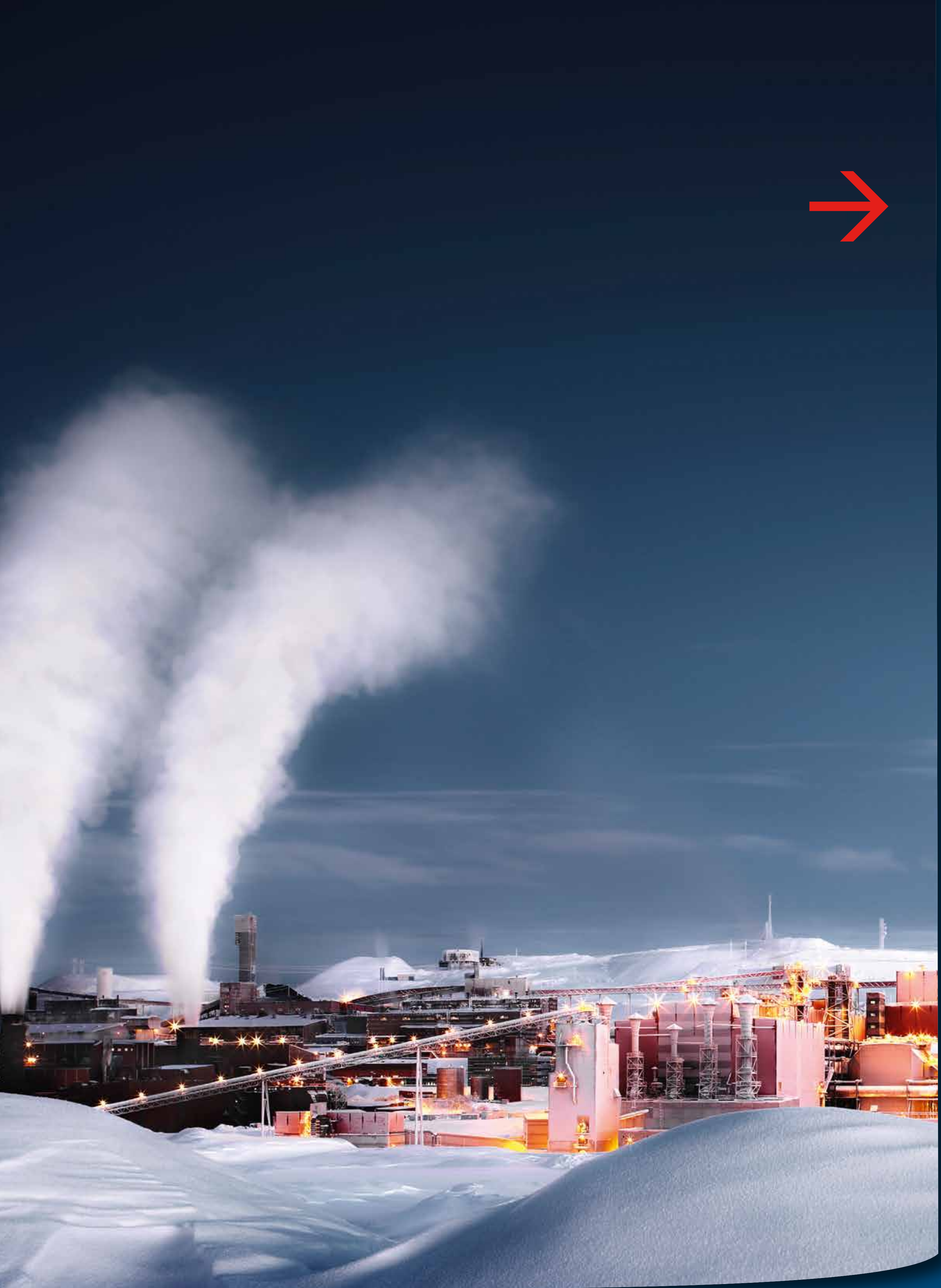
2020

ANNUAL AND SUSTAINABILITY REPORT



OUR JOURNEY TO

ON THE WAY TO ZERO EMISSIONS

–84%

Carbon emissions reduced by 84 percent from 1960 to today's pellet production

CO_2

The first iron ore producer to measure and report its carbon footprint

–14%

Steel produced with LKAB's pellets contributes to 14 percent lower carbon emissions than the European average

CONTENTS

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Sustainability report pages: 10–13, 18–19, 36–54 and 123–143.

ABOUT LKAB'S ANNUAL AND SUSTAINABILITY REPORT 2020

The Board of Directors and the President hereby submit the annual and sustainability report for Luossavaara-Kiirunavaara AB (publ), corporate identity number 556001-5835, domiciled in Luleå, for the calendar year 2020. LKAB is a limited liability company that is wholly owned by the Swedish state. The annual report is integrated, meaning that the description of operations – including our sustainability work and corporate governance – is reported together with the administration report and financial statements that make up the statutory part of the annual report. A statutory sustainability report has been prepared as part of the administration report, in accordance with Chapter 6 of the Swedish Annual Accounts Act, and can be found on pages 10–13, 18–19 and 36–54. A corporate governance report has been prepared as part of the administration report. LKAB reports its sustainability work in accordance with Global Reporting Initiative (GRI) Standards at the Core level. The scope of sustainability reporting is defined on pages 142–143.

