is aware that these natural events for mining operations may seem unpleasant, so local residents are continuously informed at www.lkab.com of both recent and anticipated events, and encourages dialogue and feedback. All seismic activity in LKAB's mines is continuously and carefully monitored with sophisticated measuring equipment, and all major events are analysed by rock mechanical engineers. In 2012, LKAB will introduce quarterly reporting of vibrations and the information will be available at LKAB's website.

Noise

Noise measurements are carried out annually in all operating locations and the year's measurements are within stipulated levels. A noise survey that was carried out in Svappavaara shows that the day and evening condition may be exceeded by 1 dB(A). LKAB has commenced work as per an action plan for priority noise measures in Svappavaara.

Spills

Oil is used in the ore processing plants, and when refilling or when equipment fails, spills may occur. Likewise in cases of vehicle leakage. In 2011, 15 oil spills of a more significant character occurred in LKAB's industrial areas. Clean-up and other measures to prevent further spread of pollutants were taken as far as was possible. The events are not expected to have any significant environmental impact. The regulatory authority was informed of the incident in all cases.

Impact on landscape

Mining and processing of ores and minerals result in changes in the landscape. Examples are open pits, deformation zones, waste rock dumps and ponds for mining and process water. Mining lays claim to large land areas. The location of ore deposits means that communities are also affected; read more on pages 23-25.

Environmental permits require environmental impact assessments that include studies of the landscape, flora and fauna. They provide LKAB with a current picture and are the starting point for addressing the consequences of mining. In dialogue with interest groups, LKAB implemented conservation efforts for bird life in Mertainen in 2011.

LKAB wants to start mining in Mertainen and in 2011 did a natural value inventory in the area. The inventory classifies the natural value of the area and is part of LKAB's permit application. An inventory was also done for the draining of the old Leveäniemi open pit; read more about Leveäniemi on page 35.

Remediation

Remediation actions are carried out gradually as operations in LKAB's industrial zones close down. Actions include "restoring" the landscape to the desired function and appearance. Actions taken are vegetation establishment, stabilisation and, when necessary, decontamination. Read more in the Administration Report on page 75.

Legal actions

The two legal actions taken in 2011 are described in the Administration Report on page 75. No damage claims are otherwise directed at LKAB.

Discharges to water

Ore processing requires large amounts of water and LKAB reuses about 75 per cent of the water used. Excess water is returned to rivers and lakes after careful monitoring of water quality. The water used comes from mine water pumped up from the underground mines, from precipitation and from the Lina and Kalix Rivers. These extractions are not so large that they can be considered to have a negative affect on the water courses.

The process water is purified via clarifiers and through sedimentation in tailings ponds. Water that is not recycled is diverted, overflowed, to the Lina River and via Mettä Rakkurijärvi to the Kalix River. In 2011, 10.7 million cubic meters of water were returned to the water system. Other water from LKAB's operations is sent to the municipal sewage systems for treatment.

Sanitary wastewater, from LKAB's plants in the Vitåfors industrial area in Malmberget is sent via sedimentary basins through soil infiltration beds and on to the settling pond for process water. See the table below.

Measurement of water quality

Several of the watercourses that receive the water are tributaries to, or are included in, Natura 2000 areas. To ensure the quality of the water system that receives excess water, LKAB does biological and hydrochemical evaluations. The samples are part of our self-inspection.

Water that is diverted is checked for various substances, such as nitrogen, phosphorus, zinc and copper, and for pH value and alkalinity. The substances are dissolved from mineral surfaces when the water is used as media in grinding and separation processes. Undetonated explosives are also dissolved and increase nitrogen compounds in the water. Read more about nitrogen on the next page.

Discharges to water

	2011	2010	2009
Nitrogen, N (tonnes)	324	201	206
Total phosphorus, P (kg)	497	440	702
Trace metals (kg) [1, 2]	151	88	250

1) Chromium, cadmium, copper, nickel, lead, zinc and arsenic.
2) Including Narvik 2008-2010

LKAB's information office in Kiruna's community center was opened on 26 May 2011. Ylva Sievertsson, public relations officer, heads up the office. The office quickly became popular, hosting more than 10,000 visits during the year, during which many questions were asked about the company's business, especially urban transformation and the environment.

WHO SHOULD TAKE RESPONSIBILITY FOR SWEDEN'S MOST POLLUTED LAKE?

Lake Ala Lombolo in Kiruna is severely polluted by heavy metals, mainly mercury, but also lead, zinc, copper and cadmium. The mercury comes primarily from LKAB's old laboratory, but also to some extent from the public dental service. Discharges occurred through the municipal sewer system in varying degrees from the late 1800's until 1967, when a new municipal wastewater treatment plant was built. When it was put into operation, the pollution stopped. Ammunition dumped by the military is also lying on the bottom of the lake, which complicates clean-up efforts.

At the time, both LKAB and the military had the necessary municipal and government permits for releasing chemicals from the laboratory into the municipal sewer system and for dumping ammunition into Ala Lombolo. An investigation conducted by the Geological Survey of Sweden (SGU) in 2011 indicated that neither the municipality, military nor LKAB can be held legally responsible for polluting Ala Lombolo. LKAB feels it has a responsibility to work with other parties to address the pollution in the lake. SGU has been appointed head of the clean-up project, and discussions between SGU and the parties involved were initiated in 2011.

NITROGEN CONTENT IN RECIRCULATED WATER REFERRED BACK TO THE LAND AND ENVIRONMENT COURT

The water that LKAB does not reuse and that is recirculated back into the water systems contains relatively high levels of fertilizing substances, especially nitrogen. The nitrogen comes from the explosives used in the mines, which largely consist of ammonium nitrate. LKAB is currently undergoing a permit process concerning discharge of nitrogen into the water.

Since 1998, LKAB has worked on measures for reducing nitrogen leaching, and investigations of nitrogen balance, nitrogen's effects in the watercourses and the possibility of external nitrogen treatment. Results and investigations have been reported to the Environment Court several times. The conditions placed on LKAB by the Environmental Court in 2009 for discharge of nitrogen-bearing ammonia into the water was appealed to the Environmental Court of Appeal. LKAB considered the condition placed unreasonable demands concerning discharge of nitrogen relative to a dubious environmental benefit.

The Environmental Court of Appeal chose not to raise the matter for trial, whereupon LKAB chose to appeal to the Supreme Court. In November 2011, the Supreme Court ruled that the matter be referred back to the Land and Environmental Court of Appeal for trial. For LKAB, the decision means that the conditions imposed on LKAB are not legally binding. That the matter is being taken up again means that LKAB has the opportunity to further argue for more reasonable requirements linked to clearer environmental benefits.

Waste and landfills

Most waste from LKAB's operations consists of waste rock, the economic term for all rock that is not ore. When ore and waste rock are separated in the dressing process, the waste rock is dumped on stockpiles. Subsidiary Minelco's mineral operation in Turkey generates smaller amounts of waste rock and overburden material that is dumped as per a specific plan and in compliance with local regulations.

Besides waste rock, LKAB handles smaller volumes of lime waste/clean-up waste, scrap, industrial waste and hazardous waste. The handling of these substances is highly regulated. In total, 21 Mt of waste rock, 6.4 Mt tailings and 42 kilotons of lime waste were dumped in 2011.

Lime waste comes from the fluoride treatment plant in Svappavaara and the flue gas treatment plants in Kiruna and Malmberget. The waste includes chlorides, iron particulates and unreacted lime, which represent a low risk to humans and the environment. LKAB does follow the County Administrative Board´s specific landfill regulations and treats waste in closed systems.

LKAB has long explored the possibilities of recycling material from waste rock dumps and tailings from the processing plants. Recovery of magnetite ore from old landfills has occurred since 2009, and in 2011 8.6 Mt of dumped material was processed, resulting in 2.6 Mt of recovered ore. In Malmberget in 2011, LKAB started a processing plant for recovering magnetite from concentrate that is driven out of the buffer reservoirs when there are production stoppages, resulting in recovery of about 100 kilotons of magnetite concentrate.

New business opportunities

Tailings from iron ore processing contain apatite and rare earth metals. Apatite is a phosphorus mineral used for making fertilizer and rare earth metals is the collective name for 17 different metals that are very rare.

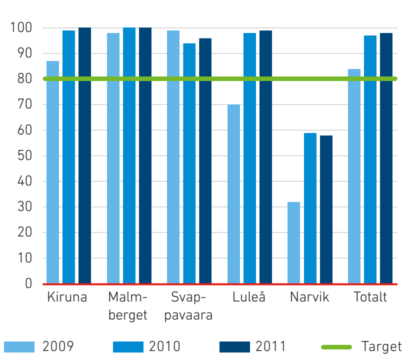
Demand for fertilizer and earth metals is very great. Rare earth metals are used in things like electronics, engines, glass, cars, and as alloying elements in the steel industry. For example, the vibration device in an iPhone consists of 0.25 gram of dysprosium. LKAB is now examining, in cooperation with Luleå University of Technology, the possibility of generating new business by recovering tailings.

In England, subsidiary Minelco is pursuing recovery of refractory material. Inquiries about refractory material are increasing and developing, and Minelco is looking into ways of recovering refractory material in regions other than the current ones. Minelco Ltd regularly produces scientific articles for popular journals to increase knowledge about the use of refractory materials.

Minelco also takes possession of fragmented marble, so instead of becoming waste it is used as chemicals for polymers, resins, sealants, adhesives and cleaning.

Proportion of sorted waste in iron ore operations

(%)



LKAB's goal is to increase the proportion of separated waste from 50% for comparative year 2006 to 80% by 2012. The target has been achieved and the proportion of sorted waste totalled 98% in 2011. Target achievements for 2009 and 2010 were corrected due to a calculation error in previous years.

Treated waste – LKAB Group

Rounded off to nearest whole number

		2011	2010	2009
Operational waste[1]	tonne	9,670	8,133	2,202
Scrap	tonne	6,921	6,946	7,385
Hazardous waste[2]	tonne	1,909	1,243	711
Hazardous waste[2]	%	10	8	7

1) Wood, rubber, landfill, combustible, unsorted
2) Def. per Swedish Waste Ordinance SFS 2011:927

Treated waste – LKAB Group

Rounded off to nearest whole number

		2011	2010	2009
Dry waste rock	kiloton	21,000	14,860	10,689
Tailings	kiloton	6,418	4,993	2,767
Lime waste	kiloton	42	36	24

Waste management

LKAB sorts commercial waste, and in 2011 the proportion of separated waste was 98 per cent.

Scrap waste generates revenue since it can be sold. In 2011, LKAB sold iron and metal scrap for SEK 8.9 million.

In LKAB's operations lubricating grease remnants and waste oil constitute most of the hazardous waste. For recycling, LKAB uses Stena Recycling AB, which has approved permits for handling hazardous waste.

Through the general managers, LKAB follows up the sort rate of about 20 different locations. LKAB has a sort rate of 98 per cent and that good result is due to the close involvement of employees and contractors.

In 2011, efforts were focused on increasing internal sorting through stock-taking and adjustment of the sorting system, and improved signage for hazardous waste. Separate transportation of hazardous waste from collection points was introduced to increase safety and efficiency. Information efforts and training are ongoing.

REACH

REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) is an EU ordinance governing chemical substances. All iron ore pellets and pig iron from the experimental blast furnace are registered and approved under REACH. Most of Minelco's products are naturally occurring minerals and not chemically modified. The few products that are chemically modified were registered before 2010.

Safety data for iron ore pellets, pig iron and Minelco's products has been developed. The sheets are adapted to the EU's ordinance on classification, labelling and packaging (CLP) and the global system of classification and labelling of chemicals (GHS).

LKAB has developed effective methods for extracting residual ore from older production drifts. Roger Niemi, head safety officer, makes an inspection before unloading begins.

Sustainability governance at LKAB

LKAB's governance is based on the business concept, vision, strategies and company-wide goals. Governance seeks to ensure the Group's commitments and business operations and to establish confidence that LKAB acts with vision and consistency in all stakeholder relationships.

Responsibility for sustainability efforts

LKAB's Board, which is ultimately responsible for the Group's sustainability governance, gave the Audit Committee responsibility for internal follow-ups. Operational responsibility for sustainability efforts lies with the CEO, who appointed a steering committee to manage and be responsible for the overall sustainability issues in daily operations. The steering committee consists of the directors of these Group entities: Finance, Communications, Human Resources, Urban Transformation, and Technology and Business Development.

In 2010, responsibility for sustainability issues was moved from Communications to Technology and Business Development, and in 2011 a working group was appointed to identify, prepare and secure sustainability information in the Group. The working group includes the subsidiaries and Finance, Communications, Environment, Energy, Human Resources, Urban Transformation, Production and Purchasing. The working group's efforts are followed by LKAB's internal quality control auditors. The appointed sustainability manager within the Quality Control department is responsible for reporting to the steering committee.

Financial management is based on the owner's goals and LKAB's mission to develop a successful business by mining, processing and marketing minerals.

Governance of social issues

The human resources director is responsible for strategic personnel activities. LKAB has decentralized responsibility for operational work with personnel issues. Personnel matters are also handled in various forums in the Swedish operation, such as wage committees and rehabilitation and diversity groups.

Work with urban transformation is based on the strategic focus areas and goals; see the next page. The director of urban transformation is responsible for the work.

Governance of environmental initiatives

At LKAB, the CEO has overall responsibility for environmental issues. The operational environmental initiatives and responsibility are delegated to the divisional and unit heads and on to the general managers.

The Quality Control Department along with the environmental director handles ongoing issues on external environments in the Group. Since mining activity is considered to have a major impact on the environment, it is also highly regulated by laws and ordinances. LKAB always considers the environmental aspects in decisions and actions and promotes long-term sustainable and profitable growth. LKAB's environmental and energy policy is the basis for the governance of environmental initiatives, and the environmental management system, which is ISO 14 001 certified, ensures that the work is structured and systematic throughout the Group. The Parent Company and LKAB Berg&Betong are also certified per the European standard for energy, EN 16001. A component of the environmental certification is the risk analyses that takes into account the precautionary principle. It aims to prevent negative environmental impacts. LKAB's environmental objectives are described on the next page. Read more about permits and self-inspection in the Administration Report on pages 74–75.

Within LKAB Sweden there is an incident reporting system in which all environmental incidents are to be reported. Incoming complaints are also to be registered in the system for handling.

Policies and guidelines

To support the company's sustainability initiatives, strategies and goals, LKAB has a number of Group policies and guidelines, all of which have been determined by LKAB's Board. In 2011, LKAB established the Group's new values after extensive work and internal dialogues. The key words for LKAB's values are committed, innovative and responsible, which symbolise how everyone working together will create the strong, attuned LKAB of the future.

LKAB's core values and policies can be found on the website at www.lkab.com.

LKAB's core values
Quality control policy
Ethics policy
Environmental and energy policy
Personnel policy
Information policy
Financial policies

OBJECTIVES AND OUTCOMES

LKAB's comprehensive goal is to grow with the market and be a significant supplier to each customer. Fundamental to LKAB's growth is taking responsibility for the customer, community, people and environment. To propel sustainability issues, LKAB set up a number of economic, environmental and social objectives.

OBJECTIVE	OUTCOME
Finance • LKAB will provide its owner (the Swedish state) long-term profitability that meets or exceeds the owner's requirements. The long-term rate of return is set at 10 per cent over a business cycle. • LKAB will increase production from 26 million tonnes to more than 37 million tonnes by 2015.	• LKAB delivered the best operating profit ever, about SEK 14.7 billion. The proposed dividend to the owner is SEK 5 billion. • LKAB delivered 25.7 million tonnes of finished iron ore products. The growth strategy to increase deliveries to 37 Mt starting in 2015 stands.
Communities • Manage the urban transformation so that confidence in LKAB is maintained and production interruptions are avoided. • Secure competence management by helping to build attractive communities in which people want to live and work.	• A civil contract for urban transformation in Kiruna was signed with Kiruna municipality. • Work on the new railway in Kiruna is proceeding and it opens in August 2012. • LKAB's new information office in Kiruna was opened on 26 May. • Through Kiruna Municipality, the National Public Art Council Sweden funded an artists group that, under the Mine City Park project, did a feasibility study in 2011 with proposals for artistic configuration and decoration in Kiruna and Mine City Park. • LKAB Fastigheter conducted three workshops with stakeholder groups on future housing in Kiruna. • LKAB dismantled six historical buildings in Malmberget that are being stored in a warehouse in Vitåfors pending relocation. • LKAB built the first phase with a block of 28 flats in Bäckåsen in Gällivare with occupancy in 2011. • Together with Gällivare Municipality and major property owners, LKAB handled 220 proposals and implemented civic improvements to maintain and increase well-being during the phase-out, "A Nicer Malmberget" project. • LKAB works with Kiruna Municipality on planning and land issues to deal with current and future needs locally in Svappavaara. • Several agreements with landowners and parties concerned on draining Leveäniemi are ready.
Employees • The proportion of women at LKAB will total 40 per cent in the long term. At least 30 per cent of new recruits should be female. • The proportion of long-term absence due to illness will not exceed 1.5 per cent. • The number of completed training sessions for employees in Sweden will increase by 5 per cent each year. • Every employee will attend professional development activities ten days per year, of which at least half will be training days. • The number of accidents leading to absence per million work hours will drop 20 per cent compared with last year's results. The long-term objective is zero accidents.	• The proportion of women at LKAB increased from 14.3 per cent in 2010 to 16.7 per cent. Of the new employees in 2011 with permanent positions, 28 per cent were women. Among the temporary positions, the figure was 38 per cent. • Long-term absence due to illness was 0.5 per cent. • The number of training sessions among employees in Sweden increased by 7.3 per cent. • Training and professional development within the Group increased significantly. The number of days of professional development increased from 4.6 to 6.7 per employee per year. • The frequency of accidents per million hours worked fell about 40 per cent from 11.3 to 6.8 per cent.
Environment • Energy consumption per tonne of produced pellets will be reduced 5 per cent by 2012 as compared to 2006. • The spread of particulates will be reduced 10 per cent by 2012 as compared to 2006. • The proportion of separated waste will increase to at least 80 per cent by 2012.	• Energy consumption per tonne of produced pellets increased 3 per cent as compared with 2010, partly due to extensive construction work and ore recovery from landfills. LKAB's energy consumption per tonne of pellets decreased marginally as compared with reference year 2006. • The spread of particulates increased in 2011 compared to 2010. In total, dust spreading decreased 21% relative to reference year 2006. • The proportion of separated waste was 98 per cent, an increase of 48 per centage points since reference year 2006.

PRIORITISED SUSTAINABILITY ISSUES 2012

• Quality assured process for efficient permit management • Resource efficiency: energy and raw material including recycling of waste • Emissions to air and discharge to water • Health and Safety • Diversity • Competence management • Attractive communities

Accounting principles and application of GRI

LKAB reports annually in accordance with GRI G3 guidelines (Global Reporting Initiative) and the Sustainability Report forms part of LKAB's 2011 Annual Report. The previous year's report was published in March, 2011.

LKAB has applied GRI guidelines to determine the content of the report. The index below includes the core performance indicators from the GRI guidelines and additional indicators from G3 deemed relevant on the basis of an analysis of the company's stakeholders and its most important issues. It also includes selected indicators from the Mining and Metals Sector Supplement.

The letter "P" indicates partial reporting and "F" indicates full reporting according to GRI guidelines.

In accordance with the guidelines from the owner, the Sustainability Report has been reviewed by external auditors; the auditors' statement of assurance is given on page 116. LKAB is of the understanding that this report complies with GRI's B+ application level, which is also confirmed by the external auditors.

Scope and boundaries

In keeping with reports from the previous three years, the report has a certain emphasis on the Nordic operation and the iron ore operation in Sweden and Norway. It makes up about 90 per cent of the Group's total sales. In 2011, LKAB worked on integrating Minelco operations into the report to a greater extent.

GRI INDEX G3

G3 information	Description	Page in Annual Report and Sustainability Report	F = Full P = Partially
Strategy and profile			
1.	**Strategy and analysis**		
1.1	President's statement on sustainable development	8-10	F
1.2	Impacts, risks and possibilities	20-21, 23, 26, 28, 34, 34, 36, 38, 47	F
2.	**Organisational profile**		
2.1	Organisation's name	68	F
2.2	Brands, trademarks, products and/or services	6, 14-15, 17-18	F
2.3	Operational structure, including divisions, operating companies, subsidiaries and joint ventures	6-7, 52, 70, 73-74, 112	F
2.4	Location of the organisation's head office	117	F
2.5	Countries in which the organisation operates	112, 117	F
2.6	Nature of ownership and legal form	53, 68	F
2.7	Markets	14-18	F
2.8	Scale of the reporting organisation	6-7, 14-17, 65	F
2.9	Significant changes during the reporting period regarding size, structure or ownership	No significant changes.	F
2.10	Awards received in the reporting period	31	F
3.	**Report parameters**		
3.1	Reporting period	48	F
3.2	Date of publication of the most recent report	48	F
3.3	Reporting cycle	48	F
3.4	Contact point for questions regarding the report or its contents	49	F
3.5	Process for defining report content	20-21	F
3.6	Boundary of the report	48-49	F
3.7	Specific limitations on the scope or boundary of the report	48-49	F
3.8	Basis for reporting on joint ventures, subsidiaries and other entities that can significantly affect comparability	48-49, 87-88	F
3.9	Data measurement techniques and the bases of calculation	49	F
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	48-49	F
3.11	Significant changes in the scope, boundary or measurement methods applied in the report	48-49	F
3.12	GRI Index	48-49	F
3.13	Policy and practice with regard to external assurance	48, 116	F
4.	**Governance, commitments and engagement**		
4.1	Governance structure of the organisation	52-58	F
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	54	F
4.3	The number of members of the highest governance body that are independent and/or non-executive members	60-63	F
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body or executive management	53	F
4.5	Linkage between compensation for members of the highest governance body and executive management and the organisation's performance (including social and environmental performance)	55-56, 76-77, 95-97	F
4.6	Procedures and processes for the highest governance body with respect to conflicts of interest	53-55	F
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on environmental topics	53	P
4.8	Statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance	13, 20-21, 26, 28, 46, 56	F
4.9	Procedures and processes of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities	46	F
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	46, 55	F
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	46	F
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	18, 27, 36, 38, 48	F
4.13	Membership in associations	17, 23, 27, 36, 38	F

The report makes clear which units are included when data are reported. Changes in respect of boundaries, scope or measurement methods compared with previous years are explained in the report adjacent to the data.

Data collection

The reporting of consolidated financial information is done in the consolidated accounting system. Personnel data is gathered from personnel systems, personnel reports, databases and manual procedures, and covers all permanent employees in the Group unless otherwise stated.

The environmental information pertains to LKAB's Mining Division and Minerals Division unless otherwise stated. The information is taken chiefly from the systems for quality, environment and energy, environmental reports, environmental impact assessments and self-inspection programmes. External reporting of carbon dioxide emissions according to the LKAB monitoring system is to an accredited verifier, to the Swedish Environmental Protection Agency and to the Administrative Board of Norrbotten County.

Contact

The contact for LKAB's Sustainability Report is Monica Quinteiro, General Manager, Quality Control: monica.quinteiro@lkab.com.

4.14	List of stakeholder groups engaged by the organisation	20-21, 24	F
4.15	Basis for identification and selection of stakeholders with whom to engage	20-21	F
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	20-21, 24	F
4.17	Key topics and concerns that have been raised through stakeholder engagement	20-21, 24	F
Economic performance indicators			
	Information on sustainability management	46-47, 56	F
EC1	Economic value generated and distributed	27	F
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	10, 20, 36-39, 75-76	P
Environmental performance indicators			
	Information on sustainability management	46-47	F
EN1	Materials used	34	F
EN3	Direct energy consumption by primary energy source	36-37	F
EN4	Indirect energy consumption by primary energy source	36-37, 76	F
EN5	Energy saved due to efficiency improvements	36-37	P
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	10, 20, 36-38	P
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	42	P
EN16	Total direct and indirect greenhouse gas emissions	38-39, 75-76	F
EN20	NOx, SO_2 and other significant air emissions	39-41, 76	F
EN21	Total water discharge by quality and recipient	34-35, 42-43, 76	P
EN22	Total weight of waste by type and disposal method	44-45	F
EN23	Total number and volume of significant spills	42, 75	P
EN25	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	42-43, 75	F
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	42	F
MM 3	Total amounts of overburden, rock, tailings and sludges and their associated risks	44-45	F
MM 11	Systems and development related to the use of material in processes and products	34, 36-38, 44	F
Social performance indicators			
	Information on sustainability management	26, 28, 46-47	F
LA1	Total workforce by employment type, employment contract and region	29	F
LA2	Total number and rate of employee turnover by age group, gender and region	28-29, 76	F
LA7	Rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region	30-31, 76	F
LA10	Average number of hours of training per year per employee by employee category	28-29, 76	F
LA13	Composition of governance bodies according to indicators of diversity	30, 59-63, 76	F
HR4	Total number of incidents of discrimination and actions taken	30	F
MM5	Operations taking place adjacent to indigenous peoples' territories and formal agreements with indigenous peoples' communities	22-23	F
MM6	Number and description of disputes related to land use and the local population's or indigenous peoples' traditions and rights	22	F
MM7	Use of appeal functions to resolve disputes related to land use and the local population's or indigenous peoples' traditions and rights	21, 23, 46	P
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting	22-26	F
SO3	Percentage of employees trained in the organisation's policies and procedures concerning counteraction of corruption	26-27	P
SO4	Measures taken on grounds of corruption incidents	27	F
MM9	Number of sites where resettlements took place, the number of households resettled and the impacts of resettlement	24-25	F

Auditor's Review Report on LKAB's Sustainability Report

To the readers of LKAB's Sustainability Report

Introduction

We have been engaged by the Board of Directors of LKAB to review the LKAB Sustainability Report for the year 2011. Our review is limited to the information related to 2011. Our review covers the LKAB Sustainability Report presented on pages 20–49 in LKAB's Annual Report and Sustainability Report, 2011. The Board of Directors and the Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

The Scope of the Review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review are based are the parts of the Sustainability Reporting Guidelines G3, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, e.g. included the following procedures:

a. an update of our knowledge and understanding for LKAB's organization and activities
b. assessment of suitability and application of criteria in respect to stakeholders need of information
c. assessment of the result of the company's stakeholder dialogue
d. interviews with responsible management, at group level, subsidiary level and at selected business units with the aim to assess if the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient
e. read internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient
f. analytical review of reported information
g. assessment of the company's stated application level according to GRI's guidelines
h. overall impression of the sustainability report, and its format, considering the information's mutual correctness with applicable criteria
i. reconciliation of the reviewed information against the sustainability information in the company's annual report for 2011.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the LKAB Sustainability Report 2011 has not, in all material respects, been prepared in accordance with the abovestated criteria.

Stockholm 28 March 2012

Deloitte AB

Peter Gustafsson
Authorized Public Accountant

Lennart Nordqvist
Expert Member of Far

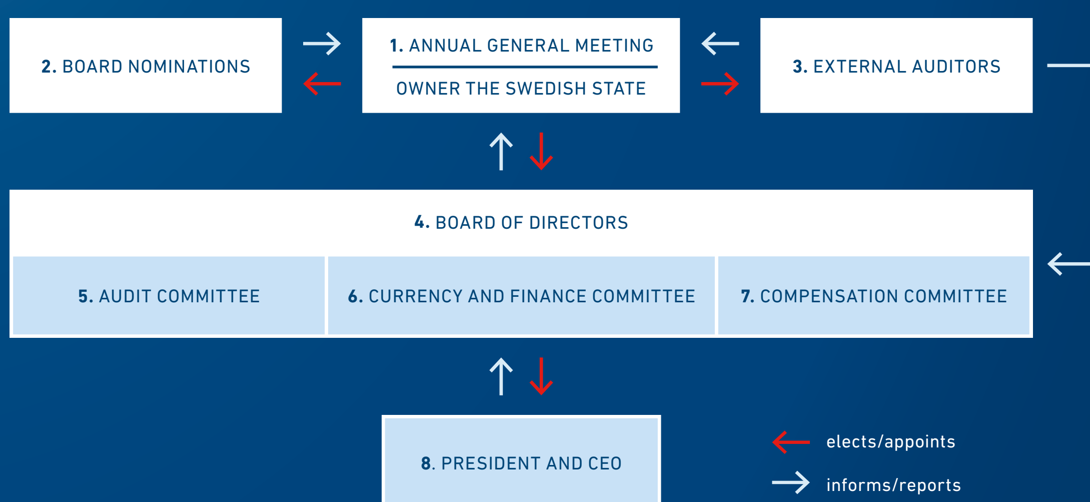
Sara Pietikäinen, Rúnar Gudmundsson and their son Svante are building a future in Kiruna.

Corporate Governance Report | 2011

CORPORATE GOVERNANCE STRUCTURE

LKAB's shareholder, the Swedish State, is ultimately responsible for making corporate governance decisions. At the Annual General Meeting (AGM), the shareholder appoints Board members, the chairman and auditors. The Board is responsible to the owner for the company's organisation and administration of the company's affairs. The diagram below summarises how governance and control is organised at LKAB.

Executive and shareholder functions are described in detail on page 53 of the Corporate Governance Report.



1 Annual General Meeting

The AGM is LKAB's supreme governing body and the forum where the shareholder formally exercises its influence. At the AGM, decisions are made that include adoption of the income statement and balance sheet, discharge from liability of the Board, election of new Board members and auditors, compensation of Board members and auditors, and guidelines for compensation of senior executives. Members of the Riksdag are entitled to attend LKAB'S AGM. LKAB's AGMs are also open to the public.

2 Board nominations

LKAB has no nomination committee. Preparation of decisions on nomination of Board members occurs instead through a Board nomination process in accordance with the state's ownership policy. The work is coordinated by the division for state ownership at the Ministry of Finance.

3 External auditors

Auditors are appointed at the AGM for a period of one year. The auditor is responsible to the shareholder at the AGM and provides an audit report on things such as the annual report and the Board's administration of the company. The National Audit Office also appointed an auditor to LKAB for a three-year period from the 2010 AGM through the 2013 AGM. The auditors regularly report verbally and in writing to the Audit Committee on how the audit was conducted and the auditors' assessment of order and control in the company. The auditors also provide a summary of the audit to the full Board.

4 Board of Directors

The Board is responsible for the company's organisation and administration of the company's affairs on behalf of the owner. The work of the Board include continuously monitoring the company's financial situation and ensuring that the company is organised so that accounting, asset management and the company's financial condition are otherwise controlled in a satisfactory manner. The Board appoints members to its three committees (Audit, Monetary and Financial, and Compensation) and establishes rules of procedure for the Board and instructions for the CEO. These documents show how responsibility and authority are shared between the full Board and its committees, and between the Board and CEO. The Board also appoints the CEO. The Board consists of eight AGM-elected members and three members, along with three deputies appointed by company employees under the Board Representation (Private Sector Employees) Act.

5 Audit Committee

The Audit Committee oversees the financial reporting by reviewing all critical accounting matters and other factors that could affect the quality of financial reporting content. The Audit Committee comprises three members appointed by the Board.

6 Currency and Finance Committee

The Currency and Finance Committee prepares and monitors things such as the company's treasury management and hedging programmes. The Currency and Finance Committee consists of four members appointed by the Board.

7 Compensation Committee

The Compensation Committee prepares decisions on the CEO's employment terms and supports the CEO's work with determining the salaries of senior executives. The Compensation Committee comprises three members appointed by the Board.

8 CEO

The CEO is appointed by the Board. Besides instructions from the Board, the regulations of the Companies Act and various other statutes relating to the company's accounting, the CEO is responsible for asset management and operational control.

CORPORATE GOVERNANCE AT LKAB

LKAB is wholly-owned by the Swedish state. The basis for corporate governance of LKAB is Swedish legislation, the state's ownership policy and internal guidelines. In the state's ownership policy and guidelines for state-owned companies, which are determined annually, the government describes its mission and objectives, applicable frameworks and its position on important principles related to corporate governance of state-owned companies. The Swedish Code of Corporate Governance (the Code) is part of its ownership policy.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

LKAB is wholly-owned by the Swedish state, represented in the government by the Ministry of Finance.

The state exercises its ownership via an annually established ownership policy, nominations to the Board and published reporting guidelines. The state's requirement of transparency is met by direct owner representation on the Board. Reports to the owner and Board are key management tools for continuous monitoring and assessment of the companies. State-owned companies should have at least the same level of transparency as listed companies.

The Board, via the chairman, coordinates its views on issues of decisive importance with the owner's representatives. Such issues include strategic changes in the company's operations, major acquisitions, mergers or divestments, as well as decisions affecting significant changes in the company's risk profile or balance sheet.

2011 Annual General Meeting

LKAB's Annual General Meeting (AGM) took place on 27 April 2011. The AGM is open to the public, who are given the opportunity to ask the Board and management questions. About 140 persons attended the 2011 AGM. Notice of the AGM is made via post to the shareholder, through advertisement in the Post- och Inrikes newspaper and on LKAB's website. The notice is also sent to the Riksdag central office and information that the notice has been published is announced in the Dagens Nyheter newspaper.

Chairman of the 2011 AGM was Björn Sprängare, Chairman of the Board. At the meeting, the shareholder took decisions, which included:

- A dividend of SEK 7,143 per share, representing a total of SEK 5 billion.
- The Board will consist of seven AGM-elected members.
- All Board members were re-elected except Björn Sprängare, who resigned from the post of Chairman, and Christer Berggren.
- Lars-Åke Helgesson was elected new Chairman of the Board.
- Public accounting firm Deloitte AB was elected as the new auditing firm, with authorised public accountant Peter Gustafsson as chief auditor.
- Remuneration of SEK 570,000 per year to the Chairman of the Board and SEK 250,000 per year to the other members. Remuneration is not paid to Board members who are employed in the Government Offices or to employee representatives.
- Amendment of Section 6 (Board of directors and auditors) and Section 7 (AGM meeting notice) in articles of association

The minutes of the 2011 AGM and other recent years are available at LKAB's website (www.lkab.com).

Extraordinary General Meeting

On 12 October 2011, LKAB held an extraordinary general meeting at which Marcus Wallenberg was elected new Chairman of the Board.

Board nominations

For state-owned companies that are not listed, the Code's rules regarding the preparation of decisions on nomination of Board members and auditors are not implemented. Consequently, LKAB does not have a nomination committee; instead, a Board nomination process in carried out as per the state's ownership policy. The work is coordinated by the division for state ownership at the Ministry of Finance. LKAB's expertise needs are analysed based on the company's operation, situation and future challenges along with the Board's composition. The selection of Board members is done based on a broad recruitment base in order to utilise the expertise of women and men as well as of persons with various backgrounds and experiences.

External auditors

On behalf of the owner, auditors do independent reviews of the Board's and CEO's administrative duties as well as the company's annual report and accounts. The external auditors have also conducted a limited review of an interim report. Responsibility for election of auditors lies with the owner and election of auditors is decided at the AGM. Starting in 2011, the auditors of state-owned companies are appointed for a term of one year. In the event re-election of auditors is being considered, the auditors' work is always evaluated.

At the AGM on 27 April 2011, Deloitte AB was elected auditor for a period of one year. The chief auditor is Peter Gustafsson.

The Swedish National Audit Office can, as per the Auditing of State Activities Act, appoint one or more auditors to participate in the annual audit of state-owned companies. The National Audit Office appointed authorised auditor Filip Cassel to be LKAB's auditor from the 2010 AGM through the 2013 AGM. The alternate for Filip Cassel, for the same period, is authorised auditor Carin Rytoft Drangel.

Remuneration of auditors is stated in Note 7 on page 98 of the Annual Report.

BOARD OF DIRECTORS

Composition of the Board of Directors

As per the articles of association, LKAB's Board will consist of no less than 6 and no more than 11 AGM-elected members, excluding deputies. The Board consists of eight AGM-elected members and three members, along with three deputies appointed by company employees under the Board Representation (Private Sector Employees) Act. Between the AGM on 27 April and the company's extraordinary general meeting on 12 October, when Marcus Wallenberg was elected new Chairman of the Board, the Board consisted of seven elected members.

A deviation from the Code is that the independence of Board members relative to the state as major owner is not reported. The Code is mainly aimed at companies with diversified ownership. The reason for the Code's requirement that companies must have at least two Board members who are independent relative to major shareholders and that all Board members' independence of major shareholders is to be reported is mainly to protect minority shareholders. In state-owned companies, it is therefore unnecessary to report this form of independence.

Board members have broad, extensive business experience and most maintain other duties as Board member of larger companies. Several Board members have worked on LKAB's Board for many years and are familiar with the company's operations. The Board's composition is shown in the table on pages 59-61.

Board work fundamentals

Usually, the Board holds seven meetings per year in the months of February, March, April, June, August, October and December. The meetings follow a set agenda to ensure the Board's information needs.

At Board meetings immediately following each quarter, the most recent interim report and the forecast for the current year are examined. This means that the Board continuously assesses the state of operations and their financial position, and makes decisions on specific investment projects. Accordingly, strategies are tested and delegated to the CEO regularly.

The first meeting is usually an annual accounts session that the auditors also attend. The annual report is discussed at the second Board meeting. The third to sixth meetings are devoted to things such as operational, strategic and personnel issues and market trends. At the last Board meeting, decisions are made on budgets and operational plans for the coming year.

Deputies to employee representatives participate in Board meetings. The CEO is not a Board member, but participates in Board meetings.

The Board annually establishes rules of procedure and instructions to the CEO. These documents define the basic division of powers between the Board, Board committees, the chairman and the CEO.

Chairman of the Board

The chairman is elected at the AGM. Lars-Åke Helgesson was elected LKAB's new Chairman of the Board after Björn Sprängare at the AGM in April 2011. At an extraordinary general meeting in October, Marcus Wallenberg was elected as the new Chairman of the Board.

The specific duties of the chairman adhere to the Companies Act, the Code and the ownership policy, and are further specified in the Board's rules of procedure. The chairman's duties include organizing and leading the work of the Board, ensuring that the Board fulfils its duties, that its decisions are implemented effectively, that the work of the Board is carried out effectively and that the Board annually evaluates its own work.

A special task assigned to the chairman of state-owned companies is what is called coordination responsibility. This means that the Board, through the chairman, is to coordinate its views with representatives of the owner when the company faces important decisions. Such issues include strategic changes in the company's operations, major acquisitions, mergers or divestments, as well as decisions affecting significant changes in the company's risk profile or balance sheet.

Committees

According to the state's ownership policy, it is the Board's responsibility to assess the need for establishing special committees. LKAB's Board has established an Audit Committee, a Currency and Finance Committee, and a Compensation Committee. Committee work is mainly of a preparatory and advisory character, but the Board may in special cases delegate decision-making powers to committees. Committee members and chairpersons are appointed at the Board meeting that follows the AGM each year.

Audit Committee

The Audit Committee consists of Lars-Åke Helgesson, Committee Chairman, Hanna Lagercrantz and Anna-Greta Sjöberg. Christer Berggren was a member of the committee until the 2011 AGM, when he resigned from LKAB's Board. The CEO and CFO also attend the meetings.

The Audit Committee's duties include monitoring the company's accounting, financial reporting and risk management, along with preparing the Board's proposed appropriation of profits for the fiscal year. During the year, the Audit Committee held seven meetings.

Currency and Finance Committee

Currency and Finance Committee members are Lars-Åke Helgesson (after the AGM), Committee Chairman, Hanna Lagercrantz, Anna-Greta Sjöberg and Seija Forsmo (after the AGM). Björn Sprängare, Christer Berggren and Thomas Kohkoinen were members of the committee until the 2011 AGM, when they resigned from LKAB's Board. The CEO, CFO and company treasurer also attend the meetings.

The Currency and Finance Committee's duties include preparing and monitoring LKAB's currency hedging programmes and treasury management. During the year, the committee held nine meetings.

Compensation Committee

The Compensation Committee consists of Lars-Åke Helgesson, Committee Chairman, Hanna Lagercrantz and Stina Blombäck (after the AGM). Björn Sprängare and Christer Berggren were members of the committee until the 2011 AGM, when they resigned from LKAB's Board. The CEO and senior vice president of human resources also attend the meetings.

The Compensation Committee's duties include preparing and evaluating compensation terms for the CEO, establishing salary-setting policies for persons in Group Management and annually evaluating the company's employee incentive programme. During the year, the Compensation Committee held two meetings.

Assessment

Assessment of the Board of Directors

The Board's work is assessed once a year with questions on how the Board as a collective and individual Board members fulfill their duties. The assessment is used in the Board's internal work. The chairman is responsible for following up the results so they can form a basis for discussions and improvements. Assessment of the chairman is normally done by the owner, but can also be part of the Board's own assessment.

The assessment is done either via a questionnaire or an in-depth interview of the AGM-elected Board members and the employees' regular Board representatives. The entire Board may review the assessment as may the CEO, as appropriate. The chairman arranges for the owner to review the assessment in connection with the nomination process.

Assessment of the CEO

The assessment of the CEO is a fundamental task of the Board. The chairman prepares a summary of the Board's views that conveys strengths and weaknesses to the Board as well as the CEO.

The work of the Board of Directors in 2011

During the year the Board held ten meetings, including two teleconferences. Board meetings are usually held in locations where LKAB operates, in Stockholm or in conjunction with visits to LKAB's market regions. Board member attendance at 2011 Board and committee meetings is shown in the table on pages 60-61.

OBJECTIVES AND STRATEGY

LKAB's objective is to produce high-quality iron ore products at a competitive cost. Compared to other iron ore companies, where nearly all of them mine ore in open pits, LKAB's charge on capital is greater since underground mining requires major investments. By leveraging the installed production capacity to the maximum, a competitive cost level can be maintained.

The operation is highly cyclical, so it is necessary for LKAB to have such financial strength that several years of economic fluctuation can be bridged and that the company itself can finance much of the investments needed to ensure its future.

In light of this, LKAB internally set the long-term rate of return on operating assets to 10 per cent (after tax), measured as an average over a business cycle. From 2007 to 2011, the return on operating assets was 32, 49, 3, 42 and 45 per cent, respectively.

The profitability target is meant to provide long-term profitability that meets the owner's requirements.

LKAB takes a long-term approach to customers. That has meant sustained investment in research and development to ensure the customer promise on added value for the products in their processes (Performance in Ironmaking). In 2011 LKAB chose to sign annual contracts with its customers. LKAB's objective with annual contracts was to create conditions for sustainable business for customers and the company alike.

During the year, the company's values were specified and formulated. Committed, Innovative and Responsible will be the basis for everyone's actions.

LKAB is in a stage of growth that aims to meet customer demand and help maintain its position on the pellet market, while the company's long-term competitiveness will be strengthened. The focused, comprehensive investment programme that was implemented provides opportunities for continued growth, and the plan to increase production and deliveries by about 35 per cent by 2015 remains unchanged.

For the company's governance, there are established principles, goals, policies and instructions in parallel with the internal dialogues of the Board.

COMPENSATION POLICIES

Guidelines

The 2011 AGM decided on compensation levels for Board members and auditors and guidelines for compensation to senior executives. For compensation of Group Management, the AGM decided that the government's currently applicable guidelines regarding employment terms for senior executives in state-owned companies will be applied. Total compensation is based on fixed compensation, benefits and pension. No variable compensation is paid to senior executives in Group Management.

In Note 6 on pages 95-97 of the Annual Report, compensation to senior executives is described.

Incentive programme and objectives

LKAB's incentive programme is designed to support the Group's strategic goals, which are based on production volume, health and safety, and product quality, and is described on page 76 of the Administration Report.

Compensation to the Board of Directors

As resolved at the AGM, remuneration to AGM-elected Board members totals SEK 2,015 thousand; see Note 6 on page 97.

POLICY DOCUMENTS

Descriptions and excerpts

Quality control policy

LKAB will strive to meet customers' present and future expectations by involving all employees in continuous improvements. Each employee is responsible for the quality of their work and should strive toward zero defects in everything we do.

Ethics policy

With high integrity and morals, LKAB conducts and develops a sound, prosperous business. The company will always abide by the laws and ordinances in force in the countries in which it operates, and respect the United Nations Declaration of Human Rights. The company will strive for impeccable business ethics and responsible energy and environmental initiatives as well as a strong, lasting relationship with employees based on mutual respect.

Information policy

Company information should promote increased knowledge and confidence among its stakeholders through proactive, ethical, open, clear and timely information efforts. LKAB's employees should be informed about the company's operation, the world at large, objectives, strategies and outcomes, as well as their own workplace and its role in the business. External stakeholders must be given a fair presentation of the company and its activities in a continuous and timely manner. The rules for informational activities that are recommended to companies listed on the Nordic Exchange in Stockholm will be followed as closely as possible. LKAB's ethics policy and guidelines are also guiding principles for informational work.

Environment and energy policy

The environment and energy policy is also included as part of the ethics policy, and covers suppliers that are active within the Group, both those within LKAB's areas and those who operate from without.

Through continuous improvements to health and safety, the environment and energy use, LKAB supports long-term sustainable and profitable development. Applicable laws, statutes, established regulatory requirements and other obligations that LKAB supports constitute minimum requirements. LKAB's attitude should be open and objective in dialogues and cooperation with authorities and society. We pursue a work environment that is stimulating and safe where employees are given continuous environmental training. New technology and new discoveries are valued with respect to health and safety, environmental protection, energy use and resource efficiency.

Personnel policy

This policy should help LKAB be and be perceived as an attractive employer. Workplaces should be safe, secure and stimulating, where everyone has and takes responsibility for their own and others' safety. Conditions should be good for long-term healthy employees. Employee commitment and good work performance are necessary conditions for long-term competitiveness, profitability and productivity, which in turn create opportunities for good employment conditions.

Financial policy

The currency and financial policy governs objectives, responsibilities, reporting, monitoring and management of LKAB's currency, management, liquidity and credit risks. The Board determines the policy's content and delegates follow-up to the Currency and Finance Committee. The CFO is responsible for operational follow-up.

LKAB'S MANAGEMENT

CEO

The CEO's general responsibility is stated in the instructions for the CEO and the Board's rules of procedure. These state that the CEO shall:

- Manage, plan, develop and analyse the company's operations in accordance with the Board's established objectives and strategies.
- Ensure that the company's accounts are maintained in compliance with laws and that assets are managed in a satisfactory manner.
- Ensure that other applicable statutory regulations and directives are also followed, that the Board's decisions and other applicable resolved measures are enforced, and that the company's operation is appropriately organised and run in accordance with the Articles of Association.
- Be responsible for presentation and other reporting to the Board.
- Establish instructions and functional descriptions that are deemed necessary, but that were not established by the Board.
- Be responsible for all the company's regular contact with the media; for ownership issues and larger structural issues, the chairman is responsible for media contact.
- Be responsible for the introduction programme for newly appointed Board members.

The chairman approves CEO duties outside the company as they arise. Information on the CEO appears on page 63.

Group Management and Group Management structure

LKAB's business is conducted to a very large extent in the Parent Company. Some activities are also conducted in subsidiaries in Sweden and in several other countries. Group Management consists of the CEO and eight divisional and unit managers who work in the Parent Company. Besides the divisional managers from Mining and Marketing & Logistics, the managers for Group units Technology & Business Development, Urban Transformation, Finance, Group Control, Human Resources, and Communications are included.

In 2011, the following change in the chain of command was made: the Logistics business was transferred from Mining and together with Marketing it formed the new Marketing & Logistics Division. Group Control was moved from the Finance unit to form its own Group entity. Group staff members were posted to the Public Affairs office in Brussels and to Group Service, which was formed as an offshoot from the Communications unit.

The subsidiaries are governed by appointing Group Management members as chairpersons to the subsidiaries' Boards. The subsidiaries run their businesses independently in accordance with the company's mission in the Group as formulated in the articles of association.

Responsibility and authority are assigned to individual officers, rather than groups and committees. This means that Group Management and management groups in the line organisation are consultative bodies and not decision-making bodies.

Information on Group Management appears on pages 62-63.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board's responsibilities for internal governance and control is regulated by the Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance. The Annual Accounts Act states requirements for the company annually describing the company's internal controls and risk management regarding financial reporting. The Board has overall responsibility for financial reporting, and its rules of procedure regulate the Board's and audit committee's internal division of labour. Briefings on internal controls are also presented to the company's auditors, who normally attend the first Board meeting.

After preparation by the audit committee, quality assurance of the company's financial statements is handled by the Board, which deals with significant accounting issues and the financial reports issued by the company. The Board also deals with issues relating to internal control, compliance, material uncertainty in reported values, uncorrected errors, events after the balance sheet date, changes in accounting estimates and assessment, possible improprieties and other circumstances affecting the quality of financial reports.

Control environment

LKAB's internal control structure is based on a defined division of responsibilities between the Board, Board committees and the CEO. The internal control structure is based on the company's organisation and the way business is conducted, including well-defined roles and responsibilities, delegation of powers, governing documents such as policies, and clearly defined planning and support processes.

The most important elements of the control environment concerning financial reporting, including preparation of the consolidated accounts, is dealt with in Group-wide governing documents relating to accounting, financial transactions and regulation of division of authority. The purpose of Group-wide guidelines and systems for reporting and consolidation of Group accounts is to safeguard the financial statements and accuracy of the consolidated accounts.

Risk assessment

LKAB is governed by procedures that have risk management built into every process. Within the Group there are techniques for ensuring that the risks the company is exposed to are handled according to guidelines and methods in order to both assess and mitigate these risks.

LKAB works continuously with identifying and mapping risks in the processes that are linked to the financial statements and preparation of the consolidated accounts. For the most important processes, risk analyses were conducted and for identified risks, procedures were established for managing and minimising these risks.

For the financial statements, a number of areas of higher risk were identified, most notably relating to accounting and tax issues linked to urban transformation in Malmfälten and the large amount of planned and ongoing capital expenditures. Other more general risks are loss or misappropriation of assets and other significant errors in the company's accounts, such as accounting and measurement of balance sheet items, completeness of income statement items, or deviations from disclosure requirements.

Control activities

Key elements of LKAB's control structure are controls of business transaction approvals (authorisation instructions), division of authority descriptions, and annual account instructions. There are also specifically established controls regarding the annual accounts process and the processes for quarterly results and the annual report that deal with more unique risks of errors that may occur in financial statements.

The Group's legal entities that conduct business have financial managers and reporting units have controllers. They participate in forecasting and analysis of the subsidiaries and the reporting entities' earnings. The analyses comprise assets, liabilities, income, costs and cash flows. There are also designated controller resources that monitor, analyse, make forecasts, and examine specific issues relating to the financial information for urban transformation and strategic capital expenditures. For preparation of the consolidated accounts, LKAB has a Group-wide consolidation system where the company's financial managers/controllers are responsible for the accuracy of the reported financial information (outcome, budget and forecasts). Together with the comprehensive analysis performed at Group level, this helps to minimise the risk of material misstatements in the financial statements.

A plan for internal control activities is prepared annually in the Group-wide controller function. In recent years, particular focus has been placed on the monitoring of large capital expenditures made within LKAB and monitoring of activities related to the ongoing urban transformation.

In 2011, internal control activities were carried out that included selected ongoing capital expenditures, urban transformation and specific, limited areas of the business. Reviews were mostly done in collaboration with external independent auditors, where the focus was defined based on a risk assessment for each separate examination. Results from completed reviews were summarised in review reports and feedback was given to the operations concerned. Compliance with resolved measures after completion of reviews is followed up regularly by the Group-wide controller organisation.

A continuous high level of IT security is a prerequisite for good internal control over financial statements, so there are rules and guidelines to ensure availability, integrity, confidentiality and traceability of information in the ERP system. During the year, IT controls were reviewed by an external party.

| Information and communication

LKAB has information and communication channels that promote the completeness and accuracy of financial statements. Comprehensive information on the current control structures is available to all employees via LKAB's intranet. The objective is to regularly review changes and the reasoning behind existing controls and to improve them in order to maintain effective internal control over the financial statements. In connection with the review of the control structure, responsibility for ensuring that the control structure is in place, is known and that the control is carried out as intended are also identified.

LKAB's guidelines for the financial statements and consolidated accounts are updated regularly. Changes are communicated to relevant functions and operations via email, the intranet and at meetings.

For communication with external parties, there is an information policy that provides guidelines for how information should be communicated. The purpose of the policy is to ensure that all information obligations are met in an accurate and complete manner. External financial communications are issued through annual reports, interim reports, annual accounts, press releases and via LKAB's website at www.lkab.com.

| Follow-up

The accounts are balanced monthly for the LKAB Group and reported to Group Management. The Board receives reports quarterly and for the entire financial year.

Each unit manager and the presidents of subsidiaries are ultimately responsible for the periodic follow-up of the financial information for each unit/company. The information is also followed up by division by Group functions, Group Management and, finally, by the Board. LKAB's Audit Committee is an important function for following up financial statements.

STATEMENT 2011

According to statements from the Swedish Corporate Governance Board, no statement is made about how well the internal control worked during the year.

There is currently no internal audit function established at LKAB. The Board has considered the matter and decided that existing structures for following up and evaluating internal control provide a satisfactory platform for the Board's evaluation of internal control. For certain special reviews, external review work can also be done. This decision is reconsidered annually.

Luleå, 28 March 2012

For the Board of Directors of LKAB, Chairman

M. Wallenberg

Marcus Wallenberg

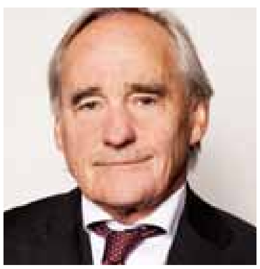
2011 Board of Directors


Marcus Wallenberg,
director, chairman


Stina Blombäck,
director


Per-Ola Eriksson,
county governor


Maija-Liisa Friman,
director


Lars-Åke Helgesson,
director, chairman
27 April – 12 October 2011


Hanna Lagercrantz,
desk officer


Anna-Greta Sjöberg,
CEO


Egil M. Ullebø,
director

The Board's Employee Representatives Full members


Seija Forsmo,
senior researcher


Tomas Strömberg,
ore developer


Jan Thelin,
welder

Deputies


Stefan Fagerkull,
project manager


Bertil Larsson,
ore harbour worker


Pentti Rahkonen,
process operator

Auditors and Secretary

AUDITORS

Deloitte AB
Peter Gustafsson
Authorised public accountant
Chief Auditor

Appointed by the Swedish National Audit Office
Filip Cassel
Authorised public accountant

SECRETARY

Malin Sundvall
Chief Legal Advisor for LKAB,
Secretary of the Board
since 2008

BOARD OF DIRECTORS

	MARCUS WALLENBERG, DIRECTOR	STINA BLOMBÄCK	PER-OLA ERIKSSON	MAIJA-LIISA FRIMAN
Position	Director	Director, Sustainability and Energy Billerud AB	Governor, County of Norrbotten	Director
Education	Bachelor of Science of Foreign Service, Georgetown University, Washington D.C. USA	MSc Chemical Engineering, Royal Institute of Technology, 1974		MSc Chemical Engineering, Helsinki University of Technology, 1978
Year elected	2011*	2002	1991-1999 and since 2004**	2008
Born	1956	1951	1946	1952
Other directorships	Chairman, Skandinaviska Enskilda Bank (SEB), SAAB AB and AB Electrolux. Member, AstraZeneca Plc, Knut & Alice Wallenberg Foundation, Stora Enso Oyj and Temasek Holdings Ltd.	Member, Luleå Energi AB, Kalix Vindkraft AB, Part AB, Norrlandsfonden and LTU Holding AB.	Chairman, Längmanska Företagarfonden and Norrbottens Läns Hushållningssällskap.	Chairman, Ekokem Oy and Helsinki Deaconess Institute. Deputy Chairman, Metso Oyi. Member, TeliaSonera AB and Neste Oil Oyj.
Background	1999-2005 President and CEO Investor AB, 1993-1999 Executive Vice President Investor AB, 1990-1993 Director Stora Feldmühle AG, Düsseldorf. Before 1990, various positions within SEB Stockholm and London, Citicorp Hong Kong, S.G. Warburg Co. Ltd. London, Deutsche Bank AG, Frankfurt and Hamburg, Citibank, N.A. New York.	Director, Sustainability and Energy, Billerud AB since 2010. CEO Billerud Karlsborg 2001-2010. Research Director Assi Domän 1999-2001. Various positions in the Swedish forestry industry 1974-1999: ASSI Karlsborg, Billerud Gruvön, ASSI Kraftliner, ÅF-IPK and Assi Domän.	County Governor since 2003. Chairman, Teracom AB 2001-2003. Director General NUTEK 1999-2003. Chairman, Landshypotek AB 1994-2005. Chairman, Standing Committee on Finance 1991-1994 and Vice Chairman 1994-1998. Riksdag Group Leader, Centre Party 1991-1998. Member of Riksdag 1982-1998.	President Aspocomp Group Oyj 2004-2007. CEO Vattenfall Oy 2000-2004. CEO Gyproc Oy 1993-2000. Various management positions in Kemira Oyj in Finland, Mexico and the US 1978-1993.
Compensation	SEK 302,417*	SEK 250,000	SEK 172,917**	SEK 250,000
Board meeting attendance	Attended 2 of 10 meetings.*	Attended 6 of 10 meetings.	Attended 10 of 10 meetings.	Attended 6 of 10 meetings.
Audit Committee attendance	—	—	—	—
Currency and Finance Commitee attendance	—	—	—	—
Compensation Committee attendance	—	Attended 2 of 2 meetings.	—	—

*Joined the Board 12 October 2011. **Resigned from the Board 31 December 2011.

	LARS-ÅKE HELGESSON	HANNA LAGERCRANTZ	ANNA-GRETA SJÖBERG	EGIL M. ULLEBØ
Position	Director	Desk Officer, Ministry of Finance	CEO, Crispa AB	Director
Education	MBA School of Economics Gothenburg 1971. Graduate Engineer.	MSc Economics, Stockholm School of Economics 1993, MPhil Economics, Cambridge University 1994.	MSc Economics Stockholm School of Economics 1989.	MSc Norwegian Institute of Technology. MBA, Norwegian School of Economics. Studies at Tempelton College, Oxford.
Year elected	2000*	2010	2005	2001
Born	1941	1970	1967	1941
Other directorships	Chairman, TransLink Holding AB. Member, Ballingslöv International AB, Axel Christiernsson AB, Crane Inc., Dalton MA USA, Crane AB and Royal Swedish Academy of Engineering Sciences.	Member, SBAB Bank AB and the Swedish Space Corporation.	Chairman, St Eriks Vårdbolag AB. Member, Hufvudstaden AB.	Chairman, Østfold Energi AS and Deltagruppen AS. Member, Store Norske Spitsbergen Grubekompani AS, Nordic Mining ASA and Borg Havn IKS.
Background	President and CEO Stora 1992-1998. Division Manager Stora 1988-1992. President and CEO Haldex 1981-1988.	Swedish Government Offices since 2008. Market Analyst and Investor Relations SEB 1999-2008. Corporate Finance S.G. Warburg, UBS, Brunswick Warburg 1994-1998.	Royal Bank of Scotland, Nordic Region 1998-2011, various positions including CFO and Managing Director. Bergaliden AB 1993-1998 (CEO 1997-1998). BPA 1991-1993. Sandvik de Mexico 1989-1991.	Orkla Group 1970-2006.
Compensation	SEK 480,222	SEK 0	SEK 310,000	SEK 250,000
Board meeting attendance	Attended 9 of 10 meetings.	Attended 10 of 10 meetings.	Attended 10 of 10 meetings.	Attended 7 of 10 meetings.
Audit Committee attendance	Attended 7 of 7 meetings.	Attended 6 of 7 meetings.	Attended 7 of 7 meetings.	—
Currency and Finance Committee attendance	Attended 5 of 9 meetings.**	Attended 8 of 9 meetings.	Attended 9 of 9 meetings.	—
Compensation Committee attendance	Attended 2 of 2 meetings.	Attended 2 of 2 meetings.	—	—

*Chairman of the Board 27 April 2011 – 12 October 2011. **Joined the Committee 27 April 2011.

THE BOARD'S EMPLOYEE REPRESENTATIVES, FULL MEMBERS



	SEIJA FORSMO	TOMAS STRÖMBERG	JAN THELIN
Position	Senior researcher and expert in particle science	Ore developer	Welder
Education	MSc Chemical Engineering, Helsinki University of Technology 1980; PhD Process Metallurgy, Luleå University of Technology 2007	Secondary school	Trained international welding specialist
Year elected	Deputy member since 2010 Full member since 2011	2011	2010
Born	1955	1967	1955
Other directorships	Member, SACO Club Malmberget-Luleå and programme Boards of the Mining Research Program (Vinnova) and CAMM (LTU).	Deputy Chairman, Gruv4:an Club Member, IF Metall Div 1	Chairman, Gruv12:an Club Kiruna, IF Metall Malmfälten. Member, LKAB Berg&Betong AB.
Background	Employee at LKAB since 1988. Previously employed by Outokumpu Oy and Kemira Oyj.	Employee at LKAB since 1987	Employee at LKAB 1974-1977 and since 1995. Employed by various engineering companies 1977-1995.
Compensation	SEK 0	SEK 0	SEK 0
Board meeting attendance	Attended 10 of 10 meetings.	Attended 4 of 10 meetings.*	Attended 8 of 10 meetings.
Currency and Finance Committee attendance	Attended 1 of 9 meetings.**	—	—

*Joined the Board 27 April 2011. **Joined the Committee 27 April 2011.

THE BOARD'S EMPLOYEE REPRESENTATIVES, DEPUTIES



	STEFAN FAGERKULL	BERTIL LARSSON	PENTTI RAHKONEN
Position	Project manager	Ore harbour worker	Process operator
Education	Engineer, Rock and Civil Engineering, Bergsskolan Filipstad	Secondary school	Secondary school
Year elected	2011	2010	2010
Born	1963	1955	1965
Other directorships	Member, Leaders Club in Kiruna	Chairman, Svartöstaden Club, IF Metall Norrbotten	Chairman, Gruv135:an Club, IF Metall Malmfälten
Background	Employee at LKAB 1987-1989 and since 1995. Studies and UN service between 1989-1995	Employee at LKAB 1974-1996 and since 1999. Employed by Dynalite 1996-1999.	Employee at LKAB since 1987
Compensation	SEK 0	SEK 0	SEK 0
Board meeting attendance	Attended 5 of 10 meetings.*	Attended 9 of 10 meetings.	Attended 10 of 10 meetings.

*Joined the Board as a deputy 27 April 2011.

Group Management 2011

	PER-ERIK LINDVALL	KATARINA HOLMGREN	LOTTA FOGDE	ANDERS KITOK
Position	Senior Vice President, Technology & Business Development	Senior Vice President, Group Control	Senior Vice President, Communications	Senior Vice President, Mining Division
Education	MSc Mining Engineering, Luleå University of Technology, 1980	MSc Economics, Luleå University of Technology, 1986	BA, Denison University, Ohio, USA, 1989	MSc Mechanical Engineering, Luleå University of Technology, 1982
Year employed	2001	2010	2008	1985
Born	1956	1963	1966	1957
Other engagements	Chairman, Norrskenet AB and the Bergforsk Foundation. Deputy Chairman, Luleå University of Technology. Member, Botnia Exploration AB		Member, Teknikens Hus Luleå and Attractiv Region	Member, Progressum AB, MCC AB. Deputy, Underhållsföretagen
Background	LKAB 1980-1989, Bergbygg AB 1989-1991, Boliden 1991-2000	Kårhuset i Luleå AB 1985-1986, Swedish Tax Agency 1987-1997, Luleå University of Technology 1997-2003, LKAB 2003-2007, Polarbröd 2007-2010	Swedish Radio 1991-1995, Expressen 1996, Government Offices 1996-2004. Self-employed 2005-2008	Ericsson 1983-1985
Compensation	See Note 6, page 97	See Note 6, page 97	See Note 6, page 97	See Note 6, page 97

	LEIF BOSTRÖM	LARS-ERIC AARO	MARKUS PETÄJÄNIEMI	GRETE SOLVANG STOLTZ	ANDERS FURBECK
Position	Senior Vice President, Finance and CFO	President and CEO*	Senior Vice President, Marketing & Logistics Division	Senior Vice President, Human Resources	Senior Vice President, Urban Transformation
Education	MSc Economics, Luleå University of Technology, 1990	MSc Mining Engineering, Luleå University of Technology, 1982	MSc Urban Planning and Environmental Engineering, Luleå University of Technology, 1985	MSc Economics, Luleå University of Technology, 1993	MSc Economics, School of Economics, Gothenburg 1985
Year employed	1992	2001	2005	2009	1985
Born	1959	1956	1959	1970	1957
Other engagements	Chairman, Hjalmar Lundbohm Research Centre and LKAB Excellence Centre at LTU; member, VindIn AB	Chairman, SKGS; Deputy Chairman, SweMin. Member, Royal Swedish Academy of Engineering Sciences. Honorary Doctorate, Luleå University of Technology, 2007		Chairman, Career Centre at LTU. Member, SweMin	
Background	NCC 1980-1992	LKAB 1976, 1981-1984, Viscaria AB 1984-1987, Boliden 1987-1989, Secoroc 1989-1992, Boliden 1992-1998, ASSI Domän 1998-2001	NAB 1985-1988, Kiruna Värmeverk 1988-1995, De-Icing Systems 1995-1996, Sema/Schlumberger/Atos Origin/WMData 1996-2005	LKAB 1993-1995, SCA 1995-2008, Northland Resources 2008-2009	
Compensation	See Note 6, page 97	See Note 6, page 97	See Note 6, page 97	See Note 6, page 97	See Note 6, page 97

* The CEO, or any natural person or legal entity related to him, does not have significant shareholdings or partnerships in companies with which LKAB has substantial business relationships.

Auditor's statement on the Corporate Governance Report

To the Annual General Meeting of Luossavaara-Kiirunavaara AB (plc), Company registration number 556001-5835

The Board of Directors is responsible for the 2011 Corporate Governance Report, which is included in the printed version of this document on pages 52-63, and that it is prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report, and based on this reading and our knowledge of the company and Group, we believe we have sufficient grounds for our opinion. This means that our statutory review of the Corporate Governance Report has a different focus and is substantially smaller in scope than an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices in Sweden has.

In our opinion, a corporate governance report was prepared and its statutory information is consistent with the Annual Report and consolidated accounts.

Stockholm, 28 March 2012

Deloitte AB

Peter Gustafsson
Authorised public accountant

Filip Cassel
Authorised public accountant
Appointed by the Swedish National Audit Office

Group overview

Consolidated Statements of Income (SEK million)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net sales	31,122	28,533	11,558	23,128	16,385	14,615	14,337	8,988	7,466	5,186	4,870
Cost of goods sold	-15,190	-15,276	-10,029	-12,166	-9,509	-7,706	-7,535	-6,180	-5,959	-4,515	-4,383
Gross profit	15,932	13,257	1,529	10,962	6,876	6,909	6,802	2,808	1,507	671	487
Selling expenses	-223	-213	-202	-200	-178	-178	-174	-289	-285	-135	-86
Administrative expenses	-640	-451	-377	-448	-344	-333	-349	-353	-247	-192	-246
R&D expenses	-328	-213	-237	-258	-217	-165	-159	-235	-116	-101	-116
Other operating income/expenses	-36	-68	-54	271	11	23	-11	10	64	50	28
Operating profit	14,705	12,312	659	10,327	6,148	6,256	6,109	1,941	923	293	67
Financial income	503	418	705	575	572	546	550	227	181	191	125
Financial expenses	-407	-349	-172	-513	-376	-420	-208	-145	-129	-88	-130
Profit before tax	14,801	12,381	1,192	10,389	6,344	6,382	6,451	2,023	975	396	62
Tax	-3,842	-3,275	-473	-2,748	-1,665	-1,785	-1,904	-456	-286	-96	-15
Profit for the year	10,960	9,106	719	7,641	4,679	4,597	4,547	1,567	689	300	47
Attributable to:											
Parent Company shareholders	10,960	9,106	719	7,641	4,679	4,597	4,546	1,568	690	305	54
Minority share							1	-1	-1	-5	-7
Includes depreciation according to plan	1,899	1,836	1,827	1,462	1,166	997	952	1,079	1,049	994	954
Consolidated statement of financial position (SEK million)											
Intangible assets	270	321	310	428	329	387	477	211	182	22	8
Property, plant and equipment	26,285	23,087	21,551	19,893	16,702	11,746	7,928	6,316	6,476	6,583	7,056
Financial assets	1,124	1,675	1,827	1,094	2,416	2,208	1,393	219	245	322	261
Total non-current assets	27,679	25,083	23,688	21,415	19,447	14,341	9,798	6,746	6,903	6,927	7,325
Inventories	2,449	2,074	2,301	2,715	1,635	1,631	1,423	1,006	976	870	870
Accounts receivable	4,592	3,395	2,276	1,946	1,922	1,697	1,846	1,194	1,198	724	711
Cash and cash equivalents plus current investments	18,201	14,562	6,195	9,643	5,991	6,982	7,091	4,516	2,944	3,045	2,780
Other receivables	808	1,515	1,095	612	685	1,214	416	195	316	117	245
Total current assets	26,051	21,546	11,867	14,916	10,233	11,524	10,776	6,911	5,434	4,756	4,606
Total assets	53,730	46,629	35,555	36,331	29,680	25,865	20,574	13,657	12,337	11,683	11,931
Total operating assets	34,405	30,392	27,533	25,594	21,273	16,675	12,090	8,922	9,148	8,316	8,890
Shareholders' equity	37,893	32,951	25,375	25,218	22,251	19,076	14,802	10,044	9,004	8,673	8,609
Minority interest							4	3	4	3	46
Provisions*									2,209	2,154	2,160
Non-current liabilities	11,375	9,555	7,512	6,836	4,963	4,627	3,598	2,230	2	2	41
Current liabilities	4,462	4,123	2,668	4,275	2,466	2,162	2,170	1,380	1,118	851	1,075
Total shareholders' equity and liabilities	53,730	46,629	35,555	36,329	29,680	25,865	20,574	13,657	12,337	11,683	11,931
Consolidated Statement of Cash Flow											
Cash flow before change in working capital	13,656	13,951	2,931	11,545	7,200	5,688	6,073	2,776	1,782	1,356	978
Change in working capital	92	-1,184	-43	-1,201	-124	358	-553	79	-556	-172	-19
Cash flow from operating activities	13,748	12,767	2,888	10,344	7,076	6,046	5,520	2,855	1,226	1,184	959
Investments in existing operations	-5,126	-3,973	-3,543	-4,682	-5,968	-4,844	-2,648	-973	-592	-532	-1,050
Operating cash flow	8,639	8,867	-655	5,662	1,108	1,202	2,872	1,882	634	652	-91
Acquisition of operation, minority and asset		-7	0	-9	-35	0	-75	-29	-384	-41	
Current investments	-2,990	-2,952	308	303	-381	217	-1,846	-1,748			
Other	17	80	7	-8	192	151	123				
Cash flow after investments	5,649	5,915	-340	5,948	884	1,570	1,074	105	250	611	-91
Dividend	-5,000	-500	-2,800	-2,000	-2,000	-1,500	-520	-281	-351	-254	-233
Other from financing activities					-43					-92	44
Cash flow for the year	649	5,415	-3,140	3,948	-1,159	70	554	-176	-101	265	-280

Group key ratios		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net sales	SEK million	31,122	28,533	11,558	23,128	16,385	14,615	14,337	8,988	7,466	5,186	4,870
Growth in net sales	%	9.1	146.9	-50.0	41.2	12.1	1.9	59.5	20.4	44.0	6.5	-0.2
Operating margin	%	47.2	43.2	5.7	44.7	37.5	42.8	42.6	21.6	12.4	5.6	1.4
Profit margin	%	47.6	43.3	10.3	44.9	38.7	43.7	45.0	22.5	13.1	7.6	1.3
Return on total capital	%	30.3	31.0	3.8	33.0	24.2	29.3	38.9	16.7	9.2	4.1	1.6
Return on equity	%	30.9	31.5	2.8	32.2	22.6	27.1	36.6	16.5	7.8	3.5	0.5
Return on operating assets	%	45.4	42.4	2.5	49	32	43	58	21	11	3	1
Equity/assets ratio	%	70.5	70.7	71.4	69.4	75.0	73.8	72.0	73.6	73.0	74.3	72.5
Average number of employees		4,191	4,030	3,778	4,086	3,885	3,737	3,563	3,482	3,433	3,078	3,172

*Reported since 2004 as current and non-current liabilities, respectively, as per IFRS.

Definitions

Operating margin: Operating profit as a percentage of net sales

Profit margin: Profit after financial items as a percentage of net sales

Return on total capital: Profit after financial items + financial expenses as a percentage of average total assets

Return on equity: Net income for the year as per income statement as a percentage of average shareholders' equity

Return on operating assets: Operating profit as a percentage of average operating assets

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| ADMINISTRATION REPORT

The Board of Directors and the President of Luossavaara-Kiirunavaara AB (publ.), hereinafter LKAB, (company registration number 556001-5835) hereby submit their annual report and consolidated financial statements covering operations for the 2011 financial year.

| OWNER STRUCTURE

LKAB was founded in 1890 and is wholly owned by the Swedish state; the company's registered office is in Luleå, Sweden. The total number of shares is 700,000 and share capital amounts to SEK 700 million.

| GROUP

The consolidated financial statements cover the 2011 operations of the Parent Company and its subsidiaries, referred to collectively as the Group. It also includes ownership interests in joint venture companies. The name LKAB refers to the Parent Company; the Group is called the LKAB Group or the Group and refers to the Mining, Minerals and Special Businesses divisions.

| IMPORTANT EVENTS DURING THE YEAR

In February LKAB signed an agreement with Kiruna municipality regarding the first of the so-called Mine City Parks, a buffer zone between the built-up area and the industrial area that will be completed in 2018. The first stage – Iggesunds Park – was opened later in 2011. During the year negotiations were begun with Gällivare municipality in respect of community transformation issues in Malmberget.

In March the Environmental Court of Appeal rejected LKAB's application regarding mining in Gruvberget, Svappavaara. LKAB appealed the ruling to the Supreme Court and will run operations for the time being with a temporary permit from the Environmental Court.

The Annual General Meeting (AGM) elected Lars-Åke Helgesson as Chairman of the Board of LKAB to replace Björn Sprängare. Marcus Wallenberg was appointed new chairman at an extraordinary shareholders' meeting in October.

New annual prices for iron ore products were agreed in May. The agreements involve an average 20 percent increase compared to the previous year for all products. Iron ore test extraction began at the Mertainen open pit mine.

A new agglomeration laboratory was opened in Malmberget in September. Budgetary funds were set aside for the Swedish Transport Administration to extend for passing sidings on the Ore Railway before 2015. LKAB set up a company in Shanghai, China.

In December the first ship-load of direct reduction pellets left for a new customer in Abu Dhabi.

| GROUP

Group (SEK millions)	2011	2010
Net sales	31,122	28,533
Operating income	14,705	12,312
Profit margin	47.6%	43.3%
Equity	37,893	32,951
Equity/assets ratio	70.5%	70.7%
Cash flow	649	5,415
Average number of employees	4,191	4,030

Sales and earnings

Group net sales increased by 9 per cent and amounted to SEK 31,122 million (28,533). The increase was distributed by; price 22 percent, currency -13 percent and volume/mix 0 percent. Without any US dollar hedges the foreign exchange effect would have amounted to -16 percent.

The consolidated operating profit increased by 19 percent to SEK 14,705 million (12,312), which is mainly attributable to iron ore price increases of on average 20 percent. Earnings were affected negatively by a lower USD exchange rate during the year. Last year's earnings included a community transformation provision of SEK 2.9 billion. This year net earnings were affected by SEK 1.2 billion. Of this amount SEK 1.6 billion are in respect of a provision for Malmberget and SEK 0.4 billion refers to the dissolution of earlier reserves for a new railway in Kiruna. Production costs within the Mining Division were higher during 2011 compared with 2010. This is partially explained of an increased proportion of ore from Gruvberget and older ore tips with higher extraction costs. Costs for disruptions in production and start-ups for new mines within the framework for LKAB 37 also affected outcomes. During the year grants amounting to SEK 109 million were awarded to Luleå University of Technology, primarily for research.

Investments

The Group's investments in property, plant and equipment for 2011 amounted to SEK 5,126 million (3,973). Payments for the ongoing works on the new main levels in Malmberget and Kiruna dominated expenditures.

Financial position

The LKAB Group's equity/assets ratio amounted to 70.5 percent (70.7%).

Provisions for urban transformation in Kiruna and Malmberget amounted to SEK 5,103 by year end. Earnings for the year were impacted by SEK 1,234 million (2,997) for costs associated with urban transformations in Kiruna and Malmberget resulting from the effects of mining.

Pension provisions amounted to SEK 2,529 million (2,305) at year end. Liabilities changed during the year due among other reasons to the use of a new principle for reporting actuarial gains and losses. Further information regarding the affect of the changes in the income statement and balance sheet are described in the report over changes in equity and Note 25 Pensions.

Long-term financial investments in the form of SSAB shares reduced in value during the year by SEK 647 million and amounted to SEK 748 million at year end.

The positive cash flow in 2011 is mainly attributable to operating profits. Cash flow from operating activities amounted to SEK 8,639 million (8,867). Cash flow for the year amounted to SEK 649 million (5,415). A dividend of SEK 5,000 million (500) was paid to the owner. Liquidity (cash, cash equivalents and current investments) amounted to SEK 18,201 million (14,562).

During the year, the net inflow of US dollars from the sale of iron ore amounted to USD 4,061 million (3,200), of which USD 2,260 million (1,940) was hedged under forward exchange contracts at an average rate of SEK 6.82 (7.82) per USD. The average exchange rate on the spot market was SEK 6.50 (7.21) per USD during the same period.

At the close of the year, USD 970 million was hedged under forward exchange contracts at an average rate of SEK 6.76 per USD. At the same time last year, hedging contracts amounted to USD 880 million at an average rate of SEK 7.23 per USD.

| RISKS AND UNCERTAINTY FACTORS

As an international Group, LKAB is exposed to various risks. Risk management is an important part of operations in order to minimise the effect of factors that are outside the Group's control. There are methods within the Group for ensuring that the risks to which the company is exposed are managed according to established guidelines and methods, as well as for assessing and limiting these risks.

Fluctuations in the world economy can influence global steel production which in turn directly affects demand for iron ore. Other risks can be a weakening dollar, falling pellet prices, higher expenses for taxes and energy and increased costs for emission rights.

In contrast to LKAB, the company's biggest competitors extract ore from open-pit mines and have therefore significantly lower production costs. High, even production quality and cost effectiveness on the part of LKAB are critical factors for its ability to cope with competition. Its greatest advantage compared to its competitors is the high quality magnetite ore.

Below is a description of the operational and financial risks that are of significance for LKAB.

Operating risks

Volume dependence

The demand for iron ore pellets is more volatile compared to fines in times of changing prices and economic circumstances. LKAB's sales, with an approximate 82 per cent proportion of pellets, are more sensitive to prevailing economic circumstances than its competitors as the consumption of fines by steelmakers with their own sintering plants is more stable and often forms the foundation for their production. LKAB has usually been able to sell all of its products, but the company must improve its preparedness for future cyclical fluctuations, among other means by greater flexibility in iron ore production, its products, sales and financial strength.

Price dependence

Iron ore trading is conducted in US dollars based on supply and demand. Final prices are set in bilateral negotiations between suppliers and purchasers. Among other things, a shift in the centre of gravity toward Asia within global iron ore trade means that today there are in the main three different ways of setting iron ore prices – annual prices, spot prices and quarterly indexed prices. LKAB has chosen annual price agreements to achieve long-term operational planning benefits in order to avoid e.g. quarterly delivery variations. The price of pellets is based on ore fine sinter prices plus a pellet premium. The price of direct reduction pellets (DR pellets) has always been higher than that of blast furnace pellets. The cost of ocean freight is of great importance for steelmakers as it is included in the total price to the customer. Customers evaluate suppliers based on the total price of materials delivered together with the added value that the products create in connection with their use. Thus LKAB is favoured in the European market when freight prices are high, while distant mines become more competitive when freight prices are low. This proximity advantage is assessed when prices are set.

Customer dependence

The global iron ore and steel market is subject to ongoing structural changes, and the number of players has diminished. The Mining Division has relatively few customers and it prioritises growth through existing customers, which means that each individual customer increases in importance. Long-term customer relationships and a customer structure spread across different markets have a certain stabilising effect on deliveries and risk exposure. Consistently high product quality, a geographical logistics advantage in combination with value-adding products and services are important risk-mitigating factors. The Minerals Division has a diversified customer base and product portfolio aside from magnetite that to a certain degree cushions market fluctuations since different geographical areas, customer segments and minerals have different economic cycles.

Urban transformations in the orefields

LKAB's expansion in its orefield operating localities entails a successive expansion of deformation zones resulting from mining activities, and therefore changes in the structure of local communities are inevitable in the long term. Together with other concerned parties, such as the state/owner, municipalities, public authorities, other companies, property owners and other stakeholders, LKAB is working actively to identify joint solutions for the transformation of orefield communities. As and when impact due to mining activities (economic/physical damage to property) is incurred and where legal or informal commitments to external parties exist, LKAB allocates funds for such commitments (see Note 26).

Hitherto most of the impact has occurred within LKAB's own sites. Today, however, local communities and infrastructure beyond these areas are also affected. The deformation zones are, or will be, so extensive that it will be necessary to successively relocate sections of Kiruna and Malmberget permanently.

Urban transformation in the ore fields has impacted LKAB's earnings and liquidity by considerable amounts, and will continue to do so in the years to come. LKAB must therefore remain financially strong and maintain a good earning capacity in order to shoulder the existing obligations that urban transformation entails. In addition to this there will also be subsequent demands resulting from future mining.

Concessions and permits

Various permit applications are associated with different types of risks depending of the type of project and permit applied for. The risks may vary between the insignificant and extremely serious, but in general terms may be risks for project delays that can entail cost increases or production disruptions or halts in mines and processes.

Other operating risks

LKAB's operations are energy-intensive, which is why constant efforts to find energy-efficient solutions and secure deliveries of competitively priced electricity are prioritised. LKAB participates in the EU's system for trade in emission allowances for carbon dioxide, which entails increased direct and indirect costs for LKAB. LKAB's principal competitors in Brazil and Australia are not affected by this during the 2008–2012 trading period for such systems, which distorts competition to LKAB's disadvantage.

Financial risks

LKAB is exposed to various types of financial risks. These risks are associated with fluctuations in the company's earnings and cash flow as a result of fluctuations in currency exchange rates, interest rates, refinancing and credit risks. Financial risks are managed according to Group policies established by the LKAB's Board of Directors. LKAB has a centralised finance function, LKAB Treasury Centre, which manages most of the Group's financial risks. A selective strategy is applied, whereby potential costs and benefits are balanced, the aim being to minimise and neutralise risks in commercial flows. The LKAB Treasury Centre also acts as the Group's internal bank and supports subsidiaries with financing, investment and currency trading, and it functions as an advisor with respect to financial issues.

Currency risks

Both LKAB's future payment flows (transaction exposure) and revaluation of receivables and liabilities in foreign currencies (translation exposure) are exposed to risks associated with fluctuations in exchange rates. Foreign subsidiaries within the Group operate primarily in their local currencies and investments and financing alike are made chiefly in the local currency with the aim of reducing translation exposure.

Transaction exposure

The greatest transaction exposure within the LKAB Group is within the Mining Division. All iron ore prices are set in US dollars and the transaction risk is therefore high without hedging. The exact magnitude of this risk is difficult to determine far in advance, since it is largely dependent on the market price of iron ore, which is usually set annually. During 2011, transaction exposure amounted to approximately USD 4,061 million (3,200), and the effect of a difference of SEK 0.1 in the USD/SEK exchange rate on LKAB's operating profit, without hedging, is therefore about SEK 406 million (320). LKAB applies cash-flow hedge accounting for forecast transactions in USD.

Because the goal of LKAB's currency policy is to minimise as far as possible the impact of exchange rate fluctuations on the income statement by means of selective hedging, the value of future transaction exposure is periodically hedged under forward exchange contracts. The Board of Directors has established a Currency and Finance Committee which meets four to six times per year. The committee prepares, among other things, the Board´s decision regarding currency risks in Mining Division within the framework established by the Board of Directors. Hedging takes place mainly for estimated US dollar flows for the forecast period concerned, which usually has a rolling twelve-month horizon. As a framework for future estimated exposures in US dollars hedged levels may at a maximum reach 80, 60 and 50 per cent of estimated net flows for 12, 24 and 36 months ahead respectively. No hedging may take place more than 36 months ahead without approval from the Board of Directors. During 2011 hedges were at the 56 per cent level of transaction exposure.

Transaction exposure for other companies in the Group arises mainly when raw materials are purchased in foreign currencies. Each subsidiary is responsible for its own currency exposure and all forward exchange contracts must be through the LKAB Treasury Centre.

Translation exposure

LKAB does not normally hedge its translation exposure, since the latter is not substantial and a hedge over time adds no value for the Group.

Interest risks and share-price risks

LKAB's financing sources are shareholders' equity, provisions and current operating credits, which means that LKAB is mainly exposed to interest rate risks with regard to investments of cash and cash equivalents. According to LKAB's investment policy, the average duration of money-market investments may not exceed three years. As of December 31, 2011, LKAB's investments in money-market instruments amounted to SEK 15,591 million (11,708) and the duration 105 (111) days. A one per cent increase in the market rate as of closing day would have affected income by SEK 46 million (30). LKAB invests a proportion of cash and cash equivalents that have an investment horizon longer than five years, mainly to cover that share of LKAB's pension liabilities not covered by other assets, in share-related securities. As of December 31, 2011, the market value of LKAB's investments in shares excluding SSAB shares amounted to SEK 1,065 million (1,049). A ten per cent average decrease in the market value of shares as of closing day, would affect income negatively by SEK 107 million (105).

Credit risks

LKAB's credit risks are mainly associated with trade receivables, derivatives and current investments. In the case of credit risks in trade receivables, LKAB prioritises long-term customer relations, which means that the majority of the customers are well-established. During 2011, the five largest customers accounted for 61 per cent (71) of net sales in the Parent Company. Export letters of credit are used if necessary. LKAB has not had any substantial bad debt losses in the past five years. During 2011, the average collection period for accounts receivable has remained stable at around 38 (40) days. According to LKAB's investment policy, current investments may only be made to borrowers with high creditworthiness and high liquidity such as the Swedish state, companies wholly owned by the Swedish state, county councils, municipalities, municipal companies or companies with high credit ratings. No departures from the investment policy took place during 2011. As of closing day, 32 (37) per cent of investments in money-market instruments were issued by the Swedish state and Swedish banks. LKAB has had no bad debt losses in current investments in the past five years. LKAB uses several different banks with high credit ratings for derivative transactions.

Liquidity risks

LKAB maintains good financial preparedness by following guidelines that regulate risk-taking and the investment horizon. LKAB has a high proportion of cash and cash equivalents and no debt. LKAB has an unutilised loan facility of SEK 5,000 million. Cash and cash equivalents amounted to SEK 8,695 million (8,046) on December 31. The equity/assets ratio on closing day was 70 (71) per cent. A good balance between short and long investment horizons will meet the long-term financing need. Cash and cash equivalents are invested mainly in the Swedish money market in securities with high liquidity. LKAB works with short-term and long-term liquidity forecasts.

Insurance coverage

LKAB insures its interests including the Group's facilities throughout the world to protect against unforeseen circumstances. The largest single insurable risks concern property and disruptions, where production facilities and harbours are covered by the Group's own insurance company, LKAB Försäkring AB. Liabilities in excess of SEK 300 million are reinsured on the international insurance market. Active and systematic efforts are continually made to prevent damage and disruptions in production. Historically, stoppages due to fire have resulted in the greatest financial losses, which is why preventive work in this area has high priority.

In Sweden, liability for damage to third parties as a result of dam accidents is strict and unlimited and LKAB has therefore taken out so-called dam liability insurance.

Other insurance coverage includes liability insurance, product liability insurance, medical and business travel insurance, transport insurance and liability insurance for the President and Board of Directors.

Sensitivity analysis

The sensitivity analysis shown below summarises the sensitivity of outcomes in the Parent Company to hypothetical fluctuations in interest rates and market prices. Parent Company delivery volumes and price influence are determining factors for the Group's income. Delivery volumes are not comparable in different sectors. The sensitivity analysis is divided into two parts; the delivery and price analysis concerns the Parent Company and the remaining part relates to the entire Group.

SENSITIVITY ANALYSIS 2011

Group	Exposure	Change	Effect on earnings
Deliveries of iron ore products	25.7 Mt	1 Mt	SEK 674 million[1]
Price of iron ore products		10 per cent	SEK 2,837 million[2]
Personnel costs	SEK 3,261 million	10 per cent	SEK 326 million
Energy costs	SEK 1,589 million	10 per cent	SEK 159 million
Transport costs	SEK 2,462 million	10 per cent	SEK 246 million
SSAB shares	SEK 749 million	10 per cent	SEK 75 million[3]
Dollar rate – without forward contracts	USD 4,061 million	SEK 0.10	SEK 406 million[2]
Money market investments	SEK 15,591 million	1 per cent	SEK 46 million[4]

[1]) Average value, calculated on unchanged product mix.
[2]) During 2011 total exposure was USD 4,061 million of which USD 2,260 million was hedged.
[3]) Change in value is reported in other comprehensive income.
[4]) Change in value is reported in the income statement on existing portfolio.

| MINING DIVISION

Mining Division (SEK million)	2011	2010
Net sales	28,335	25,908
Operating income	13,624	11,524
Operating margin	48.1%	44.5%
Average number of employees	3,535	3,376

The division's core operation is the production and sale of high-quality iron ore products to the steel industry.

Net sales increased by 9 per cent for the year. The increase is attributable to price rises that were nevertheless counterbalanced by lower delivery volumes and a lower US dollar exchange rate during the year. With external sales of SEK 28,025 million (25,413), the Mining Division accounted for 90 (89) per cent of Group sales. Earnings for the year were impacted by SEK 1,234 million (2,997) for costs associated with urban transformations in Kiruna and Malmberget resulting from the effects of mining.

The steel and iron ore market

Global financial worries have not as yet changed fundamentals in the long term regarding the steel demand that drives growth within the global iron ore market. Demand remains historically high and looks like it will rise further. Industrialisation and urbanisation – chiefly in China – involves increased demand for steel and thus iron ore. In combination with a limited supply this has led to a continued general global iron ore shortfall. Even if Chinese imports of iron ore do not increase at the same pace as before, demand for iron ore in the remainder of the world has recovered since the great fall in 2009. This means that total seaborne iron ore trade increased during 2011. Industry analysts believe that global steel production and seaborne iron ore trade will remain at stable, high levels and continue growing in the next few years, even though there may be a weakening in the short term due to financial concerns.

Upward economic trends in the global economy gathered pace during the first quarter of 2011, but have weakened successively since the second quarter mainly due to greater uncertainty regarding the European and American sovereign debt crises. An increasing number of statistics indicating weak economic trends in OECD countries have been published since the summer. Asian markets, especially China, continued to drive global growth in the 2012 New Year.

Growth in Europe and the USA stagnated during the year. GNP growth began to slow as early as the end of 2010 and the relatively weak economic trends of the second half of 2011 were expected. In general, Europe and the USA both showed weak labour and housing markets at the end of the year. Meanwhile, public sector cost cutting and private sector debt reduction continued. In other words the global financial difficulties that followed the 2009 recession remain, especially in Europe where most states have high levels of sovereign debt.

During the second half of 2011 economic growth in China slowed to its slowest rate in more than two years. Year-on-year GNP growth dropped to 8.9 per cent for the fourth quarter, from 9.1 per cent for the third quarter, 9.5 per cent in the second and from 9.7 per cent during the first, which indicates a more moderate expansion according to the National Bureau of Statistics (NBS). The uncertain global financial position, hard-pressed financial markets and strict monetary policy have together hampered the nation's domestic production.

Political unrest in the Middle East and North Africa have brought a new threat into view regarding to stability and global economic recovery. At the same time the region represents a major growth potential as these countries' oil revenues create latitude for investments.

Global steel production – which uses iron ore and scrap steel as raw materials – achieved even higher levels in 2011 than it did in the record year of 2008. This was in spite of a number of negative factors such as the ongoing national financial crises within the Euro zone, the earthquake in Japan and political and social unrest in the Middle East and North Africa Region (MENA). The threat of high inflation and instability led to a tightening of monetary policy by governments in many growth economies. Statistics from 64 reporting nations compiled by the World Steel Association (worldsteel) show that the global production of crude steel reached 1,527 million tons in 2011, which at 6.8 per cent higher than 2010 is a record.

Utilisation of capacity within the steel industry during 2011 was around 80 per cent, but some regions such as Europe reached only 75 per cent of that level in the best case.

The main reason for the high production levels is growth in China, which has generally been high over the past few years. China's crude steel production has increased by 8.9 percent since 2010 to reach 695.5 million tons in 2011.

In general demand for steel in Europe (which is LKAB's domestic market for blast furnace products and accounts for around 75 per cent of the company's total sales) was week during the second half of 2011, with an impact reinforced by the great financial uncertainty within the EU. In an attempt to boost prices, certain European steel mills have cut back production. A recovery took place in the steel market during the beginning of the year and steel prices began to rise from the New Year only to stagnate and fall again during the second quarter. Unchanged raw material costs combined with falling steel prices impact the profitability of steel producers and they are concerned about this trend. A few blast furnaces were closed, some temporarily others permanently, to prevent steel oversupply and attempt to stabilise prices. Not only are Europe's steel mills cutting back on production, they are also reviewing costs and carrying out cost-cutting programmes.

A World Steel Association (worldsteel) forecast in October 2011 estimates that global demand for steel during 2012 will increase by 5.4 per cent.

The price of iron ore

The global iron ore price is set in US dollars. Together with its customers, LKAB has chosen to enter into annual price contracts for 2011 while many other major iron ore suppliers have moved to quarterly, indexed or spot pricing. Annual price contracts for the period April 2011 to March 31, 2012 were signed in May with an average increase corresponding to approximately 20 per cent of the previous year's prices across all of LKAB's iron ore products.

The spot price for iron ore in Asia has been gradually driven up by high-cost producers and for a large part of 2011 it hovered around USD 180 per ton. The spot price fell dramatically by about 25 per cent at the end of the year. This was because iron ore demand in Europe, Japan and China fell temporarily due to the uncertainties prevailing in Europe and economic belt-tightening in China. This created an oversupply of iron ore products. Industry analysts estimate that the oversupply will continue part of the way through 2012 as there are signs that suggest buying patterns will change rapidly in the short term.

However, there are no fundamental long-term changes within the iron ore market. Growth in China will require more steel and the country will be dependent on iron ore imports. As long as the supply of seaborne iron ore is limited China's low-grade, high-cost mines will continue to keep Asian spot prices high.

The global market price for iron ore products fell during the fourth quarter of 2011 which affected LKAB's prices for the first quarter of 2012; the latter will be revised down somewhat. LKAB's annual contracts with its customers expire March 31, 2012, which will mean new prices for the remainder of the year. The price level for the second to fourth quarters is difficult to judge for the moment, but it will probably continue to be at a historically high level.

LKAB's market outlook is deemed good, despite the continuing debt crisis in Europe. Signals from the European steel industry indicate that bottom has been reached, but the situation remains uncertain. Demand for LKAB's pellets products is high, especially for DR pellets to MENA countries. Customers have confirmed first-quarter deliveries to a normal extent.

Operations

Iron ore products (Mt)	2011	2010
Delivery volume	25.7	26.0
– of which pellets	21.0	20.8
Production volume	26.1	25.3
– of which pellets	22.9	22.1

During 2011, iron ore was mined in two underground mines and one open-pit mine. Processing took place in six pelletising plants and other facilities above ground.

The theoretical installed production capacity is currently around 28 Mt processed iron ore products per year. Iron ore pellets are the division's main product and accounted for about 81 (80) per cent of sales volume in 2011. The products are hauled on a Swedish Transport Administration railway – the ore railway – by locomotives and wagons owned by LKAB to its own harbours in Luleå and Narvik where they are loaded onto ships for export to its customers around the world.

Financial unrest in the USA and Europe did not limit sales of iron ore products during the year, but slowed up a number of deliveries. Deliveries were redistributed among European customers. The market for direct reduction pellets in MENA countries was stable and a new customer in Abu Dhabi was signed up during the year.

Train and boat haulage was limited during the first half of the year due to inclement weather including a snow avalanche along the Ore Railway and difficult ice conditions in the Gulf of Bothnia. A machinery breakdown in the Narvik ship loader during the first quarter caused a two-week delivery stoppage. In addition to disruptions in the logistics system there were problems with the production facilities in Kiruna and a raw materials shortfall due to low iron levels at Malmberget. In conjunction, the disruptions meant that the budgeted annual delivery and production target of 27 Mt was not achieved.

During 2011 the division put a lot of effort into the development of safe, streamlined production. Safety First initiatives and rock reinforcement in mines were intensified and work environment efforts were supplemented with the Neat and Tidy programme, an investment totaling around SEK 200 million in 2011 and 2012.

Production capacity in the two underground mines was limited due in part to safety work in the form of reinforcements in the production areas, and temporary operational stoppages owing to the risk of seismic events, i.e. rock movements that normally occur during mining as rock stress changes take place. Seismic activity is monitored constantly, analysed and reported regularly in weekly and monthly reports. Additional iron ore to processing plants were obtained from old ore disposals and from the first new open pit mine in the Svappavaara orefield – Gruvberget.

The accumulated quality value* (Q Value) for the year was a record high of 96.7 per cent (95.2).

Activities to promote growth include such things as increasing the ore base. A prospecting department was formed and the division continued prospecting for new iron ore deposits around the present day operational areas and mines.

Extensive urban transformation works were carried out in the area called Malmfälten (Kiruna, Malmberget and Svappavaara). These included e.g. the setting out of buffer zones in the form of so-called mine city parks/eco-zones to ensure no-one needs to live next to a mining area. An agreement regarding the first mine city park was signed with Kiruna municipality during the year and an agreement concerning eco-zones is under discussion with Gällivare municipality and final agreement is expected to be reached during 2012.

In 2012 the division will continue efforts to maintain volumes at high levels and constantly raise the 'lowest level' by making use of all the capacity investments in production and logistics facilities. At the same time work continues on streamlining and reducing costs for maintaining competitiveness and managing investments and urban transformations using its own resources. During 2011 a company was formed in China as part of efforts to streamline purchasing.

Investments

Total investments in property, plant and equipment for the year amounted to SEK 5,067 (3,908) million, chiefly in respect of investments in new main levels and the logistics area.

Investments in mines

Work continued in the New Year on construction and infrastructure, mechanical installations, mobile equipment and control systems for the new main level – KUJ 1365 – in Kiruna. Rock work was largely complete. The first parts of the new main level will be put into operation during 2013. Commissioning and extraction of the so-called bog ore requires the partial emptying of the Luossajärvi city lake to prevent water draining into the mine. Construction on a new dam began during the summer of 2011, as did work on spillways both to the north and south. The installation of a new pump line from the LKAB tailings pond began during the autumn. The pump station and pipe line south to a different city lake (Yli Lombolo) and a spillway north was completed at the end of the year.

Investment in the new M1250 main level at Malmberget continues. Operational tests of the first sections started at the beginning of 2011. The first skip shaft and parts of the main level were put into operation during the second quarter, by when half the production capacity had been installed. Gallery work remaining at year end included parts of the second skip shaft, workshops and haulage drifts. The principal focus of construction work during 2012 will be the completion of the second skip shaft.

Investments in logistics.

The last of the 760 ore wagons previously ordered were delivered in 2011, and all are now in operation on the Ore Railway. A contract was signed during the year for four new train sets, i.e. four locomotives and 300 ore wagons for delivery up until 2015 in order to meet the increased haulage requirement arising from our growth strategy. The decision was also taken to install new Computer Aided Train Operation (CATO) control systems in all locomotives. CATO involves the use of a digital system that controls train movements, speeds and braking thus enabling optimal running within a given train timetable. Energy consumption is reduced through the smoother operation of ore trains as is wear on brakes, wheels and rails. By year end 9 of the existing 13 locomotives were equipped with CATO with the remainder scheduled for completion during 2012 and the four newly ordered locomotives on delivery.

During the year the Swedish Transport Administration laid a new railway route around Kiruna. The project is financed by LKAB as the requirement for new track results from the spread of deformation. Test runs were performed in December and the track is planned to begin operations during the autumn of 2012. The new route also involves infrastructure work within the LKAB area such as new roads, new entrances for heavy traffic, drainage channels, pond plus pumping station and ditches, flood banks and dams, etc.

Investments are under way in Narvik regarding additive loading (TILA) and commissioning is planned for February.

Research and development

The year's expenditures for research and development amounted to SEK 328 million (213), equivalent to around 1.9 (1.3) per cent of Group expenses.

LKAB has achieved the position of a world-leading iron ore pellet supplier. The strategy for maintaining and strengthening this position is to grow together with our customers by concentrating research efforts on increasing our expertise in the production chain from mine to customer, focused on our Performance in Ironmaking pledge to the customer.

Two campaigns were carried out at the experimental blast furnace in Luleå. The campaigns were aimed at testing products containing an admixture of new raw materials from the new LKAB open pit mines and/or formed part of projects together with customers.

Investments in a agglomeration laboratory in Malmberget means improved pelletisation research capabilities.

The R&D strategy includes close collaboration with Luleå University of Technology (LTU), especially through the two foundations Hjalmar Lundbohm Research Centre (HLRC) and LKAB Excellence Centre in Mining and Metallurgy at LTU. During the year LKAB donated a further SEK 50 million to HLRC and activities have been expanded to cover the urban transformation and logistics research areas.

The seismic monitoring systems for underground mines are complete and in full operation in Kiruna and Malmberget. R&D is pursued with two international research institute (ACG and IMS) projects with the purpose of reducing the risk of serious seismic events resulting from mining. The R&D division is working together with ACG on the development and implementation of analytical tools for mine seismicity.

A preliminary study was begun during the year regarding the possible extraction of apatite and rare earth metals from LKAB tailings ponds.

Prospecting

Prospecting is carried out as part of LKAB's growth strategy. The objective is to secure, by 2015, an ore base equivalent to an annual production of 37 million tons of processed iron ore products. The objective is then to further increase the ore base for an annual production 50 million tons. Prospecting investments for the year amounted to around SEK 20 million and LKAB expects to invest around another SEK 120 million during the period 2012–2013.

Prospecting is carried out in existing iron ore mines and within a radius of 50 km around the LKAB processing plants in Kiruna, Malmberget and Svappavaara. Work in 2011 concentrated on Gruvberget and the two other planned mines in the Svappavaara orefield, Mertainen and Leveäniemi. Prospecting also took place in a number of other interesting projects such as Lappmalmen and Tuolluvaara in Kiruna and Sikträsk in Malmberget. All three projects have the potential to become new mines. Ongoing prospecting also takes place toward deeper levels in the two underground mines.

** see explanation in glossary*

Urban Transformations

LKAB's expansion in operating localities in Malmfälten entails a successive expansion of deformation zones resulting from mining activities, and therefore changes in the structure of local communities are inevitable in the long term. Together with other concerned parties, such as the state/owner, municipalities, public authorities, other companies, property owners and other stakeholders, LKAB is working actively to identify joint solutions for the urban transformation. As and when impact due to mining activities (economic/physical damage to property) is incurred and where legal or informal commitments to external parties exist, LKAB allocates funds for such commitments (see Note 26).

Hitherto most of the impact has occurred within LKAB's own sites. Today, however, local communities and infrastructure beyond these areas are also affected. The deformation zones are, or will be, so extensive that it will be necessary to successively relocate sections of Kiruna and Malmberget permanently. The first mine city park was opened in Kiruna during 2011 and it will be extended as deformations from mining operations spread.

LKAB actively seeks the licences necessary for mining operations. The Kiruna Municipal Council has adopted detailed plans for the first area of the city to be affected, Bolagsområdet (company area) GP1. However, adoption of the detailed plan was delayed owing to the County Administrative Board's appeal pursuant to sections 12.1 and 12.2 of the Swedish Planning and Building Act (PBL) concerning cultural sites of national interest. The boundary line for LKAB's environmental conditions is moving toward the city and is affected by ongoing mining operations. The detailed plans require approval from the County Administrative Board and come into force in order for environmental conditions not to be breached when the impact boundary passes today's industrial area boundary. The detailed plans for Malmberget will also need changing in the near future. More information regarding these issues are described under Risks and Uncertainties and also in the News about Licences section.

Urban transformation in Malmfälten has impacted LKAB's earnings and liquidity by considerable amounts, and will continue to do so in the years to come. LKAB must therefore remain financially strong and maintain a good earning capacity in order to shoulder the existing obligations that urban transformation entails. In addition to this there will also be subsequent demands resulting from future mining.

MINERALS DIVISION

Minerals Division (SEK million)	2011	2010
Net sales	2,628	2,814
Operating income	603	433
Operating margin	22.9%	15.4%
Average number of employees	358	380

Industrial minerals operations are organised in the Minerals Division, which operates on the market under the company name Minelco. The company develops, produces and markets industrial mineral products for many different industries and areas of application. The most important industries are construction and civil engineering, oil and gas, rubber, plastics and paint, chemicals, automotive, foundries and the manufacture of refractory materials. Minelco has about 360 employees, most of them outside Sweden, with around 200 in England. With representation in Europe, Asia and the USA, the operation covers much of the world.

Net sales fell by around 7 per cent chiefly as a result of fewer deliveries of mainly magnetite products throughout the year. Magnetite deliveries to our customer EUPEC for pipe coating were completed in August. With external sales of SEK 2,623 million (2,777), the Minerals Division accounted for 8 per cent of Group sales.

During the last quarter expenses for closing the olivine mine on Greenland were invoiced to the Mining Division, which explains the change in earnings. Operating profit excluding the above item would otherwise amount to SEK 403 million for the year.

The industrial minerals market

Global market potential for Minelco products is estimated at over SEK 20 billion. LKAB is the market leader in the European market regarding industrial use of magnetite outside the iron and steel industry and has a leading position for the products mica and huntite in the plastics and coatings industries.

Demand for industrial minerals was generally good during the first quarters but weakened somewhat in the fourth quarter in all markets. There are many projects within construction and infrastructure and thus excellent prospects, especially in the field of renewable energy.

Europe is Minelco's domestic market and one that showed continued growth during 2011 partly as a result of market growth and partly thanks to increased market share. There is a discernible shift from mature west European markets to a burgeoning eastern Europe. The greatest growth is in Asia while in North America there are good opportunities for future growth in e.g. the environmental sector.

Operations

The division's business operation supports the iron ore business by identifying and commercialising other application areas for iron ore from LKAB. Magnetite is produced, processed and refined to a high product value for a range of customers aside from those in the steel industry.

Minelco's product portfolio includes a large number of industrial minerals with a focus on a limited number of strategically important minerals e.g. magnetite, mica and huntite. The business strategy for strategically important minerals is based on controlling the process from raw-material source to end user – "From Mine to End User". The year 2011 was a successful one for Minelco's production units. During the year two of its companies were ISO 14001 certified.

The division's expertise in minerals, processes, applications and markets provides synergies with other strategic business areas. In addition to marketing the strategically important minerals that Minelco controls, the market presence and expertise the company possesses has made distribution and trade in other minerals possible along with a considerable fire-proof materials operation.

Investments

Investments in property, plant and equipment totalled SEK 21 million (10).

SPECIAL BUSINESSES DIVISION

Special Business Division (SEK million)	2011	2010
Net sales	2,523	1,861
Operating income	405	244
Operating margin	16.1%	13.1%
Average number of employees	298	274

Net sales within the Special Businesses Division increased by 36 per cent, which is explained by an increase in mine contracting and increased sales of bolting, spray concrete and rock crushing to the Mining Division.
Investments totalled SEK 39 million (55).

The Special Businesses Division is home to several LKAB subsidiaries. The companies have their origin in LKAB's know how as a manufacturer and user of products and services. These companies are mainly suppliers to the Mining and Minerals Divisions, but also have external customers.

Wassara AB

Based on its core water-powered drilling competence the company provides complete systems for efficient drilling in soil and rock to the mine, infrastructure and energy industries.

Demand for Wassara's products increased tangibly in every sector in all markets during 2011. In order to increase capacity and streamline production a decision was taken in 2011 to invest in new processing equipment and to move production to new premises.

A new managing director was appointed during the year. Market resources will be restructured during 2012 and aimed at four business segments – mining, exploration drilling, pre-drilling for injection and dam reinforcement.

Development work continued well during the year and many new and improved products are expected to achieve market launch during 2012. Within R&D an increase in collaboration with LKAB is planned for both short-term improvement projects and long-term efforts to streamline extraction work.

LKAB Berg & Betong AB

LKAB Berg & Betong AB provides goods and services mainly to the LKAB Group. The company crushes and produces mineral products and concrete and also carries out rock contracting work in the form of rock reinforcements, gallery work and is responsible for all-inclusive contracting in LKAB's open pit mines.

Concrete production remains high thanks to LKAB's construction of new main levels in the underground mines at Malmberget and Kiruna. Contract work in LKAB's open pit mine in Gruvberget was carried out according to plan during the year. Additionally, test mining was carried out in the planned Mertainen mine.

Gallery contracting work in the Kiruna underground mine began during February. During the year extensive crushing and blasting operations were carried out for the laying of a new railway route (Swedish Transport Administration), LKAB dams and ore recovery from old waste rock disposals.

LKAB Mekaniska AB

The company is a subsidiary of LKAB Berg & Betong AB and manufactures steel structures and mechanical components for the engineering, mining and construction industries, as well as performing assembly and maintenance work for primary industries in Malmfälten.

The partnership with K-industrier AB in the Kiruna Wagon consortium whose assignment was the production of LKAB's new ore wagons, was concluded during the year. However, KGS Mekaniska will continue the collaboration in respect of the supplementary order for 300 ore wagons throughout 2012.

LKAB Kimit AB

The company is an LKAB Berg & Betong AB subsidiary and is primarily concerned with supplying LKAB with expertise within explosives handling and the production and sales of explosives. Kimit is responsible for the purchase of non-proprietary explosives products, stock management and the development of explosives and associated systems within the LKAB Group. Kimit also sells its products to other companies, mainly on the Nordic market. The production of explosives continued to enjoy positive trend during the year. Production volume is anticipated to remain stable at around 22,000 tons per annum and to increase when the LKAB open pit mines are in full operation.

LKAB Fastigheter AB

The company manages residential and other properties in Kiruna, Malmberget, Koskullskulle, Gällivare and Luleå. Its holding comprises around 2,200 apartments and single family homes and around 35,000 m^2 of commercial premises, mainly in Jägarskoleområdet in Kiruna. During 2011 a housing area in Gällivare was acquired from the municipal housing company TOP Bostäder. The acquisition included 93 apartments, a daycare centre and a sheltered housing unit. The background to the acquisition and the forthcoming planned production of new apartments is largely the phasing out of LKAB's own housing areas in Malmberget and the requirement for new homes. A so-called mine city park is planned for set-up and completion in Kiruna by 2018. The area currently includes around 300 apartments that must be disposed of, and the LKAB Fastigheter AB housing area Ullspiran will be the first affected. The planned gradual relocation of the area's permanent residents has been under way since 2008. LKAB is also planning the new construction of apartments in Kiruna and Svappavaara as soon as those municipalities are ready with detailed plans for the new residential areas.

LKAB Nät AB

The company operates an electricity grid and has a concession as an electricity distributor.

LKAB Försäkring AB

The company is LKAB's internal insurance company: it works globally to provide the LKAB Group with liability, property and business interruption insurance.

SUSTAINABILITY

Information on LKAB's work with environmental and work environment issues and issues concerning urban transformation in Malmfälten is also presented in the Sustainability Report.

EXTERNAL ENVIRONMENT

General

LKAB's work must be characterised by concern for the environment. To this end LKAB has adopted an environmental and energy policy that governs LKAB's actions while affirming the company's objective of maintaining financially sound and successful business operations. The policy is published on www.lkab.com.

Licensable operations – existing licences

The Group conducts licensable operations as described by the Environmental Code via the Parent Company and its Swedish subsidiaries. The factors that impact the environment the most are landscape alterations due to mining; emissions to air and discharges to water arising from ore processing; dust, noise and vibration, and energy consumption from operations.

- Many licences are in respect of large-scale mining operations and installations for the processing of iron ore products.
- One licence concerns mining in the Kiruna underground mine.
- Two licences concern ore processing in Kiruna and Svappavaara.
- There is a single licence covering mining and ore processing operations in Malmberget.
- One licence concerns mining of additives used in ore processing.
- LKAB's dams are subject to a number of licences that govern water management.
- Two licences are in respect of iron ore products and binding agents that impact the environment chiefly through the release of particulates and dust at the harbour facilities in Luleå and Narvik.
- One licence covers LKAB KIMIT AB's explosives production in Kiruna which impacts the environment chiefly through the release of compounds of nitrogen to the municipal sewers.
- One licence covers the operation of a chalk disposal in Kiruna.
- One licence is held for operations at the Uddebo oil depot facilities in Luleå.

In addition to the above, there are a number of licences that are used either in part or from time to time such as those for quarries and gravel pits.

News about licences

In 2008 LKAB applied to the Environmental Court for a permit to mine 2 million tons of iron ore per year from Gruvberget in Svappavaara. The licence was obtained in May 2010 and operations were begun in the same month supported by a temporary permit. The Swedish Environmental Protection Agency appealed the ruling to the Swedish Land and Environment Court of Appeal claiming that LKAB's application should be rejected in that it was too narrowly defined. The Land and Environment Court of Appeal assented to the Environmental Protection Agency's claim and rejected LKAB's application in March 2011. LKAB has appealed to the Supreme Court (HD). In order for HD to deal with the matter leave to appeal must be granted, to which HD has yet to take a position. Until further notice operations in Gruvberget are taking place with the support of the temporary permit. The LKAB application regarding Svappavaara processing operations submitted in December 2010, was supplemented in July 2011 and now also covers operations in Gruvberget.

When the Leveäniemi mine in Svappavaara was closed in 1983 after 19 years of operation, it left behind an open pit around 115 meters deep. When operations ceased the open pit was slowly flooded with surface and groundwater and today the open pit contains around 27 million cubic metres of water. To enable future mining LKAB plans to empty the water into the nearby Liukattijoki/Loungasjoki stream system that drains into the Torne River.

An application to empty the pit through land drainage was submitted to the County Administrative Board in November, 2010. The County Administrative Board rejected LKAB's application in October 2011 as it considered the project to involve too great an environmental impact to be dealt with as a land drainage matter. LKAB has since altered the planned configuration and technical solution. A new land drainage application was submitted in February 2012.

In April 2011 LKAB obtained a licence from the County Administrative Board for the test mining of a maximum of 300,000 tons of iron ore from the Mertainen open pit mine for process technology tests. The mine is located around 11 km northwest of Svappavaara. Test mining was begun in May and in November a licence was obtained for an increase in volume of 80,000 tons. An application for full-scale mining in Mertainen was submitted in March, 2012. Following an application to Kiruna municipality in November 2011, LKAB has begun recovery of magnetite from old waste material heaps in the mine area.

In January, 2011 LKAB obtained a licence from the Environmental Court for the construction and commissioning of a new spillway north from the Norra Luossajärvi city lake in Kiruna and for a new dam and the draining of part of the lake. The licence was appealed by two private individuals, but came into force in June. LKAB was instructed to investigate over a four-year trial period not only how acceptable water conditions can be achieved and maintained in Lake Ala Lombolo close to the city but also conditions for ensuring and improving future flow in the Luossajoki stream. When investigations are concluded the court will raise the issue regarding any changes to terms concerning water conditions in Lake Ala Lombolo and the Luossajoki stream.

In a ruling in 1998 the erstwhile Licensing Board for Environmental Protection reconsidered the conditions of LKAB's operating licence for the Kiirunavaara industrial area. In this connection the Board postponed the decision regarding e.g. applicable conditions for the release of nitrogen from the settling basin to the receptacle during a trial period. In 2009 the Environmental Court established definitive conditions in respect of nitrogen releases in the form of ammonia from the company's settling basin. LKAB appealed the ruling to the Environmental Court of Appeal (now the Land and Environmental Court of Appeal, MMÖD), which has not granted leave to appeal. The decision not to grant leave to appeal was appealed to the Supreme Court of Sweden, which granted leave to appeal in the MMÖD and referred the case back to the MMÖD. LKAB has thus been given the opportunity to propose what in the company's opinion are new, more relevant conditions for the company's release of nitrogen to water.

A bentonite facility is planned for Sandskär in Luleå municipality. An application for a licence (voluntary assessment) was submitted to the County Administrative Board's environmental assessment delegation in June, 2011. A ruling is expected in March, 2012.

An application procedure has begun for a licence for a change in operations at the Uddebo Oil Depot in Luleå municipality. An application was submitted during December, 2011.

Internal inspections and deviations during 2011

Internal inspections are mandatory and an aid to meeting the requirements of the Environmental Code and the various licences granted by supervisory authorities for the company's operations. The requirement for internal inspections applies to all operations involving risk of nuisance, damage or harm to human health or the environment. Operations that require licences or which carry a duty to report are also subject to the legal requirement for internal inspections.

The scope and purpose of LKAB's internal inspections is governed by established inspection programmes. These programmes describe the operations and the laws and requirements to which they are subject and how supervision is performed. LKAB regularly performs a large number of measurements and surveys to ensure the inspection of each separate operation. The outcomes of internal inspections are summarised in environmental reports from the different operations which are then sent to the supervisory authority, in this case the County Administrative Board. The reports are also published at www.lkab.com.

The County Administrative Board reported two cases to the Norrbotten police department economic crimes unit in November 2011. The first report comprises a total of 13 different incidents involving oil leaks at LKAB's operational areas in Kiruna, Malmberget and Svappavaara, all of which LKAB has reported since 2008. The County Administrative Board is of the opinion that an offence due to negligence cannot be excluded. According to current legislation the County Administrative Board is obliged to report every suspected breach of Environmental Code regulations.

The other report concerns the lack of a dust filter in the coal pulveriser in Svappavaara. LKAB installed a filtration unit in June 2011, and reported the unit as in operation.

No deviations were noted in 2011 regarding conditions for vibrations from blasting in the Malmberget, Kiruna or Svappavaara production areas. Noise measurements taken during the year showed that prescribed noise levels for Malmberget, Kiruna and Svappavaara were not exceeded.

Conditions for the release to atmosphere of particulates, oxides of sulphur and hydrogen chloride were met in 2011 in Kiruna and Svappavaara. However, in Svappavaara one breach of a dust extraction standard occurred. The County Administrative Board is informed. Operations in Malmberget were also within annual limits; however, two monthly averages breached standards. The first concerned the older pelletising plant (belt kiln) where the standard for sulphur dioxide was marginally exceeded in January and march due to the high sulphur content in the raw pellets and high oil consumption in relation to the relatively low rate of production at that time. The supervisory authority was informed of the occurrence. The second breach concerned the other pelletising plant MK3 where standards for sulphur dioxide, hydrogen fluoride and hydrogen chloride were exceeded in October. Despite the fact that flue gas scrubbing equipment enjoyed high availability during the year a stoppage in the installation during October resulted in the overshoot. The event was reported to the supervisory authority. Following remedial action the installation is once again working well.

Remediation/decontamination

Site remediation, which may be done in stages and/or after operations are concluded, is a statutory obligation where consideration must be given to safety, environmental, economic and esthetic aspects. LKAB cooperates with the environmental authorities regarding how long-term remediation plans for the mining sites shall be prepared. A few general examples of remedial actions are the planned disposition of waste rock, grass sowing and tree planting.

During 2011 LKAB carried out remedial actions for approximately SEK 37 million which included transport costs for the back filling of the Tingvallskulle open pit, restoration of the land area following the ore recovery project and forestry planting and slope works at the old dam area in Malmberget.

A plan for a future waste disposal in Kiruna was submitted to the County Administrative Board at the beginning of 2011. An approval is required before disposal may begin.

The demolition of industrial buildings in the Luossavaara industrial area in Kiruna was begun during 2011 and is almost finished. The clearance of contaminated areas is currently under way along with work above and below ground to ensure that the area may be used for e.g. housing in the future. The work is expected to be finished during the winter of 2012. Final inspection will be carried out by the County Administrative Board and Kiruna Environmental office.

A financial provision of SEK 0.3 million was set aside for test mining in Mertainen.

LKAB has worked proactively in mapping of contaminated areas according to Swedish Environmental Protection Agency MIFO methodology since 2003. In October 2011 a comprehensive revision was submitted including an update of information concerning all of the identified areas, their risk classifications and order of priority regarding how LKAB intends to proceed with the issue.

Emission allowance trading

Among other measures, the EU has introduced a trading system for carbon dioxide emission allowances with the objective of reducing greenhouse gas emissions.

LKAB is the only supplier of iron ore pellets in the trading system, which is limited to EU member states.

LKAB's principle competitors on the pellets market are located outside of Europe, chiefly in Brazil. They are not affected by the EU trading system, and this distorts competition to LKAB's disadvantage since the company is a relatively small player on the global pellets market. The company is of the opinion that a global trading system can reduce global emissions and simultaneously increase the competitiveness of companies that employ energy and carbon dioxide efficient technologies like LKAB.

The current second trading period will be replaced by a third in 2013, which will also mean that new allocation principles will be applied. Many industrial sectors such as the iron ore pellets sector occupied by LKAB have been defined as "exposed to the risk of carbon leakage". This means that there is a risk of increased emissions outside the EU if the sector is disadvantaged in relation to plant with greater emissions than those within the trading system. LKAB may therefore only apply for a free allocation that covers emissions for the forthcoming period. The remaining requirement for emissions rights must therefore be purchased. Allocation applications were submitted to the Swedish Environmental Protection Agency in September, 2011. In December, 2011 LKAB received a preliminary, positive response from the Environmental Protection Agency regarding allocation. A definitive decision will be taken by the EU commission during the spring of 2012.

Secure electricity deliveries

Increasing production at LKAB facilities leads to an increasing consumption of electricity especially in mining operations and ore processing. Within a few years annual consumption is estimated to rise further from around 2.1 TWh/yr to just over 3.0 TWh/yr from 2020. The market price on the Nordic electricity exchange has risen substantially since deregulation. Securing deliveries of competitively priced electricity is therefore of great strategic importance for the Group. LKAB has developed a long-term strategy for managing energy procurement and energy efficiency.

PERSONNEL

Statistic	2011	2010
Number of accidents with absence	48	78
Accident rate per million working hours	6.79	11.5
Long-term absence due to illness, %	0.5	0.4
Short-term absence due to illness, %	2.4	2.2
Number of individuals, open-ended employment	397	222
Of whom women	111	54
Number who have left LKAB	194	229
Of whom women	17	
Proportion of women in the Group, %	16.7	14.3
Proportion of female managers in the Group, %	15.9	17.8
Number of in-service training days per person/year	7	5
Outcome of Parent Company reward system, SEK	60,000	28,919

Work environment/health

During 2011 the LKAB Group enjoyed a positive accident trend. The number of accidents resulting in absence fell, as did the rate of accidents and the annual goal of a 20 per cent reduction was met. Thanks to long-term, systematic work with preventive health care and rehabilitation long-term and short-term absences remain at low levels.

Recruitment, retirements

LKAB's goal is for 30 per cent of new recruits to be women; the outcome was 28 per cent. The majority of individuals leaving the Group did so in conjunction with retirement.

Equality, non-discrimination and diversity

There is an aspiration for a more even gender distribution and increased diversity in all recruitment activities and during 2011 the proportion of women continued to increase. Increased diversity is a strategic area for the Group and the focus during 2011 was on surveying the current situation. External psychologists have e.g. carried out interviews with minority groups and the survey will act as the basis for activities in this area in the years ahead.

In-service training and the future supply of competence

The scope of in-service training increased form 4.6 to 6.7 training days and thus exceeds the goal of 5 training days per employee per year.

Training initiatives were carried out within the work environment area, among other things the LKAB safety drivers licence and work environment assessments. A Group-wide working method for business development has been gradually introduced. Managers and salaried employees belonging to unions under the PTK umbrella (Council for Negotiation and Co-operation) have also received training in performance development, a tool that will be introduced during 2012 to replace the previous employee performance and salary reviews. The working method was developed in collaboration with PTK unions.

LKAB's in-house rock worker training continues to be attractive. During the year the LKAB Academy became a foundation with a capital of SEK 75 million. The academy's objective is to support education and in-service training in the region's schools and for the company's own personnel. In December the academy was visited by Dan Schectman – this year's Nobel Laureate for Chemistry – who lectured 250 youths from the region's upper secondary schools.

Incentive system

The Parent Company's incentive scheme was introduced in mid-2000. The subsidiaries MTAB, MTAS, Minelco AB and LKAB Norge AS are included in this system. The President and other senior executives are not included.

The system, which follows the owner's guidelines for incentive schemes, is based on three factors; quality, work environment and production targets. The incentive was maximised, as of January 1, 2010, at SEK 60,000 per full-time employee per year for the years 2010 and 2011. Incentives are conditional upon positive results in the operations that are included the scheme. In 2011 all parameters led to incentive payments. This year's outcome was the highest since the incentive system was introduced in 2000 – SEK 60,000 (28,919) per full-time employee with full attendance.

CORPORATE GOVERNANCE

A description of corporate governance is presented in a special corporate governance report in accordance with Chapter 6 Section 8 of the Annual Accounts Act. The report is included on pages 52 to 63 of this document. We refer to the control environment section in the corporate governance report on page 57 for a description of the more important features in the Group's system for internal inspections and risk management in connection with the preparation of the consolidated accounts.

BOARD OF DIRECTORS DURING 2011

During 2011, the Board of Directors consisted of seven members elected by the AGM (eight members after the extraordinary shareholders' meeting) plus three members and three deputies appointed by the employees. With the exception of two members, all board members were re-elected at the AGM. Lars-Åke Helgesson was elected as Chairman of the Board of LKAB to replace Björn Sprängare. Marcus Wallenberg was elected as the new Chairman of the Board at the extraordinary shareholders' meeting in October. The President is not a member of the Board of Directors.

THE BOARD OF DIRECTORS' RULES OF PROCEDURE

The Board of Directors establishes its rules of procedure annually. The Board held ten meetings during the 2011 financial year. The meetings follow a set annual calendar aimed at satisfying the Board's need for information and are otherwise governed by the special rules of procedure followed by the Board. Normally, seven meetings are held each year.

A board meeting held immediately after each quarter considers the latest financial statements and the outlook for the calendar year. This allows the Board to make an ongoing assessment of strategies and delegations to the President and to take up-to-date positions on specific investment projects.

The first meeting of the year usually concerns the closing of accounts, and LKAB's auditors also participate. At the second meeting, the annual report is reviewed. Among other things, meetings three through six take up operational and strategy matters, personnel issues and market development while at the year's final meeting, decisions are taken regarding the budget and operational plans for the coming year.

The work of the Board is evaluated once per year. A written survey is prepared annually and covering issues such as how the Board collectively, and each member individually, has fulfilled its assignment. The evaluation report is used internally by the Board as a support tool. The Chairman is responsible for following up the results, which form the basis for discussions and improvements. The work of the Chairman is normally assessed by the owner, but this may also be part of the work of the Board.

GUIDELINES FOR THE REMUNERATION OF SENIOR EXECUTIVES

The 2011 AGM adopted the Board's proposal for guidelines concerning remuneration and other employment terms for senior executives. The LKAB guidelines follow the government guidelines for employment terms for senior executives in state-owned companies adopted on April 20, 2009. Among other things the guidelines state that variable salary may not be paid to senior executives, that pensions must be defined contribution plans unless they are part of a pension plan under a collective agreement, and that the premium should not exceed 30 per cent of the fixed salary. The pensionable age shall not be less than 62 years and should be at least 65.

The Board proposes that the Annual General Meeting of April 20, 2012 resolve to apply the above-mentioned guidelines and terms when new senior executives are employed and when the salaries of senior executives currently employed are renegotiated. The Board's proposal is designed to ensure that the LKAB Group is able to offer remunerations at competitive market rates sufficient to attract and retain qualified senior executives to LKAB's Group Management. Group Management remunerations include fixed salaries, allowances for cars, board, life insurance and pension benefits. The components are intended to create a well-balanced remuneration and benefits package that reflects the individual's performance, responsibility and the LKAB Group's growth. The fixed salary, which is determined individually and differentiated on the basis of the individual's responsibility and performance, is set according to market principles and is reviewed annually.

Agreements entered into before the Annual General Meeting of April 20, 2012 have complied with current government guidelines. For further information concerning remuneration to senior executives, see Note 6.

EVENTS AFTER CLOSING DAY

New contracts regarding the price of iron ore were signed in respect of deliveries during the first quarter of 2012 which entail an approximate 12 per cent reduction in US dollars compared to the price for April–December 2011.

EXPECTATIONS IN RESPECT OF FUTURE DEVELOPMENTS

The planned strategy for the next few years includes a volume increase of just over 35 per cent to an annual capacity of 37 million tons of iron ore products by the year 2015. Growth is necessary in order for us to measure up to a changing market where our customers grow ever larger. As a rule each customer has one to three iron ore suppliers in order to maintain a quality as high and even as possible. To remain among their preferred suppliers, LKAB needs to grow with its customers.

Growth requires an increasing availability of iron ore to process into high-quality, climate-smart pellets, fines and special products. The major part of the additional iron ore must come from new mines, mainly three open pit mines in the so-called Svappavaara orefield. Work on the necessary licences is under way and it is of the utmost importance for LKAB that the licence procedures do not suffer unnecessary delays.

The first new mine to open was Gruvberget where production began in 2010. The mine supplies iron ore to the LKAB pelletising plant in Svappavaara. The two other planned mines are Mertainen and Leveäniemi. Test mining took place in Mertainen during the summer of 2011 followed by tests in the R&D organisation. The results look very promising and an application for permanent mining was submitted at the beginning of 2012. Leveäniemi is an old open pit mine and it must be drained before mining can begin. In 2011 the County Administrative Board rejected LKAB's first application and a new application was submitted in February 2012.

Prospecting for additional iron ore deposits is under way in the mines and the immediate surroundings of the existing operational areas. A prospecting department is being put together and total prospecting expenditures are estimated to reach SEK 120 million during the period 2012–2013.

The growth strategy necessitates an Ore Railway haulage capacity of 40 million tons of iron ore products in 2015. This will require longer passing sidings on the track between Luleå and Narvik. The Swedish Transport Administration, which owns the Ore Railway, has budgeted funds for four extended passing sidings. This is important, especially since there are also other operators that traffic and plan to traffic the route. During 2011 LKAB ordered four twin sets of energy-efficient, climate-friendly locomotives and 300 ore wagons of 100 tons capacity. By 2015 LKAB will have 17 train sets comprising 68 wagons each. The capacity will then be 20 trains per day between the production areas and harbours.

LKAB's exposure to the electricity market is increasing and market prices for electricity are climbing. The overall growth strategy will lead to the increased consumption of electricity despite major energy efficiency initiatives. A long-term strategy for both energy procurement and energy efficiency has been prepared to manage future price developments and increased energy consumption. Annual electricity consumption is expected to rise from 2.1 to just over 3.0 TWh by 2020.

Continual world-class research and development is a necessity if LKAB is to retain its technological world leadership in iron ore pellets. R&D efforts form a central part of LKAB's overall strategies and will involve major research investments over the next few years.

Investment projects in progress and LKAB's future plans will entail major investments and thus large expenditures over the next few years. Furthermore, continued underground mining in Kiruna and Malmberget and the start of new mines in the Svappavaara orefield will entail major urban transformation costs in all three areas. This places great demands on the Group's ability to generate robust operating profits and cash flows in the years ahead.

DIVIDEND POLICY AND PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

LKAB's dividend policy means that the dividend to the owner will, over the long term, amount to 30 to 50 per cent of profit after tax and be adapted to the average earnings level over one business cycle. The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 7,143 (7,143) per share, totaling SEK 5,000 million (5,000), be paid.

The Board of Directors and President propose that unappropriated earnings of SEK 23,389 million be distributed as follows:

Dividend, 700,000 shares x SEK 7,143 per share	SEK 5,000 million
Funds to be carried forward	SEK 18,389 million
Total	SEK 23,389 million

All amounts in this annual report are presented in SEK millions unless otherwise indicated. Rounding differences may occur.

Consolidated income statement

January 1–December 31 SEK million	Note	2011	2010
	1, 31		
Net sales	*2, 3*	31,122	28,533
Cost of goods sold		-15,190	-15,276
Gross profit		**15,932**	**13,257**
Selling expenses		-223	-213
Administrative expenses		-640	-451
Research and development expenses		-328	-213
Other operating income	*4*	366	*322*
Other operating expenses	*5*	-403	-390
Operating profit	*3, 6, 7, 8*	**14,705**	**12,312**
Financial income		503	418
Financial expenses		-407	-349
Net financial income/expense	*9*	**96**	**69**
Profit before tax		**14,801**	**12,381**
Tax	*11*	-3,841	-3,275
Profit for the year		**10,960**	**9,106**
Attributable to:			
Parent company's shareholders		10,960	9,106
Earnings per share after dilution (SEK)	*12*	15,657	13,008
Consolidated statement of comprehensive income			
Profit for the year		10,960	9,106
Other comprehensive income			
Exchange rate differences on translation for foreign entities for the year		-10	-107
Change in fair value of available-for-sale financial assets		-646	-112
Change in fair value of cash flow hedges		-65	218
Changes in fair value of cash-flow hedges transferred to profit for the year		-218	-630
Actuarial gains and losses		-172	-7*
Tax attributable to components of cash flow hedges		94	110
Other comprehensive income		**-1,017**	**-528**
Total comprehensive income attributable to:			
Parent company's owner		**9,943**	**8,578***

The items transferred during the year to Net income for the year are reported in the income statement partly under Net sales and partly under Tax.
*Changed in comparison to the press release. The effect of changed accounting principles for actuarial items is reported as an adjustment of opening equity.

Consolidated statement of financial position

As of December 31 SEK million	Note	2011	2010	01/01/2010
	1, 31			
Assets	*15, 29*			
Non-current assets				
Intangible assets	*13*	270	321	310
Property, plant and equipment	*14*	26,285	23,087	21,551
Participations in associated companies		1	1	1
Financial investments	*18, 28*	1,038	1,658	1,761
Non-current receivables	*20*	85	16	65
Total non-current assets		**27,679**	**25,083**	**23,688**
Current assets				
Inventories	*21*	2,449	2,074	2,301
Accounts receivable	*22*	4,592	3,395	2,276
Prepaid expenses and accrued income	*23*	144	103	230
Other current receivables	*20*	665	1,412	865
Current investments	*18, 28,34*	9,506	6,516	3,564
Cash and cash equivalents	*34*	8,695	8,046	2,631
Total current assets		**26,051**	**21,546**	**11,867**
Total assets		**53,730**	**46,629**	**35,555**
Shareholders' equity and liabilities				
Equity	*22, 24*			
Share capital		700	700	700
Reserves		515	1,380	1,903
Retained earnings including profit for the year		36,678	30,871	22,270
Equity attributable to Parent Company shareholders		37,893	32,951	24,873
Total shareholders' equity		**37,893**	**32,951**	**24,873**
Non-current liabilities				
Provisions for pensions and similar commitments	*25*	2,775	2,528	2,660
Provision for urban transformation		4,664	3,596	1,991
Other provisions	*26*	161	160	122
Deferred tax liability	*11*	3,775	3,271	3,241
Total non-current liabilities		**11,375**	**9,555**	**8,014**
Current liabilities				
Trade payables		1,982	1,471	1,185
Income tax liability		-	530	242
Other liabilities		570	228	149
Accrued expenses and prepaid income	*27*	1,241	1,164	1,050
Provisions for urban transformation	*26*	439	655	42
Other provisions	*26*	230	75	
Total current liabilities		**4,462**	**4,123**	**2,668**
Total liabilities		**15,837**	**13,678**	**10,682**
Total shareholders' equity and liabilities		**53,730**	**46,629**	**35,555**

Pledged assets and contingent liabilities for the Group

As of December 31 SEK million	Note	31/12/2011	31/12/2010
Assets pledged	*30*	243	251
Contingent liabilities	*30*	51	67

Consolidated statement of changes in shareholders' equity

Equity attributable to Parent Company shareholders

SEK million	Note 1	Share equity	Reserves: Translation reserve	Reserves: Fair value reserve	Reserves: Hedge reserve	Profit brought forward incl. profit for the year	Total equity
Shareholders' equity January 1, 2010		700	14	1,425	464	22,772	25,375
Change of accounting principles for actuarial items according to IAS 19.						-502	-502
Adjusted shareholders' equity January 1, 2010		700	14	1,425	464	22,270	24,873
Net income for the year						9,083	
Adjustment, pension expenses						23	
Adjusted net income for the year						9,106	9,106
Other comprehensive income	*24*		-107	-112	-304	-5	-528
Comprehensive income for the year			-107	-112	-304	9,101	8,578
Dividends						-500	-500
Shareholders' equity December 31, 2010		**700**	**-93**	**1,313**	**160**	**30,871**	**32,951**

Equity attributable to Parent Company shareholders

SEK million	Note 1	Share equity	Reserves: Translation reserve	Reserves: Fair value reserve	Reserves: Hedge reserve	Profit brought forward incl. profit for the year	Total equity
Shareholders' equity January 1, 2011		700	-93	1,313	160	30,871	32,951
Net income for the year						10,960	10,960
Other comprehensive income	*24*		-10	-647	-208	-153	-1,018
Comprehensive income for the year			-10	-647	-208	10,807	9,942
Dividends						-5,000	-5,000
Shareholders' equity December 31, 2011		**700**	**-103**	**666**	**-48**	**36,678**	**37,893**

Consolidated statement of cash flow (indirect method)

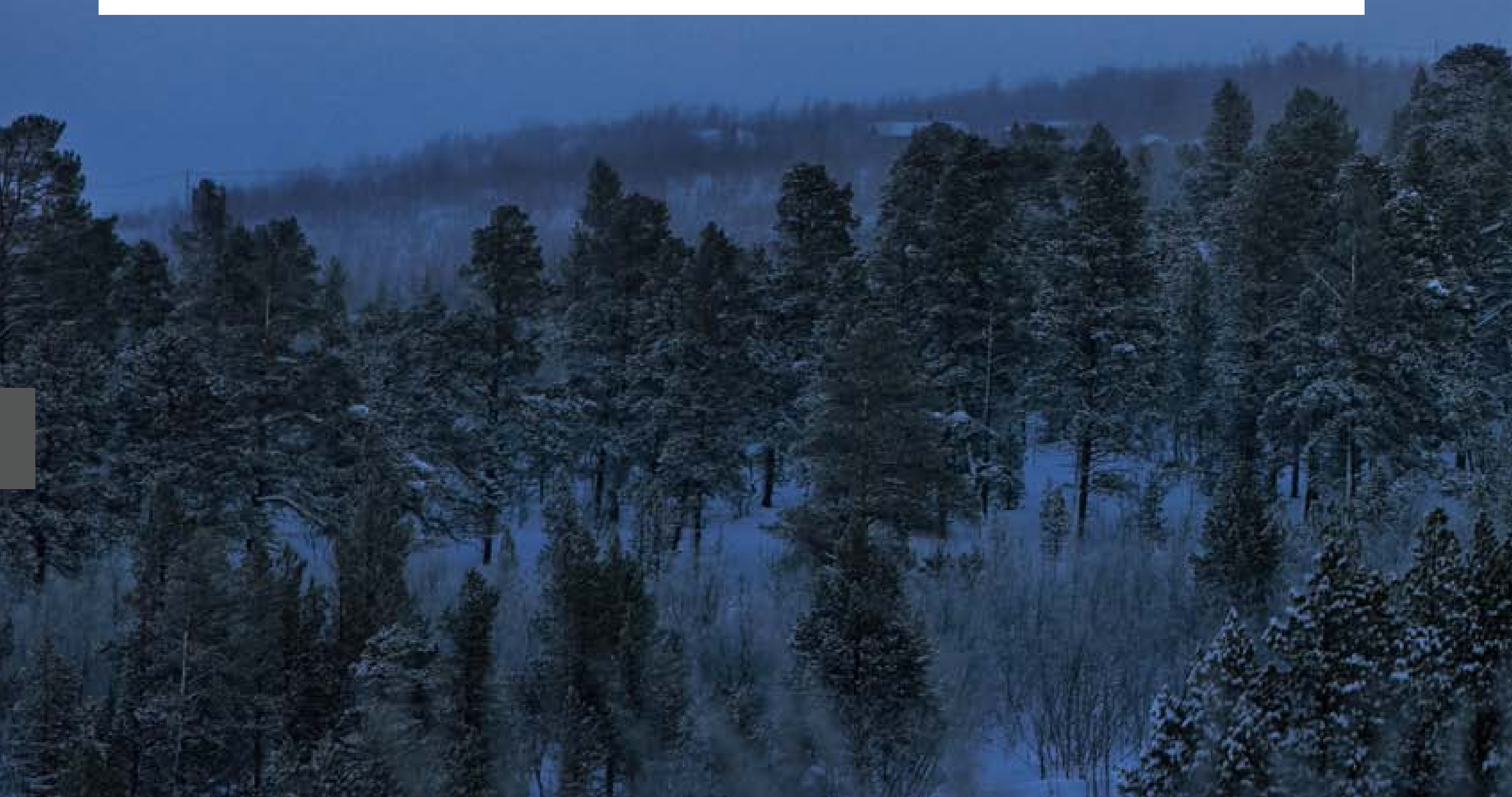
January 1–December 31 SEK million	Note	2011	2010
	1, 34		
Operating activities			
Profit before tax		14,802	12,381
Adjustment for items not included in cash flow		2,886	4,419
Income tax paid		-4,032	-2,849
Cash flow from operating activities before changes in working capital		**13,656**	**13,951**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-375	227
Increase (-)/Decrease (+) in operating receivables		-463	-1,887
Increase (+)/Decrease (-) in operating liabilities		930	476
Cash flow from operating activities		**13,748**	**12,767**
Investing activities			
Acquisition of property, plant and equipment		-5,126	-3,973
Disposal of property, plant and equipment		17	97
Acquisition of intangible assets			-6
Acquisition of subsidiaries			-7
Acquisition of financial assets			-33
Disposal of financial assets			22
Divestments/acquisitions (net) in current investments		-2,990	-2,952
Cash flow from investing activities		**-8,099**	**-6,852**
Financing activities			
Dividends paid to Parent Company shareholders		-5,000	-500
Cash flow from financing activities		**-5,000**	**-500**
Cash flow for the year		**649**	**5,415**
Cash and cash equivalents at beginning of year		8,046	2,631
Cash and cash equivalents at year end		8,695	8,046

Consolidated operating cash flow (SEK million)	2011	2010
Cash flow from operating activities	13,748	12,767
Investments in property, plant and equipment	-5,126	-3,973
Other operating investments	17	73
Operating cash flow (excluding current investments)	**8,639**	**8,867**
Current investments (net)	-2,990	-2,952
Cash flow after investment activities	5,649	5,915
Cash flow from financing activities – dividend paid	-5,000	-500
Cash flow for the period	**649**	**5,415**

Income statement – Parent Company

January 1–December 31 SEK million	Note	2011	2010
	1, 31		
Net sales	*2, 3*	28,282	25,825
Cost of goods sold		-13,579	-13,815
Gross profit		**14,703**	**12,010**
Selling expenses		-138	-112
Administrative expenses		-508	-296
Research and development expenses		-318	-202
Other operating income	*4*	219	224
Other operating expenses	*5*	-379	-181
Operating profit	*6, 7, 8*	**13,579**	**11,443**
Income from financial items:			
Income from participations in Group companies		43	-22
Income from participations in associated companies			1
Income from other securities and receivables held as non-current assets		147	20
Other interest income and similar profit/loss items		380	250
Interest expense and similar profit/loss items		-123	-257
Profit after financial items	*9*	**14,026**	**11,435**
Appropriations	*10*	-2,373	-59
Profit before tax		**11,653**	**11,376**
Tax	*11*	-3,046	-3,003
Profit for the year		**8,607**	**8,373**

Statement of comprehensive income – Parent Company		
Profit for the year	8,607	8,373
Other comprehensive income	0	0
Comprehensive income for the year	**8,607**	**8,373**



Balance Sheet – Parent Company

As of December 31 SEK million	Note	31/12/2011	31/12/2010
	1, 31		
Assets	*29*		
Non-current assets			
Intangible assets	*13*	58	116
Property, plant and equipment	*14*	21,165	18,773
Financial assets			
Participations in Group companies	*32*	1,410	1,400
Participations in associated companies	*16*	1	1
Receivables from Group companies	*17*	1,296	992
Receivables from associated companies	*17*		
Other non-current securities	*19, 28*	127	123
Other non-current receivables	*20, 28*	170	111
Deferred tax asset	*11*	288	319
Total financial assets		3,292	2,946
Total non-current assets		**24,516**	**21,835**
Current assets			
Inventories, etc.	*21*	1,879	1,472
Current receivables			
Accounts receivable	*22*	4,146	2,991
Receivables from Group companies	*17*	1,570	1,299
Other current receivables	*20*	688	1,110
Prepaid expenses and accrued income	*23*	80	75
Total current receivables		6,484	5,475
Current investments	*18, 34*	17,073	13,491
Cash and bank balances	*34*	830	631
Total current assets		**26,266**	**21,069**
Total assets		**50,782**	**42,904**

Balance Sheet – Parent Company

SEK million	Note	31/12/2011	31/12/2010
Shareholders' equity and liabilities	*1, 31*		
Equity	*24*		
Restricted equity			
Share capital (700,000 shares)		700	700
Statutory reserve		697	697
Non-restricted equity			
Accumulated profit		14,782	11,410
Profit for the year		8,607	8,373
Total shareholders' equity		**24,786**	**21,180**
Untaxed reserves	*33*	14,509	12,135
Provisions			
Provision for urban transformation	*26*	5,103	4,251
Other provisions	*25,26*	1,777	1,570
Total provisions		**6,880**	**5,821**
Current liabilities			
Trade payables		1,398	992
Liabilities to Group companies		1,906	1,233
Income tax liabilities			447
Other liabilities		255	95
Accrued expenses and prepaid income	*27*	1,048	1,001
Total current liabilities		**4,607**	**3,768**
Total shareholders' equity and liabilities		**50,782**	**42,904**

Pledged assets and contingent liabilities for the Parent Company

As of December 31

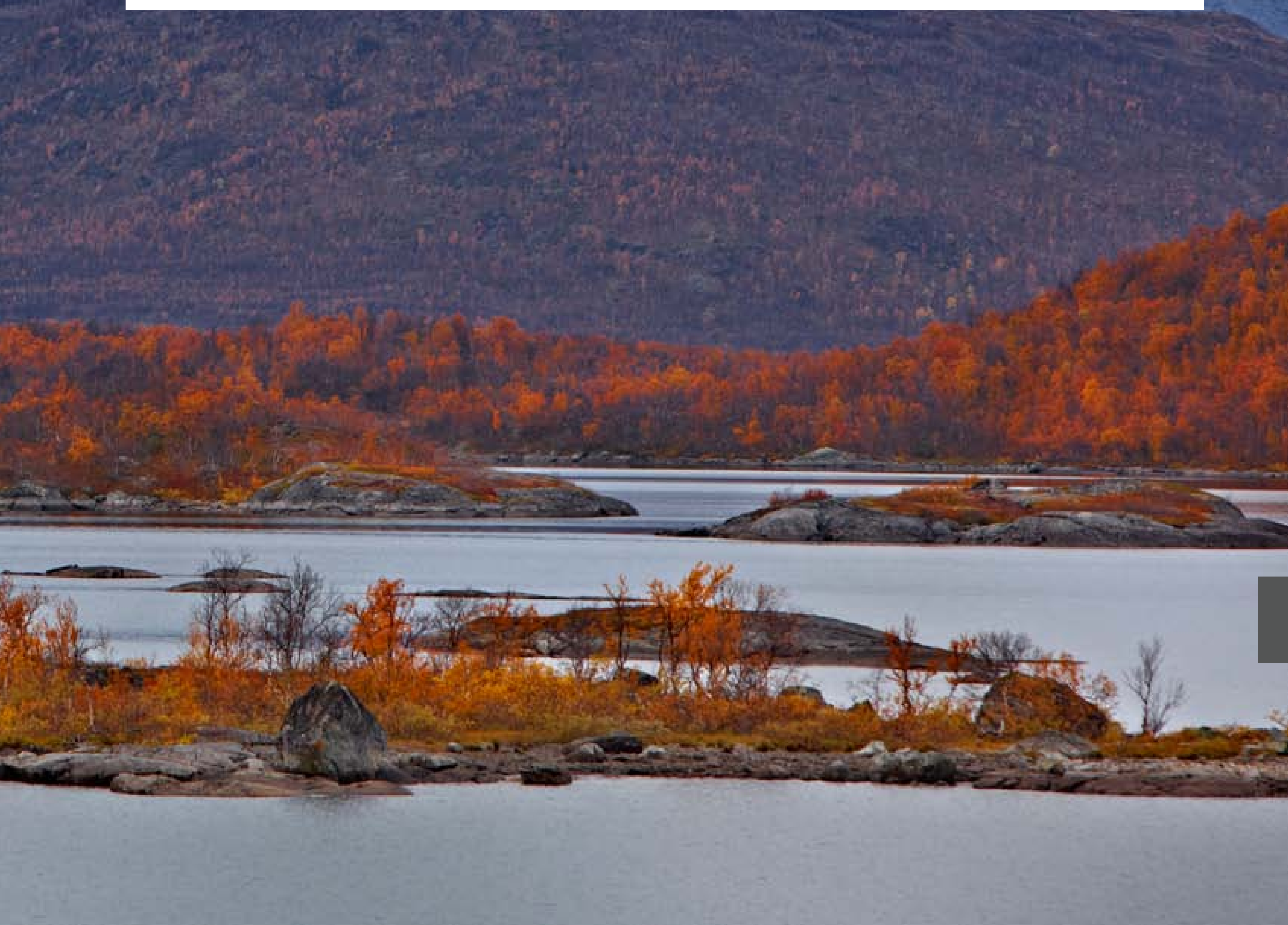
SEK million	Note	31/12/2011	31/12/2010
Assets pledged	*30*	240	248
Contingent liabilities	*30*	176	130

Statement of changes in shareholders' equity – Parent Company

see Note 24

SEK million	Restricted equity Share capital	Restricted equity Statutory reserve	Non-restricted equity Profit brought forward incl. profit for the year	Non-restricted equity Profit for the year	Total equity
Shareholders' equity January 1, 2010	700	697	11,910		13,307
Comprehensive income for the year				8,373	8,373
Dividend			-500		-500
Shareholders' equity December 31, 2010	**700**	**697**	**11,410**	**8,373**	**21,180**

SEK million	Restricted equity Share capital	Restricted equity Statutory reserve	Non-restricted equity Profit brought forward incl. profit for the year	Non-restricted equity Profit for the year	Total equity
Shareholders' equity January 1, 2011	700	697	19,783		21,180
Comprehensive income for the year				8,607	8,607
Dividend			-5,000		-5,000
Shareholders' equity December 31, 2011	**700**	**697**	**14,782**	**8,607**	**24,786**



Statement of cash flow – Parent Company (indirect method)

January 1–December 31 SEK million	Note	2011	2010
	1, 34		
Operating activities			
Profit after financial items		14,026	11,435
Adjustment for items not included in cash flow		2,600	4,044
Income tax paid		-3,841	-2,745
Cash flow from operating activities before changes in working capital		**12,785**	**12,734**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventories		-407	180
Increase (-)/Decrease (+) in operating receivables		-630	-694
Increase (+)/Decrease (-) in operating liabilities		1,285	761
Cash flow from operating activities		**13,033**	**12,981**
Investing activities			
Acquisition of property, plant and equipment		-4,652	-3,779
Disposal of property, plant and equipment		778	291
Acquisition of intangible assets			-5
Acquisition of subsidiaries		-10	-7
Changes to financial assets		-368	-745
Divestments/acquisitions (net) in current investments		-3,150	-2,814
Cash flow from investing activities		**-7,402**	**-7,059**
Financing activities			
Dividends paid		-5,000	-500
Cash flow from financing activities		**-5,000**	**-500**
Cash flow for the year		**631**	**5,422**
Cash and cash equivalents at beginning of year		7,838	2,416
Cash and cash equivalents at year end		**8,469**	**7,838**

Notes to the financial statements

Note 1 | Significant accounting principles

1 | Conformity with norms and legislation

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB), and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU. In addition the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements was applied.

The Parent Company applies the same accounting principles as the Group, except in those cases stated below in the Parent Company accounting and valuation principles section. The deviations that exist between the Parent Company's and consolidated principles are caused by limitations in the ability to apply IFRS in the Parent Company as a result of the Swedish Annual Accounts Act (ÅRL), the Swedish Pension Obligations Vesting Act and for tax reasons in certain cases.

The annual report and consolidated accounts were approved for issuance by the Board of Directors and CEO on March 28, 2012. The consolidated income statement, statement of financial position and the Parent Company's income statement and balance sheet will be subject to adoption by the AGM on April 20, 2012.

2 | Measurement bases applied when preparing Parent Company and consolidated financial statements

The main principle is that financial assets and liabilities are reported at historical costs. A certain few financial assets and liabilities are reported at fair value. Financial assets and liabilities that are reported at fair value consist of derivative instruments, financial assets classified as financial assets reported at fair value via the income statement or as financial assets available for sale.

3 | Functional currency and presentation currency

The Parent Company's functional currency is Swedish crowns (SEK), which is also the Parent Company's and Group's presentation currency. This means that financial statements are presented in SEK. All amounts are rounded to the nearest million, unless otherwise specified.

4 | Assessments and estimates in the financial reports

Preparing the financial statements in accordance with IFRS requires Company Management to make assessments, estimates, and assumptions that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses.

The estimates and assumptions are reviewed regularly. Amendments to estimates are reported in the period in which the change is made if the change only affects this period, or in the period in which the change is made and future periods if the change affects both the period concerned and future periods.

Assessments of accounting principles made by Company Management that have a substantial impact on the financial statements and estimates made and which may lead to significant adjustments in the financial statements of subsequent years are described in more detail in section 28, Significant estimates and assessments.

5 | Important applied accounting principles

The below-mentioned accounting principles for the Group were applied consistently for all periods presented in the consolidated financial statements, unless otherwise specified. The accounting principles for the Group were applied consistently in the preparation and consolidation of the Parent Company, subsidiary and joint venture company reports.

6 | New and changed IFRSs and interpretations for 2011

6.1 Changed accounting principles resulting from new or changed IFRSs

The amended accounting principles applied by the Group since January 1, 2011 are described below. Other amendments to IFRS standards and interpretations for application from 2011 have not had any significant affect on the consolidated accounts.

6.1.1. IAS 19 Employee benefits

The reporting of actuarial gains and losses changed during 2011 in comparison to previous years and quarters. The accounting principle is applied retroactively from the beginning of 2010 and means that actuarial gains and losses are recognised during the period in which they occur under other comprehensive income. The effect on equity at the beginning of 2010 amounted to SEK -502 million. Effects in the income statement and balance sheet compared to previous years are presented in the statement of changes in shareholders' equity and in Note 25 Pensions.

7 | New standards and interpretations not yet adopted

A number of new or changed IFRSs will not come into force until the coming financial year (2012) or later, and had not been applied by the time these financial statements were prepared.

The amendments that are anticipated to be applicable to the LKAB Group are described below. LKAB is of the opinion that the amendments will not entail any significant effects on its financial statements. It should be mentioned that a great majority of the standards and interpretations proposed have not yet been approved for application within the EU.

IFRS 9 Financial Instruments

This standard is the first step in the process of replacing IAS 39, Financial instruments; classification and measurement. IFRS will introduce two new requirements for classification and measurement of financial assets which will probably affect consolidated reporting of financial assets. The standard is not applicable until the financial year beginning January 1, 2015. However, the standard has not been adopted by the EU and may not be applied earlier. As yet the Group has not fully evaluated the impact of IFRS 9 on financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

There is a rough draft for reporting stripping costs in open pit mines; it is intended for application from January 1, 2013 or later. As yet the Group has not fully evaluated the impact of IFRIC 20 on financial statements.

IAS 19 (amendments) Employee benefits

There is a proposal for amendments to IAS 19. As yet the Group has not fully evaluated the impact of IAS 19 on financial statements.

Company Management is of the opinion that standards for application from the 2012 financial year will not have a significant impact on the Group's financial statements. At the present time Company Management is analysing any effects of new and amended standards may have on the Group's financial statements applicable from the 2013 financial year or later.

IAS 1	Presentation of financial statements (amendment)
IAS 12	Income taxes (amendment)
IFRS 7	Financial instruments (amendment)
IFRS 10	Consolidated Financial Statements (replaces IAS 27 Consolidated financial statements and separate financial statements)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in other Entities
IFRS 13	Fair Value Measurement
IAS 27	Separate financial statements (amendment)
IAS 28	Holding in associated companies and joint ventures (amendment)
IAS 32	Classification of rights issues

8 | Classifications etc.

Non-current assets and non-current liabilities consist chiefly of amounts that are expected to be recovered or paid more than twelve months from the closing day. Current assets and current liabilities consist chiefly of amounts that are expected to be recovered or paid within twelve months from the closing day.

9 | Operating segment reporting

An operating segment is a part of the Group that engages in business operations from which it may generate income and incur expenses and for which discrete financial information is available. An operating segment's result is reviewed regularly by the company's most senior executive decision maker, which is Group Management, to assess its performance in order to allocate resources to the operating segment. There are three identified operating segments within the LKAB Group: the Mining Division, Minerals Division and Special Businesses Division. Refer to Note 3 for a presentation of operating segments and a more detailed description of their division.

10 | Consolidation principles

10.1 Subsidiaries

Subsidiaries are companies which operate under the controlling influence of the Parent Company. Controlling influence means a direct or indirect right to decide a company's financial and operational strategies with the objective of gaining economic benefits. When assessing whether a controlling influence exists, the existence of shares with potential voting rights that are currently exercisable or convertible should be considered.

Subsidiaries are reported according to the purchase method, which means that the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group-acquisition value is determined in an acquisition analysis in connection with the acquisition. The analysis establishes the acquisition value of the participation or business operation, the fair value on the day of acquisition of acquired identifiable assets and assumed liabilities and contingent liabilities. The acquisition value of subsidiaries' shares or business consists of the sum of the fair values on the date of acquisition of the assets, accrued or assumed liabilities and emitted equity instruments given in payment for the acquired net assets. The difference between acquisition value, the value of the minority and the fair value of earlier holdings and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are reported as goodwill.

A subsidiary's financial statements are included in the consolidated accounts from the acquisition date until the date when controlling influence no longer exists.

10.2 Joint ventures

For accounting purposes, joint ventures are companies in which the Group shares a controlling influence over operational and financial management through collaboration agreements with one or more parties. Holdings in joint ventures are reported in the consolidated accounts according to the proportional consolidation principle. This principle requires the Group's share of a joint venture's income, expenses, assets and liabilities to be reported in the consolidated statement of financial position and income statement. This is done by combining the joint owner's share of assets, liabilities, income and expenses in a joint venture item-by-item with corresponding items in the joint owner's consolidated accounts. Only equity accrued after the acquisition is reported in the Group's equity. The proportional consolidation principle is applied from the point in time at which the joint controlling influence is obtained until said influence ceases to exist.

10.3 Transactions eliminated on consolidation

Intra-Group receivables and liabilities, income and expenses, as well as unrealised gains or losses arising from transactions between subsidiaries, are eliminated in their entirety when preparing the consolidated accounts.

Unrealised profits arising from transactions with jointly controlled companies are eliminated to an extent that corresponds to the Group's shareholding in the company. Unrealised losses are eliminated in the same way as unrealised profits, but only where there is no indication that an impairment loss is necessary.

11 | Foreign currency

11.1 Transactions in foreign currency

Foreign currency transactions are translated into the functional currency at the exchange rate prevailing on the transaction date. Functional currency is the currency of the primary economic environment where companies conduct their operations. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate prevailing on the closing day. Exchange rate differences that arise from translations are reported in the income statement. Non-monetary assets and liabilities reported at historic cost are translated at the exchange rate on the transaction date. Non-monetary assets and liabilities reported fair value are translated to the functional currency at the exchange rate prevailing at the time the fair value was measured and reported in the income statement.

11.2 Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group-related surpluses and deficits, are translated from the foreign operations' functional currencies to SEK, the Group's presentation currency, at the exchange rate prevailing on the closing day. Revenues and expenses in a foreign operation are translated to SEK at the average exchange rate that constitutes an approximation of the rates applying when the transactions occurred. Translation differences that arise from currency translation of foreign operations are reported under other comprehensive income and accumulated in a separate designated translation reserve. When divesting a foreign operation, the accumulated translation differences attributable to the divested foreign operation are reclassified from equity to net profit/loss for the year as a reclassification adjustment at the time profit or loss from the sale is reported.

12 | Revenues – sale of goods

12.1 Sale of goods

Revenue from the sale of goods is recognised in the income statement when significant risks or benefits associated with ownership of the goods have been transferred to the buyer. Revenue is not recognised if it is probable that future economic benefit will not accrue to the Group.

12.1.1 Sale of iron ore, Mining Division

Iron ore trading is conducted in US dollars and there are three different ways of setting iron ore prices, i.e. annual price, spot price and indexed price. Normally, an agreement between one of the major mining companies and the Asian or European steel industry sets a global benchmark, after which LKAB concludes agreements with its customers. The timing of agreements regarding the global price varies; some years agreement is reached early and other years later, for which reason prices for the new year must almost always be an estimate until they are agreed.

Latterly the proportion of iron ore sales at spot or indexed prices has increased on the global market. LKAB has hitherto mostly sold iron ore at annual prices.

The sale of iron ore is reported upon delivery to the customer in accordance with the sales terms. Sales are reported with deductions for value added tax and currency translations take place at the current exchange rate. If sales are hedged by forward exchange rate contracts currency translations take place at the hedged rate.

Preliminary invoicing often takes place at the time of delivery in respect of the iron and moisture content of the delivery. When final confirmed amounts have been obtained, revenues are adjusted as necessary and confirmed. Revenues are reported in net sales.

12.1.2 Sale of industrial minerals, Minerals Division

The LKAB Group's Minerals Division carries out trade in a number of different minerals comprising both minerals in owned by the division such as magnetite, huntite and mica, and also minerals that are either processed within the Group or sold on untreated to final customers. Trade in industrial minerals either takes place in local currency or one of the major currencies such as USD and EUR.

The mineral magnetite is purchased from the Mining Division; prices are agreed once per year and are based on the Parent Company's global price agreements for iron ore products. Other in-house minerals are priced internally, while external minerals are priced according to agreements with the suppliers concerned and may take place annually or at shorter intervals.

Sales of minerals are reported to customers in accordance with agreed sales terms. Sales are reported with deductions for value added tax and currency translations take place at the current exchange rate. If the sale is hedged currency translations take place at the forward exchange rate contract rate.

Invoicing takes place on delivery to the customer according to agreed prices and payment terms. Revenues are reported in net sales.

12.2 Rental income

Rental incomes from investment properties are reported on a straight-line basis in the income statement, based on the terms of the rental (lease) agreement. The income is reported in other operating income.

13 | Leasing

Leases are classified in the consolidated accounts as either finance leases or operating leases. A finance lease exists when the economic risks and benefits associated with ownership are, in essence, transferred to the lessee; where this is not the case, it is classified as an operating lease. The Group's leasing agreements are essentially operational.

In operational leasing leasing fees are reported on a straight-line basis over the period of the lease. However, some fees are usually expensed on a continuous basis.

14 | Financial income and expenses

Financial income and expenses include interest income from bank assets, receivables and interest-bearing securities, interest expenses related to loans, interest expenses on defined-benefit pension plans, dividend income, unrealised and realised gains on financial investments, and derivative instruments used in financial operations.

Interest income from receivables and interest expenses related to liabilities are estimated using the effective interest method. Effective interest is the rate of interest which renders the current value of all estimated future payments and disbursements during the expected fixed-interest term to be equal to the carrying amount of the asset or liability. Interest income and interest expense include periodised amounts of transaction expenses and any discounts, premiums and other differences between the original carrying amount of the receivable or liability, and the amount received or settled on maturity.

Dividend income is reported once the right to receive payment is approved.

Income from the sale of financial investments is reported when the significant risks and rewards associated with ownership of the instruments have been transferred to the buyer and the Group no longer controls the instruments.

Exchange rate gains and losses are reported on a net basis.

15 | Taxes

Income taxes consist of current tax and deferred tax. Taxes are reported in the income statement except when the underlying transaction is reported directly under other comprehensive income or in equity, in which case the related tax effect is also reported in other comprehensive income or in equity.

Current tax is tax to be paid or received in respect of the year concerned by applying the tax rates that have been decided or which have been decided in practice as of the closing day; this also includes adjustment of current tax attributable to earlier periods. Deferred tax is calculated according to the balance sheet method, on the basis of temporary differences between carrying amounts of assets and liabilities and their values for tax purposes. The following temporary differences are not taken into account; for temporary differences that arise with the initial reporting of goodwill, initial reporting of assets and liabilities which are not business combinations and at the time of the transaction do not affect either reported or taxable profit. Nor are temporary differences attributable to participations in Group companies and associated companies that are not expected to reverse in the foreseeable future taken into account. The calculation of deferred tax is based on how the carrying amount of assets or liabilities is expected to be realised or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice by the closing date.

Deferred tax assets in respect of deductible temporary differences and loss carryforwards are only reported to the extent that it will be possible for these to be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

Any additional income tax arising from dividends is reported at the same time as when dividend is reported as a liability.

16 | Financial instruments

Financial instruments reported as assets in the statement of financial position, on the assets side, liquid assets, loans, accounts receivable, financial investments, and derivatives. Liabilities include accounts payable, borrowing and derivatives.

16.1 Recognition and derecognition in the Statement of financial position

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual terms of the instrument. A receivable is recognised when the Group has performed and a contractual obligation for the counterparty to pay exists, even if an invoice has not yet been sent. A trade receivable is recognised in the statement of financial position when an invoice has been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Trade accounts payable are recognised when an invoice is received.

A financial asset is removed from the statement of financial position when the rights in an agreement are realised, expire or the company loses control over them. The same applies for a portion of a financial asset. A financial liability is removed from the statement of financial position when the undertakings in the agreement have been fulfilled or otherwise extinguished. The same applies for a proportion of a financial liability.

A financial asset and a financial liability are offset and reported in the statement of financial position as a net amount only when there is a legal right to offset the amount and an intention to adjust the items with a net amount or, at the same time, realise the asset and settle the liability.

Acquisition and divestment of a financial asset are reported on the trade day, i.e. the day upon which the company undertakes to acquire or dispose of an asset, except in cases when the company acquires or divests listed securities when settlement date reporting is applied.

A spot purchase or sale in the fair value option category is reported on the day of settlement. LKAB has no liabilities valued according to fair value option.

Liquid assets are cash and balances immediately available in banks and similar institutions and current investments with a maturity of less than three months from acquisition date that are exposed only to very marginal risks of fluctuations in value.

16.2 Classification and measurement

Financial instruments are initially reported at a cost corresponding to the fair value of the instrument with an addition for transaction expenses for all financial instruments, except those categorised as financial assets and liabilities reported at their fair value in the income statement, which are reported at their fair value excluding transaction expenses. A financial instrument is classified on initial reporting based on the purpose for which the instrument was acquired. Classification determines how the financial instrument is measured after the initial report, as described below.

Derivatives instruments are initially reported at fair value, meaning that the transaction costs are reported in the income for the period. After the initial entry, the derivative is reported in the manner described below. If derivative instruments are used for hedge accounting, changes in value of the derivative instruments are reported in the income statement, to the extent the derivative is effective, at the same time and on the same line as the hedged item. Even if hedge accounting is not applied, increases or decreases in the value of the derivative are reported as income or expenses in the income statement or as net financial income/expense, based on the intended use of the derivative instrument and whether that use relates to an operating item or to a financial item. In hedge accounting, the ineffective part is reported in the same way as changes in the value of derivatives not used in hedge accounting.

In accordance with IAS 39, LKAB has chosen not to include the interest component in forward exchange contracts in hedging conditions when applying hedge accounting within the Group. Changes in value in forward exchange rate contracts attributable to the interest component are reported instead as financial income or expenses on the line "Interest rate component in forward exchange contract" as the interest rate component is considered financial in nature.

16.3 Financial assets appraised at fair value in the income statement

This category consists of two sub-groups; financial assets held for trading and other financial assets in which the company initially decided to invest in this category (according to the so-called fair value option). Financial instruments in this category are appraised at fair value on a continuous basis and changes in fair value are reported in the income statement. The first sub-group includes derivatives with positive fair values, with the exception of derivatives that are identified, effective hedging instruments. The fair value option category includes financial instruments that are appraised and reported at fair value. For further information on which financial instruments are included, see Note 28.

16.4 Loans and receivables

Loans and receivable are non-derivative financial assets with fixed payments or determinable payments, and which are not quoted on an active market. These assets are measured at amortised cost. Amortised cost is determined based on the effective rate of interest calculated on acquisition. Accounts receivable are reported in the amount at which they are expected to be received, less doubtful receivables.

16.5 Financial assets available for sale

The available-for-sale category includes financial assets that are not classified in any other category or financial assets that the company initially classified in this category. Shares and participations not reported as subsidiaries, associated companies or joint ventures are reported here. Assets in this category are appraised at fair value on a continuous basis, with changes in value reported in other comprehensive income, but not changes resulting from impairment losses, interest on debt instruments, dividend income or exchange rate differences on monetary items; these are reported in the income statement. On disposal of the asset the accumulated gain or loss previously reported in other comprehensive income, is reported in the income statement.

16.6 Financial liabilities appraised at fair value in the income statement

This category consist of two sub-groups: financial liabilities held for trade and other financial liabilities that the company has chosen to place in this category (the so-called fair value option); see description under Financial assets measured at fair value in the income statement, above. The first category includes the Group's derivatives with negative fair values, with the exception of derivatives that are identified, effective hedging instruments. Changes in fair value are reported in the income statement.

16.7 Other financial liabilities

Loans and other financial liabilities, e.g. accounts payable, are included in this category. Liabilities are measured at amortised cost.

17 | Derivatives and hedge accounting

The Group's derivative instruments were acquired as a hedge against interest rate and exchange rate risks to which the Group is exposed. An embedded derivative is reported separately unless it is closely related to the host contract. Derivatives are initially reported at fair value, meaning that the transaction costs impact income for the period. After the initial entry, derivative instruments are reported at fair value and changes in value are reported as described below.

To comply with IAS 39 requirements concerning hedge accounting, there must be a clear link to the hedged item. Furthermore, the hedging instrument must effectively protect the hedged item; hedging must be documented and its effectiveness measurable. Hedging gains and losses are reported in the income statement at the same point in time as gains and losses for the hedged items.

17.1 Cash flow hedges
Derivative instruments used to hedge future cash flows are reported in the statement of financial position at fair value. Changes in value are reported directly against other comprehensive income and accumulated changes in value are reported as a separate component in shareholders' equity until the hedged flow is reported in the incomestatement, whereupon the hedging instrument's accumulated changes in value are transferred to the income statement to meet and match the profit/loss effects of the hedged transaction. The hedged flows can be both contracted and forecast transactions.

18 | Property, plant and equipment
18.1 Owned assets
Property, plant and equipment are reported in the consolidated accounts at cost after deductions for accumulated depreciations and any impairments. Cost includes the purchase price and expenses directly attributable to the asset, such as the those associated with delivery and installation of the asset for use as intended by the acquisition. Examples of directly attributable expenses that may be included in cost are those for delivery and handling, installation, title deeds, consulting services and legal services.

The cost of self-constructed property, plant and equipment includes expenditures for materials, payroll expenditures, other fabrication costs directly attributable to the asset where applicable, and estimated costs of disassembly and estimated expenses for the removal of the assets and the remediation of the site or area in which it was used.

Component parts of property, plant or equipment that have different useful lives are treated as separate components of said property, plant or equipment.

The carrying amount of property, plant and equipment is removed from the statement of financial position when the asset is retired or disposed of. Gain or loss arising from the disposal or retirement of an asset is the difference between the selling price and the asset's carrying amount with deductions for direct selling expenses. Gain or loss is reported as other operating income/expense.

18.2 Underground installations
Installations underground, whence iron ore is extracted, can be divided into waste rock mining and iron ore mining. Waste rock mining consists of work done to expose the orebody in connection with the construction of a main haulage level, construction pertaining to transport and maintenance functions such as railways, roads, tunnels, shafts, inclined drifts (a system of access for vehicle traffic from surface level to the work site underground), and facilities for service and electrical and air supply. These expenses referring to installations intended for use for a period longer than one year, are activated on the statement of financial position. Depreciation takes place systematically during the lifetime of the main level concerned.

Iron ore mining consists mainly of activities including development, cave drilling, and loading, haulage and hoisting of the ore. Expenses for these activities have a useful life of at most one year, which is why they are expensed as they are incurred.

18.3 Open pit mines
Iron ore mining above ground takes place in so-called open pit mines. In order to expose the orebody stripping often takes place where such things as moraine and waste rock are removed. During the development phase expenditures are activated as part of the cost of the mine and depreciation takes place systematically during the lifetime of the mine. The expenditures are expensed during the actual production phase.

18.4 Prospecting and evaluation work
Greater knowledge of the extent of the iron deposits is necessary to secure access to more ore and ensure the future development of operations in the Mining Division. The orebody is surveyed and defined by means of exploration drilling, mainly via drifts adjacent to it. Ore deposit explorations in both existing and future areas of the mines, is expensed. This principle is also applied with respect to areas outside the existing mines.

Evaluation of existing mineral assets is carried out to a lesser extent, mainly to provide a basis for a so-called mine plan for mineral assets, and this work is expensed.

18.5 Additional expenditures
Additional expenditures are added to cost if it is probable that future economic benefit associated with the asset will accrue to the company, and if cost can be calculated in a reliable manner. All other additional expenditures are reported as expenses in the period in which they arise.

Additional expenditures are added to cost if the expenditures are related to the replacement of identifiable components or parts thereof. In cases where a new component is created, the expenditure is also added to cost. Any undepreciated carrying amounts on replaced components, or parts thereof, are retired and expensed in connection with the replacement. Repairs are expensed on a continuous basis.

18.6 Depreciation principles
Assets are depreciated on a straight-line basis over their useful life; land is not depreciated. The Group applies component depreciation, whereby the estimated useful life of the component constitutes the basis for depreciation. Installations and equipment utilised in open pit mines are usually depreciated either over their estimated lifetime or the lifetime of the mine they pertain to, whichever is the shorter.

Estimated useful life:

– Operating properties, investment properties	15–100 years
– Machinery and other technical plant	5–20 years
– Inventories, tools and installations	5–20 years
– Underground installations (average)	12 years

Operating properties are classified mainly as buildings, land improvements and land. Buildings and land improvements consist of several components that are classified on the basis of function; e.g. roads, surfacing, service facilities, processing plants, etc.

Rental properties consist of several components with different useful lives. The main classifications are buildings and land. The buildings are divided into several components whose useful lives vary. The estimated useful lives of these components range from 15 to 100 years.

The following main groups of components have been identified and form the basis for depreciation of investment properties.

– Frames, foundations and interior walls	100 years
– Water, sewage, electrical and heating systems	50 years
– Facades	40 years
– Windows	50 years
– Interior finishing and white goods	15 years

If a property is acquired outside the impact boundary but within future mining area the depreciation time is adapted to the time the impact boundary encroaches on the property concerned.

An asset's residual value and useful life are evaluated at the close of each reporting period and adjusted as necessary.

19 | Intangible assets
19.1 Goodwill
Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated among cash-generating units and is tested annually for impairment; see accounting principles in section 21.1. The difference between the cost of a business acquisition and the fair value of the identifiable acquired assets, assumed liabilities and contingent liabilities is reported as goodwill.

19.2 Mineral rights
Mineral rights are reported at cost less accumulated amortisation and any impairments.

19.3 Research and development
Expenditures for research aimed at acquiring new scientific or technical knowledge are expensed in the period in which they arise.

Development expenditures, i.e. expenses for research of which the results or other knowledge is applied to realise new or improved products or processes, are reported as an asset in the statement of financial position if the product or process is technically and commercially viable and the company has sufficient resources to complete the development and subsequently use or sell the intangible asset. The value includes directly attributable expenses such as goods and services and remuneration to employees. If the above criteria are not fulfilled, the costs must be expensed. Because no such development expenditures have met these criteria thus far, LKAB expenses all expenditures for development as they arise.

19.4 Other intangible assets
Other intangible assets such as software acquired by the Group are reported at cost less accumulated amortisation (see below) and impairments.

19.4.1 Emissions allowances
LKAB participates in the EU's system for trade in emissions allowances. LKAB received carbon-dioxide emissions allowances for 2011 in February. An emission allowance grants the right to emit carbon dioxide and is therefore an intangible asset. Allocations are entered against deferred income as the company has not yet qualified for any allowances at the time of issue; qualification takes place at the same pace as actual emissions. When emissions are made a liability arises for the delivery of emission allowances to cover said emissions. This liability is classified as an emission. The liabilities are measured at the cost of the allocated emission allowances. The income is distributed against the cost it is intended to cover. When emission allowances are reported an equivalent number of emission allowances must be delivered. Thus the intangible asset is used and the provision for emissions made is settled. Where a liability to deliver emission allowances exceeds the remaining allocation of emission allowances the excess amount is carried as a liability measured at the current market value of the number of emission allowances necessary to settle the obligation. For information regarding amounts, see Note 26.

19.5 Additional expenditures
Additional expenditures for capitalised intangible assets are reported as assets in the statement of financial position only when they increase the future economic benefits for the specific asset to which they pertain. All other expenditures are expensed as they arise.

19.6 Amortization principles
Amortization are reported in the income statement in a straight-line across the estimated useful life of the intangible assets. Amortizable intangible assets are written off from the date upon which they are available for use. The estimated periods of useful life are:

– Mineral rights	30–50 years
– Tenancy rights	10 years
– Customer-related intangible assets	3–5 years
– Software	5 years

An asset's residual value and useful life are tested at the close of each reporting period and adjusted as necessary.

20 | Inventories
Inventories are reported at the lower of cost or net realisable value. The cost of inventories is calculated on the basis of the first-in, first-out (FIFO) method and includes expenditures arising from the acquisition of the inventory assets and their transport to their current location. In the case of manufactured goods and work in progress, cost includes a reasonable proportion of indirect costs based on normal capacity.

Net selling price is the estimated selling price in current operations, after deductions for estimated costs of completion and for realising a sale.

21 | Impairments
The Group's reported assets are tested on every closing date to ascertain whether any impairment requirement is indicated. Every closing day a test is carried out on previously impaired assets other than financial assets and goodwill as to whether a reversal should take place.

21.1 Impairment of property, plant, equipment, intangible assets and participations in subsidiaries, associated companies and joint ventures
If an impairment requirement is indicated, the recoverable value of the asset is calculated. The recoverable amount for goodwill is calculated annually. If it is not possible to ascertain essentially independent cash flows attributable to a single asset when an impairment requirement is assessed, assets are grouped at the lowest level at which it is possible to identify essentially independent cash flows (a so-called cash-generating unit).

An impairment is reported when the carrying amount of an asset or cash-generating unit (group of units) exceeds its recoverable amount. Impairment losses are charged to the income statement. Impairments of assets attributable to cash generating units (group of units) is allocated to goodwill in the first instance, after which a proportional impairment of other assets in the unit (group of units) is carried out.

The recoverable amount is fair value less selling expenses or value in use, whichever is the greater. When calculating value in use, future cash flows are discounted using a pre-tax discount rate that reflects risk-free interest and the risks associated with the specific asset.

21.2 Impairment of financial assets
On each reporting occasion, the company assesses whether there is objective evidence that a financial asset or group of financial assets requires impairment. Objective evidence constitutes observable circumstances that have had an adverse impact on the potential to recover the amortised cost such as breach of contract, late or defaulted payment from a counterparty or bankruptcy, or a significant or long-term decrease in the fair value of a component of a financial investment classified as a financial asset available for sale.

The recoverable amount of assets belonging to the categories held-to-maturity securities and accounts receivable reported at amortised cost, is calculated as the current value of future cash flows, discounted at the original the effective interest rate calculated when the assets was first reported. Short-duration receivables are not discounted. Impairment losses are charged to operating profit/loss in the income statement.

If an impairment in fair value of a financial asset classified as available for sale has previously been reported directly against comprehensive income and there is objective evidence that there is need for an impairment, the accumulated loss reported in comprehensive income must be removed from comprehensive income and entered in the income statement, even if the financial asset has not been eliminated from the statement of financial position. The eliminated loss relates to the difference between cost and current fair value, after deduction for any previous impairment of the financial asset.

21.3 Reversal of impairments
Impairments of assets included in the IAS 36 application area are reversed when there is an indication that impairment is no longer necessary and there has also been a change in the assumptions which formed the basis of the calculation of the recoverable amount when the asset was impaired. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had, with a deduction for amortisation, if no impairment had been carried out.

Impairments of securities, loans receivables and accounts receivable, which are reported at accrued cost, are reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment was made.

Impairments of equity instruments classified as available-for-sale financial assets that were previously reported in the income statement, may not subsequently be reversed through the income statement but rather in other comprehensive income. The impaired value is the amount on which subsequent revaluations are based and which are reported in other comprehensive income. Impairments of interest-bearing instruments classified as available-for-sale financial assets are reversed through the income statement if the fair value increases and the increase can objectively be attributed to an event that occurred after the impairment was carried out.

22 | Equity
22.1 Dividends
Dividends are reported as a liability once they have been approved by the Annual General Meeting.

23 | Earnings per share
Calculation of earnings per share is based on the Group's profit for the year attributable to Parent Company shareholders and the weighted average number of shares outstanding during the year.

24 | Employee benefits
24.1 Defined-contribution pension plans
Defined contribution pension plans are classified as those plans under which the company's obligation is limited to the contributions the company has undertaken to pay. Under such plans the size of an employee pension is based on the contributions the company pays to the plan or to an insurance company and the capital yield generated by the contributions. Consequently, it is the employee who bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the investment assets will be inadequate to provide the expected benefits). The company's obligations in respect of contributions to defined-contribution plans are reported as a cost in the income statement as they are earned by the employees performing work for the company during the period.

24.2 Defined-benfit pension plans

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods; this compensation is discounted to present value and the fair value of any plan assets is deducted. The discount rate is the interest rate on the closing day for a first-class corporate bond with a maturity corresponding to the Group's pension obligations. When there is no active market for such corporate bonds, the market interest rate on government bonds with an equivalent maturity is used instead. The calculation is made by a qualified actuary using the Projected Unit Credit Method. In addition, the fair value of plan assets as per closing day is calculated.

Actuarial gains and losses may arise when the present value and the fair value of plan assets are determined. These arise either as a result of outcomes deviating from assumptions previously made or revisions to the said assumptions.

In previous years the corridor rule was applied when reporting actuarial gains and losses. From December, 2011, all actuarial gains and losses are reported directly in other comprehensive income. The effects in comparison with previous years are shown in the Statement of changes in shareholders' equity and in Note 25 Pensions.

The carrying amount for pensions and similar obligations shown in the consolidated statement of financial position represents the present value of the obligation at the end of the financial year, less the fair value of plan assets and unreported costs relating to employment in earlier periods.

When the calculation leads to an asset for the Group, the carrying amount of the asset is limited to net unreported costs for employment in previous periods as well as the current value of future repayments from the plan or reduced future payments to it. When the compensation in a plan improves, the portion of the increased compensation attributable to the employees' services in previous periods is reported as an expense in the income statement on a straight-line basis over the average period until the compensation is fully vested. If the compensation is fully vested, an expense is reported directly through the income statement. When there is a difference in how the pension cost is determined for a legal entity and the Group, a provision or receivable for the special employer's contribution is reported based on this difference. No calculation is made for the present-value of the provision or receivable.

Net interest of pension provisions and expected yield from associated plan assets are reported in net financial income/expense. Other components are reported in the income statement.

24.3 Short-term employee benefits

Short-term employee benefits are calculated on an undiscounted basis and reported as an expense when the related services are received.

A provision is made for the expected cost of profit-sharing or bonus payments when the Group has a legal or informal obligation to make such payments as a result of services being rendered by employees and a reliable estimate of the amount can be made.

25 | Provisions

A provision differs from other liabilities because of prevailing uncertainty about payment date or the amount required to settle the provision. A provision is reported on the statement of financial position when there is an existing legal or informal obligation due to a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and that the amount can be reliably estimated.

A provision is made in an amount that is the best estimate of what is required to settle the existing obligation on the closing date. When the effect of payment timing is important, provisions are calculated by discounting the forecast future cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

25.1 Restructuring

A provision for restructuring is reported when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

25.2 Remediation expenses

Provision for remediation expenses is made when the Group has a legal or informal obligation where, for example, the environmental court requires a financial guarantee for expanded operations.

25.3 Provisions as a result of mining operations

See item 28 in Note 1.

26 | Contingent liabilities

A contingent liability is reported if there is a possible commitment stemming from events evidence of whose occurrence is dependent on one or more uncertain future events as well as when there is a commitment that is not reported as a liability or provision because it is unlikely that an outflow of resources will be required.

27 | PARENT COMPANY ACCOUNTING PRINCIPLES

The Parent Company has prepared its annual report in compliance with the Swedish Annual Accounts Act (1995:1554) and Swedish Financial Reporting Board recommendation RFR 2 Reporting for Legal Entities. Statements issued by the Swedish Financial Reporting Board for publicly listed companies are also applied. RFR 2 means that in preparing the annual accounts for the legal entity the Parent Company must apply all IFRS and statements approved by the EU as far as is possible within the framework of the Swedish Annual Accounts Act and Swedish Pension Obligations Vesting Act taking into account the relationship between reporting and taxation. The recommendation specifies the exceptions from, and additions to, IFRS that must be made.

The amendments to RFR2 Reporting for Legal Entities that have come into force and which are applicable in the 2011 financial year mean that Group contributions may no longer be reported against equity. A Group contribution that the Parent Company receives from a subsidiary is accounted for according to the same principles as the customary dividends from subsidiaries and reported as financial income. Group contributions made by the Parent Company to subsidiaries are reported as financial items.

27.1 Differences between Group and Parent Company accounting principles

Differences between Group and Parent Company accounting principles are detailed below. The Parent Company accounting principles specified below have been consistently applied to all the periods presented in the Parent Company's financial reports.

27.2 Subsidiaries, associated companies and joint ventures

Participations in subsidiaries, associated companies and joint ventures are reported by the Parent Company according to the cost method. This means that transaction expenses are included in the carrying amount for holdings in subsidiaries, associated companies and joint ventures.

27.3 Financial instruments and hedge accounting

Owing to the relationship between reporting and taxation, the rules referring to financial instruments and hedge accounting in IAS 39 are not applied in the Parent Company as a legal entity. Non-current financial assets are measured in the Parent Company at cost less any impairments, or as current financial assets, whichever is the lower. Valuation of shares and money market investments is done at the portfolio level. This means that for instruments included in the same portfolio, unrealised gains are offset against unrealised losses. Surplus losses are reported as reduction in interest income on the line Other interest income and similar items. Surplus gains are not reported.

Liabilities are measured at amortised cost.

27.3.1 Derivatives and hedge accounting

Currency exposure in respect of forecast future flows are hedged through forward exchange rate contracts. Forward exchange contracts that protect the forecast flow are not reported on the balance sheet. Changes in value in forward contracts are reported in the same period as the forecast flow occurs.

The hedged volume in US dollars is matched against the estimated net inflow of US dollars. If the hedged volume exceeds the value of the expected net inflow and there is an unrealised exchange loss, it is reported as a financial expense. If there is an unrealised exchange gain, it is not reported.

Accrual of forward exchange discounts and premiums is done in accordance with Swedish Accounting Standards Board recommendation No. 7. The interest component is considered financial in nature and it is reported in the Parent Company's Net financial items. The difference between the average exchange rate and the year-end rate on binding forward exchange contracts is reported as a contingent liability if the year-end rate is higher than the average rate of the forward exchange contract.

27.4 Financial guarantees

The Parent Company's financial guarantee agreements mainly consist of guarantees that benefit subsidiaries. Financial guarantee agreements mean that a company has a commitment to remunerate the bearer of a debt instrument for losses incurred as a result of the failure of a given debtor to make full payment on due date in accordance with the terms of the agreement. The Parent Company applies one of the relief rules permitted by the Swedish Financial Reporting Board, compared with the rules in IAS 39, in its reporting of financial guarantee agreements made out for the benefit of subsidiaries. The Parent Company reports financial guarantee agreements as a provision in the balance sheet when the company has an obligation for which settlement will probably require payment.

27.5 Anticipated dividends

Anticipated dividends from subsidiaries are reported in cases where the Parent Company has sole right to decide the size of the dividend and has decided on the size of the dividend before the publication of its financial statements.

27.6 Intangible assets

27.6.1 Research and development

All research and development expenditures are reported as expenses in the Parent Company income statement.

27.7 Employee benefits

27.7.1 Defined-benefit plans

The Parent Company applies principles other than those described in IAS 19 when calculating defined-benefit plans. The Parent Company complies with the provisions of the Swedish Pension Obligations Vesting Act and Swedish Financial Supervisory Authority regulations since this is a condition for tax deductibility. The essential differences, compared to IAS 19, are the way in which the discount rate is determined, that calculation of defined-benefit commitments is based on current salary levels without assuming any future salary increases, and that all actuarial gains and losses are reported in the income statement as they arise.

27.8 Taxes

In the Parent Company, deferred tax liabilities are reported as part of untaxed reserves. In the consolidated accounts, untaxed reserves are divided between deferred tax liabilities and equity.

27.9 Group contributions and shareholders' contributions for legal entities

Group contributions paid and received by the Parent Company are reported as financial items. Shareholder contributions are transferred directly against equity and activated in shares and participations with the donor, to the extent that impairments are not required.

28 | Significant estimates and assessments

In presenting the financial reports, the Company Management and the Board of Directors must make certain estimates and assumptions that affect the reported amounts pertaining to assets, liabilities, income and expenses, and other disclosures such as contingent liabilities.

Estimates and assessments that are considered to be of greatest importance for an understanding of the financial statements in regard to degrees of significance and uncertainty, are presented below. Conditions for LKAB's operations change continuously, which means that these assessments also change.

28.1 Provisions as a result of mining operations

LKAB has extracted iron ore in Norrbotten for more than 120 years. The technology used for ore extraction in underground mines leads to deformations in the form of fractures in the land where mining is pursued. The deformation zones are, or will be, so extensive that it will be necessary to successively relocate sections of Kiruna and Malmberget.

LKAB has already made, and will continue to make, significant expenditures in respect of these urban transformations. For instance, LKAB will incur expenses for the acquisition of real estate and municipal infrastructure such as electricity, water and sewage in the affected areas. The expenditures arise from LKAB's mandatory obligation to compensate damage resulting from mining activities.

Provisions for the damages that the deformations cause cover damage already confirmed and damage not yet confirmed but which will occur after a year or more's delay as a result of existing mining.

In order to match expenses and revenue LKAB applies accounting rules for provisions in IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

These state that a provision must be reported when:

1. There must be an existing legal or informal obligation toward an external party,
2. as a result of events
3. that the company anticipates an outflow of economic resources to settle the obligation,
4. and that the amount can be reliably estimated.

A limit to impact-related compensation has been defined by LKAB and designated as the impact boundary.

The impact boundary in Kiruna, which moves gradually forward, is based on the existing environmental terms boundary according to rulings from the environmental court. Additions are made for a safety zone for operations that are expected to come about even if mining were to cease (100 m) and for an area designated as a Mine City Park (350 m), equivalent to around seven-years conversion time from built-up area to mine city park to industrial area. The basic rule is that an undertaking is not reported until the impact boundary encroaches upon the real estate boundary or infrastructure concerned.

Even though there may be major similarities between conditions in Kiruna and Malmberget the geological conditions differ, and in the case of Malmberget there are no environmental conditions established in the courts. In Kiruna the gradual spread of deformations takes place through continuous fracturing, while in Malmberget a widespread undermining is taking place of the surface where the community's central parts are located. The deformations are the direct result of mining operations. In the case of Malmberget it can be shown that the impact area from mining operations from several orebodies has largely encircled Malmberget's town centre. Under prevailing circumstances Malmberget's central areas can be described as communities that are no longer functional.

The impact will continue for many years ahead and there will be uncertainty regarding e.g. geological consequences, assumptions about market values, demolition and waste disposal costs, etc., and therefore the presumptive size of provisions will be calculated with a degree of uncertainty for a number of years to come.

The size of provisions was calculated based on objective valuation methods for each sort of asset (railway, land, municipal infrastructure, etc.) and priced at present value.

A deciding factor in how damages caused by LKAB mining activities must be handled for accounting purposes is where the impact boundary is located at any given time. All damages/compensation claims that lie within the impact boundary will be calculated and reported as provisions and expensed in the income statement. This must be seen in the light of LKAB's already having consumed the economic benefits generated by mining, or in other words, because the revenues have already been reported, the cost of damages arising from earlier or present-day mining must also be reported.

If an acquired property inside the impact boundary is expected to be let temporarily over a period from the acquisition until evacuation, its value in use is calculated. If the calculation indicates a positive net cash flow the amount is activated as a building component instead of being expensed. The building component is depreciated over the period during which it is expected to be let.

28.2 Pension benefits

Several assumptions are important components in the actuarial methods used to calculate pension obligations, and these may have a significant impact on reported net liability and annual pension expense. The discount rate and the estimated return on plan assets are two critical assumptions used in calculating the year's pension expense and the current value of pension obligations.

These assumptions are revised each year, for each pension plan, in each country. Many factors do not change as often, such as personnel turnover and retirement age. For financial and other reasons, actual outcomes often differ from actuarial assumptions.

The discount rate enables the measurement of future cash flows to current value on the measurement date. This rate must correspond to yields on either high-quality corporate bonds or, if there is no active market for such bonds, government bonds. A lower discount rate increases the current value of the pension obligation and the annual pension cost.

In order to determine the expected rate of return on plan assets, LKAB considers the current and anticipated categories of plan assets as well as historic and expected returns on the various categories.

Compared to the previous year, the average discount rate is 3.7 (4.0) per cent.

28.3 Taxes

Significant estimates are made to determine current tax liabilities and current tax assets, and for deferred tax liabilities and deferred tax assets. LKAB has to determine the probability of deferred tax assets being utilised to offset future taxable profits. Actual outcomes may differ from these estimates, for instance due to changed tax legislation, or the outcome of final reviews of tax returns as yet unconcluded by tax authorities and tax courts.

28.4 Disputes

LKAB is party to a number of disputes and legal proceedings in the course of day-to-day business. Management consults with legal experts on issues related to legal disputes and with other experts internal or external on issues related to the ordinary course of business. Management's considered opinion is that neither the Parent Company, nor any subsidiary, is currently involved in legal proceedings or arbitration that may be deemed to have a material negative effect on the business, its financial position or profit/loss in operations.

Note 2 | Distribution of revenues

SEK million	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Net sales:				
Sale of goods – iron ore	28,024	25,413	28,282	25,825
Sale of goods – industrial minerals	2,623	2,777		
Other	475	343		
Total	31,122	28,533	28,282	25,825

Note 3 | Segment reporting

Segment information
Group Management has set up business segments based on the information used to make strategic decisions in LKAB's business operations. The Group's internal reporting system is based on this, as are its product and division perspectives. Group Management assesses and follows up business activities in the respective divisions, and follow-up is focused on operating income and operating assets in business activities.

Intra-Group prices between segments are set based on the arm's length principle, i.e. between parties that are independent of each other, well-informed and have a stake in the implementation of the transaction. Income, assets and liabilities for the segments include directly attributable items.

Non-distributed items consist of net financial income and expense and tax expenses. Assets and liabilities not allocated to segments include income tax receivables and payables, investments and financial liabilities. The segments' investments in property, plant, equipment and intangible assets include all investments with the exception of those in current inventory and inventory of minor value.

The Group consists of the following business segments:
Mining Division. The Mining Division mines and processes iron ore for products for steel making. The main products are pellets and fines, and the number of customers is limited to about twenty.

Minerals Division. The Minerals Division develops, produces and markets industrial mineral products for several application areas and customers in many different industries throughout the world. The most important industries are construction and civil engineering, oil and gas, rubber, plastics and paint, chemicals, automotive and foundries. There are several thousand customers.

Special Businesses. Special Businesses is home to several LKAB subsidiaries. These companies are mainly suppliers to the Mining Division and the Minerals Division. Examples of goods and services sold include drilling equipment, explosives, concrete, tunnel driving, rock reinforcement, and crushing of iron ore.

The following segment information is reported:

Operating segments
Group

SEK million	Mining Division 2011	Mining Division 2010	Minerals Division 2011	Minerals Division 2010	Special Businesses 2011	Special Businesses 2010	Total 2011	Total 2010	Eliminations*** 2011	Eliminations*** 2010	Group 2011	Group 2010
External revenue	28,024	25,413	2,623	2,777	475	343	31,122	28,533			31,122	28,533
Intra-Group revenue	310	495	5	37	2,048	1,518	2,363	2,050	-2,363	-2,050		
Total revenue	28,334	25,908	2,628	2,814	2,523	1,861	33,485	30,583	-2,363	-2,050	31,122	28,533
Operating profit/loss per segment	13,624	11,524	603	433	405	244	14,632	12,201			14,632	12,201
Consolidation adjustments *)											73	111
Operating income											14,705	12,312
Net financial income/expense											97	69
Profit before tax											14,802	12,381
Tax											-3,842	-3,275
Net income for the year											10,960	9,106
Assets	33,682	29,331	1,324	1,264	1,120	1,121	36,128	31,716	-2,021	-1,324	34,105	30,392
Unallocated assets											19,625	16,237
Total assets											53,730	46,629
Liabilities	11,881	10,031	676	721	610	449	13,167	11,201	-1,106	-1,429	12,061	9,772
Unallocated liabilities											3,776	3,438
Total liabilities											15,837	13,210
Capital expenditures **)	5,066	3,914	21	10	39	55	5,126	3,979			5,126	3,979
Depreciations	1,807	1,750	30	30	62	56	1,899	1,836			1,899	1,836
Impairments	1	300		8			1	308			1	308

*) refers to adjustments to the Group's pension liabilities as per IAS 19
**) refers to property, plant, equipment and intangible assets
***) refers to intra-Group transactions

Note 3 | Segment reporting (cont.)

Operating segments (cont.)

Geographic areas

Group sales are mainly made from Sweden and thus by the Swedish companies. Manufacturing of the Group's product took place almost exclusively in Sweden. Investments were made principally in Sweden. Revenues are reported in the countries/regions in which the respective customers operate. The carrying amount of assets per country/region are according to where the assets are located, and revenues are reported on the basis of where sales, production, delivery and invoicing take place, regardless of where the customers are located.

Group	Sweden		Rest of Europe		Asia		Rest of the world**)	
SEK million	2011	2010	2011	2010	2011	2010	2011	2010
External revenue	28,865	26,458	1,257	978	1,000	956		141
Assets*)	23,799	20,908	2,747	2,483	9	14	2	3
Capital expenditures**)	4,637	3,817	433	160	1	0		2

*) refers to property, plant, equipment and intangible assets

**) countries not part of Europe or Asia

Information about major customers

According to IFRS 8, companies must provide information about major customers. The LKAB Group has three major customers, each of which accounts for more than ten per cent of the Group's sales. Sales to these customers amounted to 18 per cent, 11 per cent and 10 per cent of total sales and are reported in the operating segment Mining Division.

Parent Company	Mining Division		Minerals Division		Special Businesses		Parent Company	
SEK million	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	28,282	25,825					28,282	25,825

Parent Company	Europe		Asia		Rest of the world		Parent Company	
SEK million	2011	2010	2011	2010	2011	2010	2011	2010
Net sales	19,220	17,312	7,900	6,846	1,162	1,667	28,282	25,825

Note 4 | Other operating income

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Rental incomes, buildings	154	149	0	1
Gain on sale of fixed assets	4	13	0	
Exchange rate gains on receivables/ liabilities related to operations	90	52	15	14
Insurance compensation	0	8		8
Rental and leasing income	12	10	11	15
Other	106	90	193	186
	366	322	219	224

Note 5 | Other operating expenses

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Exchange rate losses on receivables/ liabilities related to operations	38	41		
Property expenses	103	90		
Loss on sale of fixed assets	4	3		
Other	258	256	379	181
	403	390	379	181

Note 6 | Employees, personnel costs and remuneration to senior executives

Average number of employees		of whom	of whom		of whom	of whom
Parent Company	2011	of women	of men	2010	of women	of men
Sweden	3,166	17%	83%	2,998	15%	85%
Total, Parent Company	3,166	17%	83%	2,998	15%	85%
Subsidiaries						
Sweden	472	12%	88%	450	12%	88%
China	43	21%	79%	41	20%	80%
The Netherlands	22	32%	68%	25	32%	68%
Norway	201	11%	89%	211	9%	91%
UK	208	21%	79%	210	21%	79%
Germany	17	47%	53%	20	50%	50%
Other countries	62	26%	74%	75	21%	79%
Total in subsidiaries	1,025	16%	84%	1,032	15%	85%
Group total	4,191	17%	83%	4,030	15%	85%

Gender distribution in Company Management as of December 31

Parent Company	2011 Percentage of women	2011 Percentage of men	2010 Percentage of women	2010 Percentage of men
Board of Directors	50%	50%	33%	67%
Other senior executives	33%	67%	33%	67%

Salaries and other remunerations distributed among senior executives and other employees together with social costs in the Parent Company

Parent Company SEK million	Senior executives (19 people)	Other employees	Total	Senior executives (21 people)	Other employees	Total
Salaries and other remunerations						
Sweden	21	1 582	1 603	17	1 356	1 373
Parent Company, total	21	1 582	1 603	17	1 356	1 373
Social costs[1]			907			786
[1]of which pension expenses			348			317

Remuneration to senior executives

Senior executives

Senior executives refers to Board members, the President and other senior executives. Other senior executives refers to salaried employees who are members of Group Management together with the President

Guidelines for remunerations to senior executives

Remuneration to the Chairman and Board members is decided by the Annual General Meeting. In addition, remunerations are paid for committee work.

The AGM has decided that government guidelines current at any given time for employment terms for employees in senior management positions and for incentive schemes for employees of state-owned companies shall apply to remunerations to Group Management. Government guidelines were updated in April 2009.

Preparation and decision processes for setting remunerations to senior executives

Compensation for the President and salary-setting principles for Group Management executives are prepared by a compensation committee appointed by the Board of Directors. The committee consists of three board members. The Board of Directors takes decisions based on committee proposals. The Chairman of the Board approves the annual salary reviews of other Group Management executives.

Principles for remuneration to senior executives

The President and the other Group Management executives are paid fixed salaries. The salaries are pensionable.

Company President Lars-Erik Aaro's monthly salary was SEK 337,000 per month. Retirement age for the President is 65 years. The President's pension plan is a defined-contribution plan whereby LKAB makes a yearly provision of 30 per cent of the President's current fixed annual salary for a pension plan chosen by the President, which may include the ITP plan. That part of the alternative ITP premium that is not used to cover premiums for the ITP plan can be used by the President for a complementary pension plan. Accrued pension benefits from earlier employment as vice President agreements are vested benefits. The President is entitled to decline salary in favour of additional pension provisions up to a maximum level decided by LKAB.

The retirement age of other senior executives who joined Group Management prior to 2005 (2 people) is 60 years. Pension is payable at least 65 per cent of the pension-carrying salary (defined according to ITP plan, and free car benefit) at the time of retirement for the period up to the age of 65. The pension commitment is secured via an endowment policy taken out by LKAB with an insurance company. The pension commitment is benefit-defined and vested. From the age of 65, pension is payable in accordance with the ITP plan with a supplement for salary segments between 30 and 50 base amounts. The supplement is 32.5 per cent of the pensionable salary (defined according to the ITP plan). Obligations additional to the general pension plan are secured via an endowment policy taken out by LKAB with an insurance company. In addition to the ITP plan's family pension (survivor annuity), a special family pension is payable (extended survivor annuity). Any bonus paid on endowment or pension insurance policies accrues in its entirety to the senior executives as increased pension.

The retirement age of other senior executives who joined Group Management between 2005-2008 (3 people) is 62 years. In addition to pension benefits regulated by collective agreements (defined according to ITP plan), 14–18 per cent of basic annual salary is allocated as a pension premium.

The retirement age of other senior executives who joined Group Management 2009 and later, (3 people) is 65 years. The policy is a defined contribution plan to which LKAB allocates 30 per cent of the fixed annual salary per year.

Mutual notice of termination is six months for senior executives. Severance pay equivalent to 18 monthly salaries shall be paid when notice of termination of employment is given by the company.

For further information, refer to the table Remuneration and other benefits to Group Management executives, 2011.

Remuneration and benefits to Board members

SEK thousands	2011 Director's fee [1])	2010 Director's fee [1])
Chairman of the Board Marcus Wallenberg[2])	302	
Former Chairman of the Board Björn Sprängare[3])		350
Board member Christer Berggren[3])		220
Board member Stina Blombäck	250	160
Board member Per-Ola Eriksson[4])	173	160
Board member Lars-Åke Helgesson[5])	480	220
Board member Hanna Lagercrantz		
Board member Anna-Greta Sjöberg	310	220
Board member Maija Liisa Friman	250	160
Board member Egil M. Ullebö	250	160
Total	2,015	1,650

[1]) The fee is in respect of the period from the AGM on April 27, 2011 to the AGM on April 20, 2012 and from the AGM on April 29, 2010 to the AGM on April 27, 2011. The remuneration includes fees for work on the Board's audit committee, currency committee and finance committee.
[2]) Assumed the Chairmanship at the extraordinary shareholders' meeting in October 2011.
[3]) Resigned at the 2011 AGM
[4]) Has resigned
[5]) Chairman of the Board for the period April 27, 2011 to October 12, 2011.

Remuneration and other benefits to other Group Management executives during 2011

SEK thousands		Salary	Variable remuneration	Other benefits [1])	Pension expense [2])	Total	Pension obligations
President	Lars-Eric Aaro	4,219		101	1,333	5,653	4,499
Vice President	Leif Boström	2,060		91	857	3,008	196
Vice President	Anders Furbeck	2,010		70	1,429	3,509	4,297
Vice President	Grete Solvang Stoltz	1,731		87	554	2,372	18
Vice President	Per-Erik Lindvall	2,207		94	1,996	4,297	6,441
Vice President	Anders Kitok	1,706		93	879	2,678	618
Vice President	Charlotta Fogde	1,491		75	553	2,119	39
Vice President	Katarina Holmgren	1,539		91	496	2,126	129
Vice President	Markus Petäjäniemi	2,049		79	774	2,902	41
Accrued salaries, Group Management, undistributed		970				970	
Total		19,982		781	8,871	29,634	16,278

[1]) Other benefits include car, board and life insurance benefits.
[2]) Pension costs excluding special contribution tax.

Remuneration and other benefits to other Group management executives during 2010

SEK thousands		Salary	Variable remuneration	Other benefits [1])	Pension expense [2])	Total	Pension obligations
President	Lars-Eric Aaro	3,786		113	1,156	5,055	4,442
Vice President	Leif Boström	2,015		84	847	2,946	165
Vice President	Anders Furbeck	1,984		72	1,161	3,217	3,486
Vice President	Grete Solvang Stoltz	1,570		80	354	2,004	9
Vice President	Per-Erik Lindvall	2,195		91	1,645	3,931	5,261
Vice President	Anders Kitok	1,644		94	842	2,580	552
Vice President	Charlotta Fogde	1,446		87	511	2,044	25
Vice President	Katarina Holmgren [3])	771		57	272	1,100	119
Vice President	Markus Petäjäniemi [4])	301		6	50	357	27
Total		15,712		684	6,838	23,234	14,086

The basic salary amount was recalculated as final salary for 2010.
[1]) Other benefits include car, board and life insurance benefits.
[2]) Pension costs excluding special contribution tax.
[3]) From October 5, 2010.
[4]) From November 15, 2010.

For information on post-employment benefits, etc; see Note 25 Pensions.

Note 7 | Auditors' fees and compensation

SEK million	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Deloitte 2011, KPMG 2010				
Audit assignments	5	6	3	3
Audits additional to audit assignment	0	2	0	1
Tax advice	0	1	0	1
Other services		2		2
Other auditors				
Audit assignments	3	1	3	1
Tax advice	2	0	1	0
Other services	3	0	2	0

In 2011 the Group changed its auditor from KPMG to Deloitte.

Audit assignments involve examination of the annual report and financial accounting as well as the administration by the Board of Directors and the President, other tasks related to the duties of the company's auditors together with consultation or other services that may result from observations noted during such examinations or the implementation of such other tasks.

Note 8 | Nature of operating expenses

SEK million	Group 2011	Group 2010	Parent Company 2011	Parent Company 2010
Personnel costs	3,261	2,814	2,603	2,212
Materials, etc.	4,167	3,834	2,340	2,288
Energy	1,589	1,543	1,449	1,390
Transport	2,462	1,627	3,197	2,445
Depreciations	1,898	1,836	1,483	1,442
Impairment of non-current assets		308		300
Other operating expenses	3,406	4,581	3,851	4,529
	16,783	16,543	14,923	14,606

Earnings for the year were impacted by SEK 1,234 million (2,997) for costs associated with urban transformations in Kiruna and Malmberget resulting from the effects of mining. Of this amount SEK 1.6 billion are in respect of a provision for Malmberget and SEK 0.4 billion refers to the dissolution of earlier reserves for a new railway in Kiruna.

Note 9 | Net financial income/expense

SEK million	Group 2011	Group 2010
Financial income		
Interest income	319	123
Interest rate component in forward exchange contracts	84	
Dividend		
Financial assets available for sale	25	13
Financial assets appraised at fair value in the income statement (fair value)	28	17
Return on assets managed	47	56
Net profit/loss		
Financial assets appraised at fair value in the income statement (fair value)		
– return on share portfolios (excl. dividends)		208
– revaluation of financial assets		1
Total net profit/loss		209
Exchange rate differences (net)		
Total income from financial items	503	418
Financial expenses		
Interest rate component in forward exchange contracts		-17
Interest expense on defined-benefit pension obligations	-122	-131
Interest expense on loan facility	-48	-48
Net profit/loss		
Financial assets appraised at fair value in the income statement (fair value)		
– return on share portfolios (excl. dividends)	-194	
revaluation of financial assets	0	
Closure of subsidiary	-2	
Other financial expenses	-12	-15
Exchange rate differences (net)	-29	-138
Total financial expenses	-407	-349
Net financial income/expense	96	69

Net profit/loss reported in net financial income/expense under exchange rate differences refers mainly to revaluation of cash and cash equivalents. Return on assets managed refers to net return on plan assets. The return on assets managed is not an actual return, but an anticipated rate of return on funded obligations. Closing-day price data is used for share portfolio valuations. No interest incomes or interest expenses refer to items that are not reported at fair value.

Interest income includes returns on money-market instruments and bonds amounting to SEK 300 million (75).

Since the contracts were signed, lower interest rates in SEK compared to USD have had a positive effect of SEK 84 million (-17), which is coupled to the item interest rate component in forward exchange contracts.

Limit fees amounting to SEK 48 million (48) in respect of loan facilities impact net financial income/expense.

Revaluation of financial assets is done with discounted cash flows based on available market rates. During 2011 revaluation affected net financial income/expense by SEK 0.5 million (0.6).

The strengthening of the Swedish crown has entailed exchange-rate losses during the year on assets and bank balances.

Other financial expenses relate mainly to bank and administration costs.

Parent Company	Income from participations subsidiaries		Income from participations in associated companies	
SEK million	2011	2010	2011	2010
Dividend/Group contributions	43	-22		1

Parent Company	Income from other securities and receivables non-current assets		Other interest income and similar statement items	
SEK million	2011	2010	2011	2010
Interest income, subsidiaries	36	7	34	49
Interest income, forward exchange premiums	86			
Interest income, other			315	120
Return on share portfolio			2	64
Dividends, shares	25	12	28	17
Sale of other securities			1	
Revaluation of financial receivables		1		
Exchange rate differences, foreign currency				
	147	20	380	250

Dividends on shares that are financial assets refer to holdings in SSAB.

Interest income and similar income statement items include returns on money-market instruments and bonds amounting to SEK 300 million (75). The sale of other securities refers to Logica.

Interest expense and similar profit/loss items
Parent Company

SEK million	2011	2010
Interest expense, limit fee on loan facility	-48	-48
Interest expense, forward exchange deduction		-9
Interest expenses, subsidiaries	-18	-5
Interest expenses, pension liabilities	-35	-36
Impairment, financial assets	-1	-7
Exchange rate differences, foreign currency	-13	-141
Interest expenses, other	-3	-8
Other	-5	-3
	-123	-257

Interest expenses on pension liabilities were calculated at an interest rate of 4.5 (5) per cent. The impairment of financial assets is in respect of a claim against Jernbaneverket.

Other financial expenses relate mainly to bank and administration costs.

Income from financial instruments reported in operating income is stated in the following table:

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Exchange rate gains/losses on receivables and accounts payable	113	11	15	14
Net profit/loss on derivatives reported in operating income	615	1,152	615	1,154

The derivatives reported in operating income refer mainly to hedging of accounts receivable.

Note 10 | Appropriations

Parent Company

SEK million	2011	2010
Difference between book depreciation and appreciation according to plan:		
Underground installations	0	1
Buildings and land	1	1
Machinery and inventories	-184	-561
Tax allocation reserve, provisions for the year	-3,600	
Tax allocation reserve, reversal for the year	1,410	500
Total	-2,373	-59

Deferred tax on appropriations amounted to SEK -624 million (-16). Deferred tax on appropriations is only reported in the consolidated income statement.

Note 11 | Taxes

Reported in income statement
Group

SEK million	2011	2010
Current tax expense (-)		
Tax expense for the period	-3,197	-3,123
Adjustment for taxes attributable to previous years	-6	-14
	-3,203	-3,137
Deferred tax expense (-)		
Deferred tax in regard to temporary differences	-638	-138
	-638	-138
Total reported tax expense in Group	-3,841	-3,275

Parent Company

SEK millions	2011	2010
Current tax expense (-)		
Tax expense for the period	-3,008	-2,971
Adjustment for taxes attributable to previous years	-7	-14
	-3,015	-2,985
Deferred tax expense (-)		
Deferred tax in regard to temporary differences	-31	-18
	-31	-18
Total reported tax expense in the Parent Company	-3,046	-3,003

Reconciliation of effective tax

Group SEK million	2011 (%)	2011	2010 (%)	2010
Profit before tax		14,801		12,381
Tax according to current tax rate for Parent Company	26.3%	-3,893	26.3%	-3,256
Non-deductible expenses	0,3%	-43	0,1%	-12
Tax-exempt income	-0,1%	16	-0.1%	11
Tax attributable to previous years	0.0%	-6	0.0%	-3
Standard interest on tax allocation reserve	0.4%	-46	0.4%	-42
Other	-0.9%	131	-0.2%	27
Reported effective tax rate	26.0%	-3,841	26.5%	-3,275

Parent Company SEK million	2011 (%)	2011	2010 (%)	2010
Profit before tax		11,653		11,376
Tax according to current tax rate for Parent Company	26.3%	-3,065	26.3%	-2,991
Non-deductible expenses	0.3%	-38	0.1%	-7
Tax-exempt income	-0.5%	54	-0,2%	20
Tax attributable to previous years	0.1%	-7	0.0%	-3
Standard interest on tax allocation reserve	0.4%	-46	0.4%	-41
Other	-0.5%	56	-0.2%	19
Reported effective tax rate	26.1%	-3,046	26.4%	-3,003

Tax attributable to other comprehensive income
Group

SEK millions	2011	2010
Cash flow hedges	75	108
Actuarial gains/losses	19	2
	94	110

Reported in the statement of financial position and balance sheet
Reported deferred tax assets and liabilities

Deferred tax assets and liabilities relate to the following:

Group	Deferred tax asset		Deferred tax liability		Net	
SEK million	2011	2010	2011	2010	2011	2010
Buildings and land	34	34	-29	-37	5	-3
Machinery and inventories	92	94	-2,083	-1,987	-1,991	-1,893
Pension provisions	469	456			469	456
Tax allocation reserves	7	7	-2,261	-1,697	-2,254	-1,690
Security reserve			-118	-118	-118	-118
Cash flow hedges	17			-58	17	-58
Loss carryforward	78	67			78	67
Impairments	17	17			17	17
Current investments			-3	-55	-3	-55
Other	7	8	-2	-2	5	6
Tax assets/tax liabilities	721	683	-4,496	-3,954	-3,775	-3,271
Offset	-721	-683	721	683		
Tax assets/tax liabilities, net			-3,775	-3,271	-3,775	-3,271

Reported deferred tax assets and liabilities
Deferred tax assets and liabilities refer to the following:

Parent Company	Deferred tax asset		Deferred tax liability		Net	
SEK million	2011	2010	2011	2010	2011	2010
Buildings and land	33	33			33	33
Machinery and inventories	92	94			92	94
Pension provisions	156	185			156	185
Other	7	7			7	7
Tax assets	288	319			288	319

Change in deferred tax in temporary differences and loss carryforwards

Group SEK million	Balance as of Jan 1, 2010	Reported in income statement	Reported against other comprehensive income	Other changes	Balance as of Dec 31, 2010
Buildings and land	4	-7			-3
Machinery and inventories	-1,671	-222			-1,893
Pension provisions	463	-9	2		456
Tax allocation reserves	-1,822	132			-1,690
Security reserve	-118				-118
Cash flow hedges	-166		108		-58
Loss carryforward	69	-2			67
Impairments	18	-1			17
Current investments	-17	-38			-55
Other	-1	9		-2	6
	-3,241	-138	110	-2	-3,271

SEK million	Balance as of Jan 1, 2011	Reported in income statement	Reported against Other comprehensive income	Other changes	Balance as of Dec 31, 2011
Buildings and land	-3	8			5
Machinery and inventories	-1,893	-98			-1,991
Pension provisions	456	-50	19	44	469
Tax allocation reserves	-1,690	-564			-2,254
Security reserve	-118				-118
Cash flow hedges	-58		75		17
Loss carryforward	67	11			78
Impairments	17				17
Current investments	-55	52			-3
Other	6	3		-4	5
	-3,271	-638	94	40	-3,775

Parent Company SEK million	Balance as of Jan 1, 2010	Reported in income statement	Balance as of Dec 31, 2010
Buildings and land	28	5	33
Machinery and inventories	134	-40	94
Pension provisions	166	19	185
Other	9	-2	7
	337	-18	319

SEK million	Balance as of Jan 1, 2011	Reported in income statement	Balance as of Dec 31, 2011
Buildings and land	33	0	33
Machinery and inventories	94	-2	92
Pension provisions	185	-29	156
Other	7		7
	319	-31	288

Note 12 | Earnings per share

The number of shares was 700,000 for both 2011 and 2010. Net income attributable to Parent Company shareholders amounts to SEK 10,960 million (9,106). Earnings were thus SEK 15 657 (13,008) per share. No options or potential common shares exist, for which reason there is no dilution.

Note 13 | Intangible assets

All of the Group's intangible assets are acquired.

Group SEK million	Goodwill	Mineral rights	Other	Total
Accumulated costs				
Opening balance January 1, 2010	214	289	93	596
Change in emissions allowances			6	6
Disposals and retirements			49	49
Exchange rate differences for the year	-18			-18
Closing balance December 31, 2010	196	289	148	633
Opening balance January 1, 2011	196	289	148	633
Revaluation, renewable energy certificates			-5	-5
Change in emissions allowances			-50	-50
Reclassification	4			4
Exchange rate differences for the year	3	-4		-1
Closing balance December 31, 2011	203	285	93	581
Accumulated amortizations				
Opening balance January 1, 2010	1	-171	-23	-193
Amortization for the year		-11	-4	-15
Disposals and retirements			-2	-2
Exchange rate differences for the year	-1			-1
Closing balance December 31, 2010		-182	-29	-211
Opening balance January 1, 2011		-182	-29	-211
Amortization for the year		-0	-3	-3
Reclassification	-4			-4
Adjustment to earlier year		9		9
Disposals and retirements				
Exchange rate differences for the year				
Closing balance December 31, 2011	-4	-173	-32	-209
Accumulated impairment losses				
Opening balance January 1, 2010		-93		-93
Impairment losses for the year	-8			-8
Closing balance December 31, 2010	-8	-93		-101
Opening balance January 1, 2011	-8	-93		-101
Impairment losses for the year				
Exchange rate differences for the year	-1			-1
Closing balance December 31, 2011	-9	-93		-102

(cont.)

Carrying amounts				
As of January 1, 2010	215	25	70	310
As of December 31, 2010	188	14	119	321
As of January 1, 2011	188	14	119	321
As of December 31, 2011	190	19	61	270

Amortization and impairments are reported in the following lines in the income statement

Group SEK million	2011	2010
Cost of goods sold	-7	-23
	-7	-23
Of which impairments		-8

Parent Company SEK million	Mineral rights	Other	Total
Accumulated costs			
Opening balance January 1, 2010	161	70	231
Capital expenditure		5	5
Change in emissions allowances		49	49
Closing balance December 31, 2010	161	124	285
Opening balance January 1, 2011	161	124	285
Change, renewable energy certificates		-5	-5
Change in emissions allowances		-50	-50
Closing balance December 31, 2011	161	69	230
Accumulated amortizations			
Opening balance January 1, 2010	-161	-5	-166
Amortization for the year		-3	-3
Closing balance December 31, 2010	-161	-8	-169
Opening balance January 1, 2011	-161	-8	-169
Amortization for the year		-3	-3
Closing balance December 31, 2011	-161	-11	-172
Carrying amounts			
As of January 1, 2010		65	65
As of December 31, 2010		116	116
As of January 1, 2011		116	116
As of December 31, 2011		58	58

Impairment tests for cash-generating units containing goodwill
The following cash-generating units, which form parts of the primary segment Minerals Division, have significant amounts of goodwill in relation to the Group's total carrying amount of goodwill:

SEK million	2011	2010
Minelco Ltd	123	112
Minelco OY	35	35
	158	147
Units without significant amounts of goodwill, compiled	32	41
	190	188

Assessment of the recoverable amounts of cash-generating units is based on the same important assumptions.

The impairment test is based on value in use. This value is based on cash-flow forecasts where the first three years are based on the three-year business plan established by the Minerals Division's company management. The total forecast period corresponds to the useful life of the unit's most important assets. The cash flow forecast after the first three years was based on an annual growth rate of 2–3 per cent (2), which corresponds to the long-term growth rate of the unit's markets. The forecast cash flows have been appraised at present value with an individual discount rate (WACC). Important assumptions with respect to the three-year business plan are described below.

Important variables	Method of estimating value
Market growth	Historically, demand for these products has followed economic cycles. Expected market growth is based on a transition from the prevailing economic situation to the expected long-term growth.
Personnel costs	Personnel cost forecasts are based on the expected rate of inflation and certain real wage/salary increases. The forecast is in agreement with previous experience.

Note 14 | Property, plant and equipment

Group SEK million	Buildings and land	Installations underground	Machinery and other technical installations	Inventories, tools and installations	Construction in progress installations	Total
Cost						
Opening balance January 1, 2010	7,412	4,180	18,915	3,123	5,921	39,551
Acquisitions	110	4	211	47	3,601	3,973
Reclassifications	12	66	489	60	-627	0
Disposals and retirements	-32	-1	-306	-40	-106	-485
Exchange rate differences	-137		-109	-13	3	-256
Closing balance December 31, 2010	7,365	4,249	19,200	3,177	8,792	42,783
Opening balance January 1, 2011	7,365	4,249	19,200	3,177	8,792	42,783
Acquisitions	90	16	95	67	4,859	5,126
Reclassifications	37	489	666	48	-1 239	
Disposals and retirements	-8		-46	-40	-1	-95
Exchange rate differences			1			2
Closing balance December 31, 2011	7,484	4,754	19,916	3,252	12,411	47,816
Depreciations						
Opening balance January 1, 2010	-1,870	-3,077	-9,714	-1,798		-16,459
Depreciations for the year	-273	-171	-1,112	-265		-1,821
Disposals and retirements	9	1	91	29		130
Exchange rate differences	5		32	7		44
Closing balance December 31, 2010	-2,129	-3,247	-10,703	-2,027		-18,106
Opening balance January 1, 2011	-2,129	-3,247	-10,703	-2,027		-18,106
Depreciations for the year	-273	-181	-1,144	-293		-1,891
Disposals and retirements	2		37	19		59
Exchange rate differences			-1			-1
Closing balance December 31, 2011	-2,400	-3 428	-11,811	-2,301		-19,939
Impairments						
Opening balance January 1, 2010	-394	-399	-739	-10		-1,542
Impairment losses for the year	-39				-261	-300
Disposals and retirements	8		224			232
Exchange rate differences	1		19			20
Closing balance December 31, 2010	-424	-399	-496	-10	-261	-1,590
Opening balance January 1, 2011	-424	-399	-496	-10	-261	-1,590
Impairment losses for the year	-1					-1
Disposals and retirements						
Exchange rate differences						
Closing balance December 31, 2011	-425	-399	-496	-10	-261	-1,591
Carrying amounts						
January 1, 2010	5,148	704	8,462	1,315	5,921	21,551
December 31, 2010	4,812	603	8,001	1,140	8,531	23,087
January 1, 2011	4,812	603	8,001	1,140	8,531	23,087
December 31, 2011	4,659	926	7,609	941	12,150	26,286

Depreciation and impairments are included in the following lines in the income statement

Group SEK millions	2011	2010
Cost of goods sold	1,853	2,092
Of which impairments	*1*	*300*
Selling expenses	22	3
Administrative expenses	12	21
Research and development	5	5
	1,892	2,121

Impairments for the previous year of SEK 300 million relate to acquired buildings and land encroached upon by the impact boundary.
For information regarding amounts, see Note 29.

Parent Company SEK million	Buildings and land	Installations underground	Machinery and other technical installations	Inventories, tools and installations	Construction in progress installations	Total
Cost						
Opening balance January 1, 2010	4,976	4,180	17,160	699	4,991	32,006
Acquisitions	33	4	116	14	3,612	3,779
Reclassifications	35	66	465	57	-623	0
Disposals and retirements	-16	-1	-59	-5	-312	-393
Closing balance December 31, 2010	5,028	4,249	17,682	765	7,668	35,392
Opening balance January 1, 2011	5,028	4,249	17,682	765	7,668	35,392
Acquisitions	71	16	44	32	4,489	4,652
Reclassifications	36	489	666	47	-1,238	
Disposals and retirements			-23	-7	-778	-808
Closing balance December 31, 2011	5,135	4,754	18,369	837	10,141	39,236
Depreciations						
Opening balance January 1, 2010	-1,405	-3,077	-8,687	-491		-13,660
Depreciations for the year	-186	-171	-1,028	-54		-1,439
Disposals and retirements	6	1	59	4		70
Closing balance December 31, 2010	-1,585	-3,247	-9,656	-541		-15,029
Opening balance January 1, 2011	-1,585	-3,247	-9,656	-541		-15,029
Depreciations for the year	-182	-181	-1,057	-59		-1,479
Disposals and retirements			22	7		29
Closing balance December 31, 2011	-1,767	-3,428	-10,691	-593		-16,479
Impairments						
Opening balance January 1, 2010	-387	-399	-495	-9		-1,290
Impairment losses for the year	-39				-261	-300
Closing balance December 31, 2010	-426	-399	-495	-9	-261	-1,590
Opening balance January 1, 2011	-426	-399	-495	-9	-261	-1,590
Impairment losses for the year	-1					-1
Closing balance December 31, 2011	-427	-399	-495	-9	-261	-1,591
Carrying amounts						
January 1, 2010	3,184	704	7,978	199	4,991	17,056
December 31, 2010	3,017	603	7,531	215	7,407	18,773
January 1, 2011	3,017	603	7,531	215	7,407	18,773
December 31, 2011	2,941	926	7,183	236	9,880	21,166

Depreciation and impairments are included in the following lines in the income statement

Parent Company (SEK millions)	2011	2010
Cost of goods sold	1,453	1,730
Of which impairments	*1*	*300*
Selling expenses	20	
Administrative expenses	3	4
Research and development	4	5
	1,480	1,739

Impairments for the previous year of SEK 300 million relate to acquired buildings and land encroached upon by the impact boundary.
For information regarding contractual obligations, see Note 29.

Note 15 | Participations in joint ventures

Group

The Group has a 50-per cent interest in the joint venture company Likya Minelco, whose main products are minerals with flame retardant properties (UltraCarb).

Specification of the Parent Company's and Group's ownership of participations in joint ventures.

Indirect participations via subsidiaries	Shares in %	Shares in %
Minelco AB	2011	2010
Likya Minelco/Izmir, Turkey	50	50

In the consolidated financial statements, the following items comprise the Group's share of the joint venture company's assets, liabilities, income and expenses.

SEK million	2011	2010
Net sales	18	18
Expenses	-12	-13
Financial items	0	0
Profit/loss	6	5
Non-current assets	5	5
Current assets	10	9
Total assets	15	14
Current liabilities	-1	-2
Non-current liabilities	0	-1
Total liabilities	-1	-3
Net assets	14	11

Note 16 | Parent Company participations in associated companies

Parent Company

SEK million	31/12/2011	31/12/2010
Accumulated costs		
At beginning of year	2	2
Closing balance December 31	2	2
Accumulated impairment losses		
At beginning of year	-1	-1
Closing balance December 31	-1	-1
Carrying amount at year end	1	1

Note 16 | (cont)

Specification of the Parent Company's direct ownership of participations in associated companies

Associate company Corp. ID No. and registered office		2011		2010	
	Total shares	Voting and equity share in %	Carrying amount (SEK millions)	Voting and equity share in %	Carrying Value (SEK millions)
Swedish associated companies					
Progressum AB/556540-0768/Kiruna	120	42.8	0	42.8	0
Norrskenet AB/556537-7065/Kiruna	2,500	33.3	0.35	33.3	0.35
Expandum AB/556252-3281/Gällivare	1,665	33,3	0.17	33.3	0.17
MCC AB/556644-8295/Kiruna	1,000	20.0	0.20	20.0	0.20
Foreign associated companies					
Futurum AS/-/Narvik, Norway	500	23.8	0	23.8	0

Note 17 | Receivables from subsidiaries and associated companies

Parent Company	Receivables from subsidiaries		Receivables from associated companies	
SEK million	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Accumulated costs				
Opening balance January 1	992	248	0	40
Lending	400	807		
Amortization	-95	-63		-40
Closing balance December 31	1,297	992	0	0
Carrying amount at year end	1,297	992	0	0

Current receivables from subsidiaries and associated companies increased during the year and amounted at year end to SEK 1,570 million (1,299).

Note 18 | Financial investments

Group SEK million	31/12/2011	31/12/2010
Financial investments that are assets		
Financial assets available for sale		
Shares and participations	793	1,435
Financial assets relating to reserves for pension commitments	245	223
	1,038	1,658
Short-term investments that are current assets		
Financial assets appraised at fair value in the income statement (fair value)		
Shares and participations	1,065	1,259
Interest-bearing securities	8,441	5,257
	9,506	6,516

Financial investments that are fixed assets refer largely to shares in SSAB appraised at fair value as of Dec 31, 2011 in accordance with IAS 39. The carrying amount of SSAB shares significantly exceeds their cost. Changes in value for the year are reported in other comprehensive income.

Parent Company	31/12/2011		31/12/2010	
Specification of securities SEK million	Market value or equiv.	Carrying amount	Market value or equiv.	Carrying amount
Money-market instruments	16,019	16,008	12,441	12,441
Listed shares/mutual funds	1,065	1,065	1,259	1,050
	17,084	17,073	13,700	13,491

The table below describes the maturity profile of discount instruments and government bonds.

Group 31/12/2010 SEK million	< 3 months	3–6 months	7–12 months	13–24 months	25 > months	Total Carrying amount	Total Nominal amount
Interest-bearing securities	10,064	806	172	493	173	11,708	11,653
Total	10,064	806	172	493	173	11,708	11,653

Group 31/12/2011 SEK million	< 3 months	3–6 months	7–12 months	13–24 months	25 > months	Total Carrying amount	Total Nominal amount
Interest-bearing securities	13,376	1,284	323	323	285	15,591	15,578
Total	13,376	1,284	323	323	285	15,591	15,578

Surplus liquidity is managed according to the financial policy established by the Board. The Group's maturity profile is considered to be broadly similar to the Parent Company's. The information in the maturity profile is from the Parent Company.

Note 19 | Other non-current securities holdings

Parent Company SEK million	31/12/2011	31/12/2010
Accumulated costs		
At beginning of year	123	91
Acquisitions	4	32
Closing balance December 31	127	123

The change for the year of SEK 4 million refers to shareholder contributions to Vindin AB.

Specification of other non-current securities holdings

Parent Company	31/12/2011		31/12/2010	
SEK million	Market value or equiv.	Carrying amount	Market value or equiv.	Carrying amount
SSAB	749	83	1,395	83
Other	44	44	40	40
	793	127	1,435	123

Note 20 | Non-current receivables and other receivables

Group SEK million	31/12/2011	31/12/2010
Non-current receivables that are assets		
Interest-free loan, Jernbaneverket	85	16
	85	16
Other receivables that are current assets		
PRI balance	20	16
VAT asset	285	110
Tax asset	310	1,006
Forward exchange contracts (USD)		215
Other	50	65
	665	1,412

Parent Company SEK millions	31/12/2011	31/12/2010
Non-current receivables		
Company-owned endowment insurance	85	95
Interest-free loan, Jernbaneverket	85	16
	170	111
Other receivables (current)		
PRI balance	19	16
VAT asset	249	104
Tax asset	380	949
Other	40	41
	688	1,110

Parent Company

SEK millions	31/12/2011	31/12/2010
Non-current receivables		
Accumulated costs		
At beginning of year	111	142
Lending	69	
Amortisation	0	-17
Impairment loss	-1	-1
Change in value, endowment insurance	-9	-13
Closing balance December 31	170	111

Note 21 | Inventories

Group

SEK million	31/12/2011	31/12/2010
Raw materials and consumables	1,565	1,353
Work in progress	24	15
Finished products and goods for sale	858	706
	2,447	2,074

Parent Company

SEK millions	31/12/2011	31/12/2010
Raw materials and consumables	1,308	1,084
Work in progress		
Finished products	571	388
	1,879	1,472

Note 22 |Accounts receivable

Accounts receivable are reported taking into account bad debts that have arisen in the Group amounting to SEK 1 million (1).

Note 23 | Prepaid expenses and accrued income

	Group		Parent Company	
SEK million	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Insurance premiums	6	5		
Other	138	98	80	75
	144	103	80	75

Note 24 | Equity

The Group's specification of the shareholders' equity item reserves

Translation reserve

SEK million	2011	2010
Opening translation reserve	-93	14
Adjustment due to changed accounting principles for pensions.		16
Translation differences for the year	-10	-123
Closing translation reserve	-103	-93

Fair value reserve	2011	2010
Opening fair value reserve	1,313	1,425
Financial assets available for sale:		
Revaluations reported directly in other comprehensive income	-647	-112
Closing fair value reserve	666	1,313

Hedge reserve	2011	2010
Opening hedge reserve	160	464
Cash flow hedges		
Revaluations reported directly in other comprehensive income	-65	218
Dissolved through income statement	-218	-630
Tax attributable to revaluations for the year	75	108
Closing hedge reserve	-48	160

Total reserves	2011	2010
Opening reserves	1,380	1,903
Change in reserves for the year:		
Translation reserve	-10	-107
Fair value reserve	-647	-112
Hedge reserve	-208	-304
Closing reserves	515	1,380

Share capital

As of December 31, 2011, the registered share capital comprised 700,000 (700,000) common shares.

The holder of common shares is entitled to a dividend that is decided by the AGM, and each share entitles the holder to one vote. The quota value is SEK 1,000 per share.

Translation reserve

The translation reserve covers all exchange rate differences that arise in the translation of financial reports of foreign operations whose accounts are reported in currencies other than the Group's reporting currency. The Parent Company and consolidated accounts are reported in SEK.

Fair value reserve

Financial assets available for sale

The fair value reserve includes the accumulated net change in fair value of available-for-sale financial assets up until the assets are removed from the statement of financial position. Any impairment is reported in the income statement.

Hedge reserve

The hedge reserve includes the effective share of the accumulated net change in fair value of cash-flow hedging instruments attributable to hedging transactions that have not yet occurred.

Dividend

After the closing date, the Board has proposed the following dividend, which is subject to approval by the AGM on 20 April 2012.

SEK million	2011	2010
SEK 7,143 (7,143) per common share	5,000	5,000
	5,000	5,000

The dividend proposed by the Board has been approved by the AGM for the past two years.

Parent Company

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve

The purpose of the statutory reserve is to save a part of the net profit that is not used to cover loss brought forward.

Non-restricted equity

Profit brought forward

Comprises the previous year's non-restricted equity after any dividend has been paid. Together with net profit for the year, it makes up non-restricted equity i.e. the sum that is available for payment as a dividend to shareholders.

Capital management

LKAB's management of financial risks is regulated by a financial policy approved by the Board. The Currency and Finance Committee prepare and follow the company's hedging programme and financial guidelines. LKAB defines capital under management as shareholders' equity in the Group, less unrealised exchange loss/profit on outstanding USD futures/options. In 2011 LKAB's capital under management amounted to SEK 37.7 (33.3) billion.

According to Board policy, the Group's financial goal is to maintain a good capital structure and financial stability, and thereby secure a foundation for continued growth of business operations and future changes in the community. The Board's ambition is to maintain a balance between high yield and the benefits and security afforded by a sound capital structure. The Group's objective is to achieve a return on equity of 10 per cent. In 2011, return on equity was 3.09 (31.5) per cent. In comparison, the average interest income on interest-bearing investments was 2.59 (0.87) per cent.

LKAB's dividend policy means that the dividend to the owner will, over the long term, amount to 30 to 50 per cent of profit after tax and be adapted to the average earnings level over one business cycle. The proposed dividend of SEK 5,000 million (5,000) is equivalent to 46 per cent (55) of the year's earnings after tax. No changes to Group capital management were made during the year.

LKAB Försäkring is the only subsidiary with a statutory capital requirement which on closing day amounted to EUR 3,200,000, equivalent to SEK 29 million (29).

Note 25 | Pensions

Defined-benefit pension plans

Group

SEK million	2011	2010	01/01/ 2010
Present value of unfunded obligations	2,395	2,229	2,346
Present value of wholly or partially funded obligations	1,154	1,082	1,089
Total present value of obligations	3,549	3,311	3,435
Fair value of plan assets	-1,026	-1,008	-1,022
Present value of net obligation	2,523	2,303	2,413
Effect of limitation rule for net assets	7	-2	2
Net amount in statement of financial position	2,530	2,301	2,415
The net amount is reported in the following statement of financial position items:			
Financial investments	-245	-223	-245
Provisions for pensions, non-current liability	2,775	2,524	2,660
Net amount in statement of financial position	2,530	2,301	2,415

Defined-benefit pension plans

Most of LKAB's pension plans for employees in Sweden are defined-benefit plans, which means that LKAB guarantees pensions based on a certain percentage of salary. Pension commitments in Sweden are secured by the company mainly via provisions reported in the statement of financial position, whereof most are secured through credit insurance in FPG (Försäkringsbolaget Pensionsgaranti). Promises of future retirement before the age of 65 are to a certain degree contingent upon underground work and are secured by the company via provisions, in the statement of financial position, without credit insurance.

Commitments for retirement pensions and survivor benefits for salaried employees in Sweden are insured by Alecta. According to a pronouncement from the Swedish Financial Reporting Board, UFR 3, this is a defined-benefit plan that involves several employers. The company has not had access to such information as is necessary for reporting this obligation as a defined-benefit plan. The ITP pension plan insured via Alecta is therefore reported as a defined-contribution plan. Alecta's surplus can be distributed to the policyholders and/or the insured parties. At the end of 2011, Alecta reported a plan surplus of 146 per cent (141), which was below the normal spread of 125–155 per cent stated in Alecta's consolidation policy for these plans.

For employees in Belgium, Norway, the UK and Germany, LKAB has defined-benefit plans as a complement to social insurance. In Belgium, pensions are secured via pension insurance; in the UK, via a company-managed pension funds and in Germany via provisions reported in the balance sheet and through credit insurance. In Norway, pensions are secured via a company-managed superannuation fund, via provisions reported in the balance sheet and through credit insurance.

Changes in present value of obligations for defined-benefit plans

Group

SEK million	2011	2010
Net obligation for defined-benefit plans as of January 1.	3,311	3,435
Compensation paid	-191	-196
Costs for employment during current period	76	70
Interest expense	122	131
Effect of premium-based mine policy and settlements in Norway	0	-42
Actuarial losses	178	27
Assumed obligation	25	
Exchange rate differences on obligations and reported actuarial loss	28	-114
Net obligation for defined-benefit plans as of December 31.	3,549	3,311

Changes in fair values of plan assets

Group

SEK Thousand	2011	2010
Fair value of plan assets as of January 1	1 008	1 022
Charges from the employer	65	30
Compensation paid	-56	-56
Anticipated return	46	56
Assumed obligation	25	
Actuarial gain (+)/loss (-)	-73	20
Exchange rate differences on obligations and reported actuarial loss	12	-64
Fair value of plan assets as of December 31	1,027	1,008

Of plan assets funded through funds in England and Norway in 2011 30 per cent was invested in shares and 70 per cent in interest-bearing securities. The true return during 2011 amounted to SEK -26 million (76).

Expense reported in net profit/loss for the year

Group

SEK million	2011	2010
Costs relating to employment during current period	76	70
Interest expense for obligation	122	131
Anticipated return on plan assets	-47	-56
Limitation rule, assets	8	
Effect of premium-based mine policy and settlements in Norway		-42
Total net cost in income statement	159	107

The costs are reported on the following lines in the income statement:

Group

SEK million	2011	2010
Cost of goods sold	84	32
Income from financial items (reported in net financial income/expense)	-47	-56
Financial expenses (reported in net financial income/expense)	122	131
	159	107

Assumption of defined benefits obligations

The most significant actuarial assumptions as of closing day (expressed as weighted averages)

Group

Per cent	2011	2010
Discount rate as of December 31	3.7	4.0
Assumed return on plan assets, as of December 31	5.0	5.0
Future salary increase	3.0	3.0
Employee turnover	3.5	3.5
Future increase in pensions	2.0	2.0

Assumptions refer to the Swedish liability

Assumptions concerning future mortality rate is based on published statistics and mortality figures. The average life expectancy (years of life remaining) for an individual who retires at 65 years of age is 23 years for men and 25 years for women.

The true return on plan assets for 2011 was -2.5 per cent (7).

Sensitivity analysis discount rate

Group

SEK million	1%	1%
Change in pension obligations 2011	190	160

Only Swedish pension obligations are included in calculations of changes in pension obligations.

Historical information

Group

SEK million	2011	2010	2009	2008	2007
Present value of defined-benefit obligations.	3,563	3,309	3,437	3,156	3,054
Fair value of plan assets	-1,033	-1,008	-1,022	-975	-1,031
Net obligations	2,530	2,301	2,415	2,181	2,023

Historical information, Group (cont.)

SEK million	2011	2010	2009	2008	2007
Empirical adjustment in respect of plan assets.	-73	20	-41	-141	26
Empirical adjustment in respect of defined-benefit obligations.	186	16	17	88	-57

The historical information for 2008 and 2007 has not been adjusted for the removal of the corridor method.

The Group estimates that SEK 40 million will be paid to funded and unfunded defined-benefit plans in 2012, and an estimated SEK 33 million will be paid to the defined-benefit plans that are reported as defined-contribution plans.

Parent Company pension obligation

SEK million	2011	2010
PRI	586	521
Other provisions subject to Pension Obligations Vesting Act	227	201
Provisions not subject to Pension Obligations Vesting Act	590	629
	1,403	1,351
Of which credit guarantees via FPG/PRI	813	722

Capital value of pension obligations under the company's own management
Parent Company

SEK million	2011	2010
Capital value of pension obligations at beginning of year	1,351	1,371
Cost excluding interest expense charged to income statement	103	57
Interest expense	35	37
Pension disbursements	-86	-114
Capital value of pension obligations at year end	1,403	1,351

Expenses in respect of pensions
Parent Company

SEK million	2011	2010
Company-managed pension schemes		
Cost excluding interest expense	103	57
Interest expense	35	37
Costs for company-managed pension schemes	138	94
Insured pension schemes		
Insurance premiums	162	189
Sub-total	300	283
Capital gains tax on pension funds	3	3
Special contribution tax on pension expenses	70	64
Expenses for credit insurance administration expenses, other	9	4
Reported net expense attributable to pensions	382	354

The net pension expenses are reported on the following lines in the income statement:
Parent Company

SEK million	2011	2010
Financial expenses (reported in net financial income/expense)	35	37
Operating expense	347	317
	382	354

The financial costs are calculated at an interest rate of 4.5 per cent.

Assumptions for defined-benefit obligations. Significant actuarial assumptions as of closing day (expressed as weighted averages)
Parent Company

Per cent	2011	2010
Discount rate as of December 31	3.8	3.8

The Parent Company estimates that SEK 2 million will be paid to defined benefit plans during 2011. The assumptions are calculated based on the wage levels applicable on the closing dates concerned.

Defined-contribution pension plans
In Sweden, the Group has defined-contribution pension plans for which the company assumes full cost. In foreign subsidiaries, defined-contribution plans are financed partly by the companies and partly by contributions paid by the employees. Premiums for these plans are paid on a current basis in accordance with regulations for each plan.

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Costs for defined-contribution pension plans	170	199	167	184

During 2011 retirement solutions amounting to SEK 1 million (53) were paid out.

Note 26 | Provisions

Group

SEK million	31/12/2011	31/12/2010
Provisions		
Urban Transformations	5,103	4,251
Carbon dioxide emission allowances	230	75
Remediation expenses	144	144
Other	16	16
Total	5,493	4,486

Parent Company

SEK millions	31/12/2011	31/12/2010
Provisions		
Urban Transformations	5,103	4,251
Carbon dioxide emission allowances	230	75
Remediation expenses	144	144
Total	5,477	4,470

Provisions for urban transformations relate to compensation expenses in Kiruna and Malmberget caused by ground deformations attributable to mining thus far. Compensation expenditures are reported in the income statement under cost of goods sold.

Group

SEK million	Urban transformation	Emission allowances	Other Provisions	Total
Opening balance January 1 2010	1,991	42	122	2,155
Provisions for the year	2,698		38	2,736
Emissions for the year		75		75
Settlement of previous year's emissions		-42		-42
Reversal of provisions	-100			-100
Utilised provisions	-338			-338
Closing balance December 31 2010	4,251	75	160	4,486
Of which paid out during 2011	*655*	*75*		*730*
Of which paid out during 2012–2018	*3,596*			*3,596*
Of which after 2018			*160*	*160*
Opening balance January 1 2011	4,251	75	160	4,486
Provisions for the year	1,649			1,649
Emissions for the year		155		155
Settlement of previous year's emissions				
Reversal of provisions	-415			-415
Utilised provisions	-382			-382
Closing balance December 31 2011	5,103	230	160	5,493
Of which paid out during 2012	*439*	*230*		*669*
Of which paid out during 2013–2019	*4,664*			*4,664*
Of which after 2019			*160*	*160*

Refer to Note 1 item 28 for information regarding urban transformation expenses.

Parent Company

SEK million	Urban transformation	Emission allowances	Other Provisions	Total
Opening balance January 1 2010	1,991	42	108	2,141
Provisions for the year	2,698		36	2,734
Emissions for the year		75		75
Settlement of previous year's emissions		-42		-42
Reversal of provisions	-100			-100
Utilised provisions	-338			-338
Closing balance December 31 2010	4,251	75	144	4,470
Of which paid out during 2011	*655*	*75*		*730*
Of which after 2011	*3,596*		*144*	*3,740*
Opening balance January 1 2011	4,251	75	144	4,470
Provisions for the year	1,649			1,649
Emissions for the year		155		155
Settlement of previous year's emissions				
Reversal of provisions	-415			-415
Utilised provisions	-382			-382
Closing balance December 31 2011	5,103	230	144	5,477
Of which paid out during 2012	*439*	*230*		*669*
Of which paid out during 2013-2019	*4,664*			*4,664*
Of which after 2019			*144*	*144*

Note 27 | Accrued expenses and deferred income

	Group		Parent Company	
SEK million	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Electricity	65	101	57	89
Payroll and employee costs	665	499	590	427
Accrued accounts payable	414	395	391	363
Other	97	169	10	122
	1,241	1,164	1,048	1,001

Note 28 | Significant risks and uncertainties

In addition to the information below, see the Financial Risks section in the Report of the Board of Directors for further information.
The Group's transaction exposure is distributed over the following contract currencies:

	2011				2010			
Currency SEK million	Amount	Change	Effect on Profit/loss	Effect on Equity	Amount	Change	Effect on Profit/loss	Effect on Equity
USD	4,061	SEK 0.10	406		3,200	SEK 0.10	320	49
NOK	594	SEK 0.10	59		531	SEK 0.10	53	
EUR	26	SEK 0.10	3		52	SEK 0.10	5	
GBP		SEK 0.10			0	SEK 0.10	0	

Transaction exposure in US dollars during 2011 was hedged to 2,260 (1940) or 56 (61) per cent via currency derivatives. No ineffectiveness in hedging during 2011 affected the financial result negatively. The effect on equity due to changes in the underlying currency exchange rates is calculated based on a model using prices from Reuters.

Outstanding on closing day, including forward exchange contracts (selling contract) reported in revenue.

Maturity	USD millions	Hedging rate
2012	-970	6.76

The Group applies hedge accounting for USD and classifies its forward contracts used to hedge forecast transactions as cash flow hedges. The fair value of forward exchange contracts used to hedge forecast flows amounted to SEK -48 million (215) as of December 31, 2011.

Translation exposure

LKAB does not normally hedge its translation exposure as this is not considered to add any value for the Group over time, even though the level of exposure has increased in recent years due to the expansion of the Minerals Division. Translation exposure in the Group refers to foreign net assets within the Group.

Revaluation exposure (millions, local currency)
Group

SEK million	2011	2010
EUR	10	8
GBP	33	34
USD	1	0
SGD	1	1
DKK	215	1
NOK	698	717
CNY	35	21
HKD	115	92

Fair value

Carrying amounts and fair value of financial instruments in the Group are stated below:

Group 2011	Items reported at fair value in the earnings							
SEK million	Financial assets fair value in the option	Held for sale	Derivatives used in hedge accounting	Trade loan receivables	Financial assets held for sale	Other liabilities	Total carrying amount	Total fair amount
Shares, financial assets					793		793	793
Shares, current holdings	1,065						1,065	1,065
Interest-bearing instruments, current holdings	8,441						8,441	8,441
Non-current receivables	86						86	86
Trade and other receivables	4,958						4,958	4,958
Cash and cash equivalents*	8,695						8,695	8,695
Other accrued income				144			144	144
Total	23,245			144	793		24,182	24,182
Forward exchange contracts (USD)			48				48	48
Trade payables	1,982						1,982	1,982
Other liabilities						377	377	377
Accrued expenses						1 241	1,241	1,241
Total	1,982		48			1,618	3,648	3,648

* Cash and cash equivalents including cash-equivalent current investments.

The maximum credit risk exposure on closing day December 31, 2011 amounted to SEK 22,324 million.

LKAB has no financial assets that have reached maturity or impairments that have resulted in credit losses.

LKAB's SEK 5 billion credit facility remained unutilised as of December 31, 2011.

Group 2010	Items reported at fair value in the earnings							
SEK million	Financial assets fair value in the option	Held for sale	Derivatives used in hedge accounting	Trade loan receivables	Financial assets held for sale	Other liabilities	Total carrying amount	Total fair amount
Shares, financial assets					1 435		1,435	1,435
Shares, current holdings	1,259						1,259	1,259
Interest-bearing instruments, current holdings	5,256						5,256	5,256
Non-current receivables	17						17	17
Trade and other receivables	4,592						4,592	4,592
Cash and cash equivalents*	7,199			848			8,047	8,047
Forward exchange contracts (USD)			215				215	215
Other accrued income				103			103	103
Total	18,323		215	951	1 435		20,924	20,924
Trade payables	1,471						1,471	1,471
Other liabilities						228	228	228
Accrued expenses						1,164	1,164	1,164
Total	1,471					1,392	2,863	2,863

* Cash and cash equivalents including cash-equivalent current investments.
The maximum credit risk exposure on closing day December 31, 2010 amounted to SEK 18,230 million.
LKAB has no financial assets that have reached maturity or impairments that have resulted in credit losses.
LKAB's SEK 5 billion credit facility remained unutilised as of December 31, 2010.

Maturity analysis, liabilities

Group 2011 SEK million	< 1 months	1–3 months	3–12 months	Total
Trade payables	1,571	28	1	1,600
Forward exchange contracts		53	3	56
Other liabilities	95		863	958
Accrued expenses	626	167	303	1,096
Total	2,292	248	1,170	3,710

Group 2010 SEK million	< 1 months	1–3 months	3–12 months	Total
Trade payables	1,037	34	0	1,071
Other liabilities	106		1,427	1,533
Accrued expenses	582	60	273	915
Total	1,725	94	1,700	3,519

The Group's maturity profile is considered to be broadly similar to the Parent Company's. The information above is from the Parent Company. Forward transactions in USD have a deficit value of 56 compared to the previous year's surplus value of SEK 215 million. Maturity is 12 months.

Other information on financial instruments

The following tables show how the fair value was determined in financial instruments reported at fair value in the statement of financial position. A breakdown of how fair value is determined is carried out on three levels.

Level 1: according to prices quoted on an active market for such instruments
Level 2: according to direct or indirect observable market data not included in level 1
Level 3: according to input data that is not observable on the market.

Group 2011 SEK million	Level 1	Level 2	Level 3	Total
Shares, financial assets	793			793
Shares, current holdings	1,065			1,065
Interest-bearing instruments	8,071	370		8,441
Non-current receivables		86		86
Cash and cash equivalents	8,695			8,695
Forward exchange contracts (USD)		-48		-48
Total	18,624	408		19,032

Group 2010 SEK million	Level 1	Level 2	Level 3	Total
Shares, financial assets	1,435			1,435
Shares, current holdings	1,259			1,259
Interest-bearing instruments	4,874	382		5,256
Non-current receivables		17		17
Cash and cash equivalents	7,199			7,199
Forward exchange contracts (USD)		215		215
Total	14,767	614		15,381

The category 'interest-bearing instruments' (Level 2) refers to bond obligations that are reported at prices quoted on the bond and derivatives market. Non-current receivables (Level 2) are valuated at present value of capital cash flows. Forward exchange contracts (Level 2) are calculated based on a model using prices from Reuters.

Fair value calculation
The following is a summary of the principal methods and assumptions used in determining the fair value of financial instruments reported in the table above.

Securities
For listed financial assets, fair values correspond to the asset's buying rate on the closing date.

Derivative instruments
Forward exchange contracts are calculated at current market prices by using quoted market prices. The discount rate used is the market interest rate on similar instruments quoted on closing day.

Other receivables and liabilities
The carrying amount of other receivables and liabilities is equivalent to fair value.

Note 29 | Contractual obligations

At year-end, the Group's remaining contractual obligations to acquire property, plant and equipment amounted to SEK 4,471 million (3,871). Of these obligations, SEK 2,538 million (2,504) is expected to be settled during the following financial year.

The Parent Company's obligations amounted to SEK 3,568 million (3,558), of which SEK 2,131 million (2,206) is expected to be paid during 2012.

Note 30 | Pledged assets and contingent liabilities

SEK million	Group 31/12/2011	Group 31/12/2010	Parent Company 31/12/2011	Parent Company 31/12/2010
Assets pledged				
In the form of pledged assets for own liabilities and provisions				
Property mortgages	1	1		
Company mortgages	2	2		
Company-owned endowment insurance	85	95	85	95
Deposit of cash and cash equivalents	155	153	155	153
Total assets pledged	243	251	240	248
Contingent liabilities				
Guarantees, FPG/PRI	12	15	12	10
Guarantees, GP plan	4	5	3	3
Sureties for the benefit of subsidiaries			99	110
Other	35	47	32	7
Forward exchange contracts			30	
Total contingent liabilities	51	67	176	130

Company-owned endowment insurance covers pension obligations for the President, former President and senior executives (Group Management) according to the earlier defined-benefit pension agreement. The value of endowment insurance decreases as pension payments are disbursed.

The deposit of cash and cash equivalents is intended to cover remediation costs and other costs associated with the eventual closure of mine operations.

Guarantee undertakings for PRI Pensionstjänst and the Mine Pension correspond to 2 per cent of the obligations on the closing date. The obligation in PRI relates to ITP2 premiums for salaried employees and the vested obligation to employees participating in the mine pension being carried as liabilities.

Note 31 | Related parties

Close relationships
The Group is subject to the controlling influence of the Swedish state. Aside from the close relationships that the Parent Company has with its subsidiaries (see Note 32), the Group has related-party transactions with Vattenfall AB and the Swedish Transport Administration.

Summary of related-party transactions

Group Related party relationship SEK million	Year	Sale of goods to related party	Interest and dividend (net)	Purchase of goods from related party	Liabilities related party December 31	Receivables related party December 31
Associated companies	2011			13		40
Associated companies	2010			16	2	39

Parent Company Related party relationship SEK million	Year	Sale of goods to related party	Interest and dividend (net)	Purchase of goods from related party	Liabilities related party December 31	Receivables related party December 31
Subsidiaries	2011	310	95	3,598	1,906	2,867
Subsidiaries	2010	496	100	3,020	1,233	2,291
Associated companies	2011			13		40
Associated companies	2010			16	2	39

LKAB's mining activities have affected the existing railway installations and has made it impossible for the installations to remain in their current location. LKAB compensates the Swedish Transport Administration for expenditures arising from the construction of new railway installations. Purchases from the Swedish Transport Administration amounted to SEK 350 million (305).

In 1997 LKAB made a participating loan with a nominal amount of SEK 40 million to the associated company Norrskenet AB.
Interest is paid annually and amounted to SEK 444 thousand (520) in 2011. The loan was extended by an additional year during 2012.

Transactions with key individuals in leading positions are reported in Notes 6 and 25.

Transactions with related parties are priced and conducted in accordance with commercial principles.

Note 32 | Subsidiaries

Parent Company SEK million	31/12/2011	31/12/2010
Accumulated costs		
At beginning of year	1,400	1,400
Capital contribution	10	
Closing balance December 31	1,410	1,400

Specification of the Parent Company's and Group's ownership of participations in subsidiaries

Subsidiary/Comp. reg. No./Registered office	Total shares	Shares in % 2011	Shares in % 2010	31/12/2011 Carrying amount	31/12/2010 Carrying amount
Swedish subsidiaries					
LKAB Fastigheter AB/556009-8849/Kiruna	5,000	100	100	0	0
Wassara AB/556331-8566/Stockholm	20,000	100	100	10	10
LKAB Berg & Betong/556074-8237/Kiruna	24,000	100	100	47	47
LKAB Nät AB/556059-9796/Kiruna	10	100	100	0	0
Minelco AB/556223-1786/Luleå	2,000,000	100	100	225	225
LKAB Försäkring AB/516406-0187/Luleå	10,000	100	100	100	100
LKAB Malmtrafik AB/556031-4808/Kiruna	208,000	100	100	252	252
Kiruna Stationsfastigheter AB/556736-3840/Kiruna	1,000	100	100	0	0
Foreign subsidiaries					
LKAB Norge AS/918 400 184/Narvik, Norway	300,000	100	100	763	763
LKAB Far East Pte Ltd/198401144W/Singapore, Singapore	200,000	100	100	1	1
LKAB S.A./403 455 761/Brussels	100	100	100	0	0
LKAB Schwedenerz GmbH/HRB 718/Essen/Germany	100	100	100	2	2
LKAB Trading (Shanghai) Co., Ltd./Shanghai/China		100	100	10	0
Total, Parent Company		100	100	1,410	1,400
Indirect ownership via the subsidiary Minelco AB					
Minelco B.V./24236591/Breda, The Netherlands		100	100		
Minelco Inc/02-0551509/Cincinnati, USA		100	100		
Minelco GmbH/HRB 16692/Essen, Germany		100	100		
Minelco Asia Pacific Ltd/876455/Hong Kong, Hong Kong		100	100		
Microfine Minerals Ltd/0245817/Welton, UK		100	100		
Minelco OY/1934671-4/Helsinki, Finland		100	100		
Minelco AS/A/S277716/Nuuk, Greenland		100	100		
Minelco Tianjin Minerals Co/70051551-5/Dongli District Tianjin, China		100	100		
Minelco Limited/04621769/Derby, UK		100	100		
Minelco Minerals Ltd/00103751/Derby, UK		100	100		
Quay Minerals Ltd/02732626/Flixborough, UK		100	100		
Tianjin Jindalai Mineral/60089030-X/Dongli District Tianjin, China		100	100		
Fergusson Wild & Co Ltd/2529921/West Sussex, UK		100	100		
Fordamin Company Ltd/00925517, UK		100	100		
Minelco Specialities Ltd/1151578/Derby, UK		100	100		
Microfine Hellas A.E./-/Thessalonica, Greece		100	100		
Indirect holding via the subsidiary LKAB Berg & Betong AB					
LKAB Mekaniska AB/556013-3059/Kiruna		100	100		
LKAB Kimit AB/556190-6115/Kiruna		100	100		
Indirect holding via the subsidiary LKAB Malmtrafik AB					
LKAB Malmtrafikk AS/974 644 991/Narvik, Norway		100	100		
Indirect holding via the subsidiary LKAB Fastigheter AB					
Jägarskolan Fastigheter AB/556594-9095/Kiruna		100	100		
Indirect holding via the subsidiary Wassara AB					
Wassara Limitada/Santiago/Chile		100	100		

Note 33 | Untaxed reserves

Parent Company

SEK million	31/12/2011	31/12/2010
Accumulated depreciations in excess of plan:		
Buildings and land		
Opening balance January 1	7	8
Depreciations in excess of plan for the year		
Accelerated depreciation dissolved	-1	-1
Closing balance December 31	6	7
Machinery and inventories		
Opening balance January 1	5,843	5,282
Depreciations in excess of plan for the year	184	561
Closing balance December 31	6,027	5,843
Underground installations		
Opening balance January 1	0	1
Disposals, retirements and dissolution	0	-1
Closing balance December 31	0	0
Tax allocation reserves		
Allocated at 2006 assessment		1,410
Allocated at 2007 assessment	1,400	1,400
Allocated at 2008 assessment	1,275	1,275
Allocated at 2009 assessment	2,200	2,200
Allocated at 2012 assessment	3,600	
Closing balance December 31	8,475	6,285
Total untaxed reserves	14,508	12,135

Note 34 | Statement of cash flows

Cash and cash equivalents – Group

SEK million	31/12/2011	31/12/2010
The following sub-components are included in cash and cash equivalents		
Cash and bank balances	1,056	839
Current investments equivalent to cash and cash equivalents [1])	7,639	7,207
Total according to the statement of financial position and statements of cash flows	8,695	8,046

Cash and cash equivalents – Parent Company

SEK million	31/12/2011	31/12/2010
The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	830	631
Current investments equivalent to cash and cash equivalents [1])	7,639	7,207
Total according to balance sheet and statements of cash flows	8,469	7,837

[1]) Cash and cash equivalents include current investments (money-market instruments) that have been classified as cash equivalents according to the following:
- They entail insignificant risk of value fluctuations
- They can be easily converted to cash
- They have a maturity of at most three months from date of acquisition.

Shares and participations

SEK million	31/12/2011	31/12/2010
Opening balance	1,259	977
Purchase of shares and participations	2,246	2,575
Sale of shares and participations	-2,440	-2,502
Unrealised capital gains, shares and participations		209
Shares and participations according to balance sheet	1,065	1,259

Interest paid and dividends received

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Dividends received	53	31	229	80
Interest received	103	48	171	101
Interest paid	-52	-56	-70	-110
	104	23	330	71

Adjustments for items not included in cash flow

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Depreciations	1,898	1,836	1,483	1,442
Impairments		308	1	307
Exchange rate differences	-21	88		
Unrealised interest differences on forward exchange contracts		-26		
Change in financial assets	-69			
Income from sale and retirement of property, plant and equipment	20	26		26
Provisions for pensions	25	-86	52	-20
Other provisions	1,007	2,304	852	2,289
Other items that do not affect liquidity	26		212	
	2,886	4,450	2,600	4,044

Change in operating capital

Group operating capital was affected by SEK 271 million relating to a change in a hedge reserve reported in Group equity. The amount did not affect the Group's cash flow and is therefore not included in change in operating capital in the cash flow statement. The corresponding amount for 2010 was SEK 386 million.

Tax paid

	Group		Parent Company	
SEK million	2011	2010	2011	2010
Tax expense according to income statement	-3,203	-3,267	-3,046	-3,003
Change in tax assets/liabilities	-829	288	-826	240
Adjustment for deferred tax		130	31	18
	-4,032	-2,849	-3,841	-2,745

Acquisition of subsidiaries

Group

SEK million	2011	2010
Buildings and land		9
Total assets		9
Deferred tax		2
Total provisions and liabilities		2
Purchase sum:		
Deducted: Cash and cash equivalents in the acquired business		7
Effect on cash and cash equivalents		7

No company acquisitions were made during the year but one subsidiary was formed during the year with an equity of SEK 9.5 million – LKAB Shanghai Ltd.

Proposed disposition of unappropriated earnings

The Board of Directors and President propose that unappropriated earnings of SEK 23,389 million be distributed as follows:

Dividend, 700,000 shares x SEK 7,143 per share	SEK 5,000 million
Funds to be carried forward	SEK 18,389 million
Total	SEK 23,389 million

Authorisation by the Board of Directors

The Board of Directors and President hereby certify that the annual report were prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated accounts were prepared in accordance with International Accounting Standards, stated in the regulation of the European Parliament and the Council of Ministers (EG) No. 1606/2002 of July 19, 2002, concerning the application of international accounting standards and generally accepted accounting principles, and give a true and fair view of the Group and the Parent Company's position and results. The Report of the Board of Directors for the Group and the Parent Company gives a true overview of the activities, results and financial position of the company and Group and also describes the significant risks and uncertainties to which the Parent Company and the other companies in the Group are exposed.

Luleå, March 28, 2012.

Marcus Wallenberg
Chairman

Stina Blombäck
Board member

Lars-Åke Helgesson
Board member

Anna-Greta Sjöberg
Board member

Egil M. Ullebö
Board member

Maija-Liisa Friman
Board member

Hanna Lagercrantz
Board member

Seija Forsmo
Employee representative

Jan Thelin
Employee representative

Tomas Strömberg
Employee representative

Lars-Eric Aaro
President

The annual report, the consolidated financial statements and the sustainability report were, as stated above, approved for publication by the Board of Directors on March 28, 2012.
The consolidate income statement, statement of financial position and the Parent Company's income statement and balance sheet will be the subject of approval at the Annual General Meeting on April 20, 2012.

Our Audit Report was submitted on March 28, 2012.

Peter Gustafsson
Authorised public accountant
Chief accountant
Deloitte AB

Filip Cassel
Authorised public accountant
Appointed by the Swedish National Audit Office

Auditor's report

To the Annual General Meeting of Luossavaara-Kiirunavaara AB (publ).
Company registration number 556001-5835

Report on the annual accounts and consolidated financial statements
We have audited the annual accounts and consolidated financial statements for Luossavaara-Kiirunavaara AB (publ) for the 2011 financial year. The company's annual accounts and consolidated financial statements are included in the printed version of this document on pages 67–114.

The Board of Directors' and President's responsibility for the annual accounts and consolidated financial statements
The Board of Directors and the President are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act and consolidated financial statements that provide a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act, and for internal controls deemed by the Board of Directors and President as necessary for the preparation of an annual report and consolidated financial statements that are free of material misstatement, whether due to fraud or error.

The auditor's responsibility
Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and auditing standards generally accepted in Sweden. These standards require us to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report and consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual report and the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual report and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting principles applied and the reasonableness of accounting estimates made by the Board of Directors and President, as well as evaluating the overall presentation of the annual report and the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion
In our opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and provides in all material respects a true and fair view of the parent company's financial position as of December 31, 2011 and its financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act, and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and provide in all material respects a true and fair view of the Group's financial position as of December 31, 2011 and its financial performance and cash flows for the year in accordance with International Financial Reporting Standards as adopted by the EU and the Swedish Annual Accounts Act. The administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the Parent Company and Group.

Other information
The annual accounts for the 2010 financial year were audited by another auditor elected by the AGM who gave an opinion regarding this annual report according to a standard format in an audit report dated March 23, 2011.

Report concerning other legal requirements and enactments
In addition to our audit of the annual accounts and the consolidated financial statements we also audit proposals regarding the allocation of the company's profit or loss and the Board of Directors' and President's administration of Luossavaara-Kiirunavaara AB (publ) for the 2011 financial year.

The Board of Directors' and President's responsibility
The Board of Directors is responsible for the proposal for allocation of the company's profit or loss and the Board of Directors and the President are responsible for administration under the Companies Act.

The auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed allocation of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with auditing standards generally accepted in Sweden.

As a basis for our opinion on the Board of Directors' proposed allocation of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, we examined, in addition to our audit of the annual accounts, significant decisions, actions taken and circumstances of the company in order to determine the liability, if any, to the company of any board member or the President. We also examined whether any board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Qualified Opinion
We recommend to the Annual General Meeting that the profit be allocated as proposed in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, March 28, 2012

Deloitte AB
Peter Gustafsson
Authorised public accountant Office

Filip Cassel
Authorised public accountant
Appointed by the Swedish National Audit

Glossary

Barren rock: Rock that is not ore.

Basic pH: pH value above seven.

Burden: Materials (ore, slag formers etc.) that are added (charged) to a furnace, possibly together with fuel, in ironmaking.

Calcites and silicates: Minerals.

Concentration: Beneficiation of finely ground ore by separation into a concentrate of iron ore powder with very high purity, so-called slick.

Crude iron: Molten iron from the blast furnace that is then reprocessed in steelworks.

Crude ore: The untreated ore broken loose from the deposit.

Deformation zone: Ground area affected by subsidence due, for example, to mining. Deformation zone boundaries are defined at the point where seismic instruments first indicate disturbance.

Discharge: Release of water from a pond.

Dressing: Rough sorting of crushed ore. Consists at LKAB of screening the crushed ore into various fractions, after which the waste rock is separated from the iron ore by magnetic separators.

Flotation: Chemical process/method for particle separation, used in beneficiation of iron ore.

GRI: Global Reporting Initiative. International joint committee of interest groups that developed global guidelines for sustainability reporting.

GWh: Gigawatt hour.

Hematite: An iron ore mineral (Fe2O3) also known as bloodstone.

Huntite: A mineral.

Indicators: Quantifiable key values as defined by the GRI sustainability areas Economy, Environment, and Society.

Inert waste: Material waste that does not change appreciably after final placement.

Intact ore: When ore is in its original state before being mined it is said to be intact.

Integrated steelworks: Steelworks that covers the entire production chain from ore to steel and has both sintering plant and blast furnace.

Landfill: Area in which materials such as tailings or waste rock are stored indefinitely.

Landfill plan: Long-term plan for final placement of waste material.

Leachate: Water containing elements that are present in the material through which it has passed, for example, precipitation that falls on a heap of rock or stone. Leachate is caused principally by precipitation percolating through waste deposited in a landfill.

Magnetite: Ferrimagnetic iron ore (Fe3O4), a mineral also known as black ore.

Main level: Transport level in the mine to which the ore is tipped through a chute or shaft from overlying mining levels.

Malmfälten: geografical area in northern Sweden, including the cities/villages Kiruna, Svappavaara and Malmberget in which LKAB has production sites.

Mica: A mineral.

MSEK and Mt: Abbreviations for million Swedish krona and million tonne, respectively.

Olivine: A mineral.

Particulate emissions: Release of particulates into the atmosphere.

Pelletising: Process in which concentrate is mixed with additives and binders and rolled together into balls. The balls are sintered in a pelletising plant. The finished product is pellets.

Performance in Ironmaking: LKAB's customer promise.

Q-value: A calculated average quality value for delivered products based on monthly measurements of a number of fixed parameters.

Raw materials: Name for incoming materials to a mineral processing plant.

Seismic event: Rock mass displacement, quake.

Sintering: Heating of fine-grained ore (fines) until it starts to melt. The ore is then fused (sintered) into lumps (sinter) that can be used in a blast furnace.

Spillway: Apparatus for controlled discharge of water from a pond.

Sponge iron: Direct reduced iron (DRI). End product of the direct reduction process. Solid, porous iron with some remaining mineral residues and oxygen. Hot briquetted iron (HBI) is a compressed form of DRI that reduces the risk of auto ignition.

Stripping: Preparation of ground by removal of vegetation and/or soil etc. to enable access to underlying materials.

Sulphides: Sulphur compounds containing sulphide ions.

TJ: Terajoule.

TWh: Terawatt hour.

Value-in-use: Lowest possible cost of iron and steel production with the least possible disruptions. LKAB pellets increase blast furnace efficiency and reduce emissions, the formation of slag and energy consumption.

Values: Speak to how we treat each other and the outside world. They guide our day-to-day lives, help us make decisions and clarify what is expected of everyone who works for the company. LKAB's values: Commitment, Innovation, Responsibility.

Yield: Ore yield = the ratio between the recovered crude ore and the theoretical quantity of intact ore in the ground. The difference is made up of ore losses and is dependent on the workability of the ore, that is, how economical it is to mine. Weight yield = the ratio between the iron content of the finished product (output) and the iron content of the raw material (input) entering a plant.

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Annual General Meeting

LKAB's Annual General Meeting was held in Luleå at 3 p.m. on Friday 20 April 2012.

Participation

The meeting was open to the public.

Notice

Notice of the Annual General Meeting, financial information and other information is available at www.lkab.com.
Printed financial information can be ordered by email from info@lkab.com.
The printed version of the Annual Report will be available around 20 May.

Financial information

Interim reports

20 April
Interim report Q1, 2012

August
Interim report Q2, 2012

October
Interim report Q3, 2012

February 2013
Interim report Q4, 2012, and Annual Accounts 2012

Contacts
Questions concerning the content of LKAB's financial information may be directed to Leif Boström, Senior Vice President, Finance, and/or Lars-Eric Aaro, President and CEO.

Questions concerning the content of the Sustainability Report may be directed to Monica Quinteiro, General Manager, Quality Control and Environment.

LKAB Annual Report 2011.
Produced by LKAB in cooperation with Vinter.
The sustainability report was produced with the help of KPMG.
Photos: Fredric Alm, Andreas Lundberg and LKAB.
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