The English version of this report is a translation of the Swedish original version. In case of discrepancies, the Swedish version shall prevail.

OWARDS A CARBON-FREE

2027

Industrial park for extracting critical minerals from mine waste

2035

New global standard for mining operations – carbon-free, digitalised and autonomous

2020

LKAB adopts a new strategy to achieve carbon-free processes and products

2030

First industrialised sponge iron plant in production

FUTURE

2045+

LKAB's processes and products are carbon-free

The world is facing a challenge caused by emissions that have characterised development in recent decades. The iron and steel industry accounts for a quarter of total carbon emissions from industry worldwide. At the same time, demand for steel is expected to increase by almost 50 percent by 2050.

We provide the world with tomorrow's resources and are setting a new world standard for the iron and steel industry of the future. With environmental consideration, the highest business ethics, digitalisation and innovation, LKAB will assume a leading role in the transformation of our own industry, and over time, create a sustainable future.

We contribute to vibrant communities with growth and prosperity today and for coming generations.

EUROPE'S LEADING **MINING AND MINERALS GROUP**

LKAB is an international group offering sustainable iron ore, minerals and special products. Products that end up in such things as telephones, cars, bridges and homes, making life easier for millions of people.

IRON ORE FOR THE STEEL INDUSTRY

In LKAB's mines in northern Sweden more than 130,000 tonnes of iron ore are mined every day. The crude ore is then upgraded into climate-efficient iron ore products that are used in steelmaking. The products are supplied to customers mainly in Europe, the Middle East and North Africa. Deliveries are also made to other parts of the world.

LKAB's products offer a cleaner value chain for steelmaking. Steel made only with LKAB's pellets results in 14 percent lower carbon emissions compared with steel produced at an average sinter-based European steelworks.

EXPLORATION ▶ MINING ▶ PROCESSING ▶ LOGISTICS

SEK 33.9 bn

Net sales in 2020

4,500

The average number of employees is approximately 4,500

12

Operations in twelve countries

CIRCULAR ECONOMY AND GREATER RESOURCE UTILISATION

Iron and steel are society's most recycled construction materials. Around a third of the world's steel production is based on recycling and scrap-based processes.

The iron and steel industry is working to develop processes and products centred on resource efficiency and reduced emissions, in order to conserve our shared resources for future generations. LKAB is driving the global transformation of the iron and steel industry together with customers and suppliers.

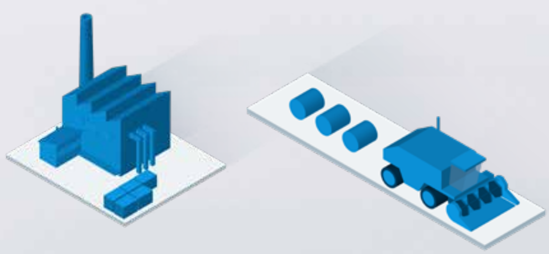
▶ *Read more on pages 12–17*

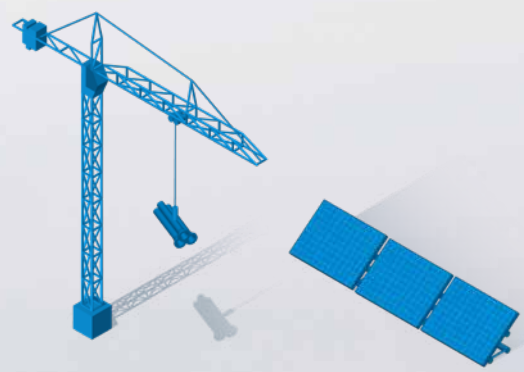
Sustainable mining and materials efficiency also mean utilising as much as possible of the material mined: the mine waste from upgrading the ore, residual products from other industrial processes and on through to the decommissioning of products that contain minerals.

▶ *Read more on pages 30–35*

USE

Discovering how to mine ore and make iron was one of humanity's great technological breakthroughs. Today iron ore production is largely used for steelmaking, and a large share of the finished steel products are then further processed by the engineering industry into end products. Iron and steel are thus all around us in our daily lives: from kitchen knives and cars to mobile phone masts, wind turbines, railways, bridges and buildings.





INDUSTRIAL MINERALS

LKAB's core business is supplemented by a growing industrial minerals portfolio, where the focus is on extracting critical minerals from mine waste. In today's society some form of mineral is used in most products and industrial processes.

PRODUCTS AND SERVICES

LKAB develops and produces technology and products of strategic importance for its own operations, such as explosives, concrete, mechanical appliances and drilling technology. These products and services also create value and are sold on an external market.

2020 **IN BRIEF**

OVERVIEW AND KEY FINANCIAL RATIOS

	2020	2019
Net sales, MSEK	33,914	31,260
Operating profit, MSEK	11,654	11,788
Costs for urban transformation provisions, MSEK	-1,396	-1,441
Net financial income/expense, MSEK	797	1,136
Profit/loss before tax, MSEK	12,452	12,924
Profit/loss for the year, MSEK	**9,757**	**10,173**

	2020	2019
Capital expenditure on property, plant and equipment, MSEK	2,763	2,373
Operating cash flow, MSEK	6,038	6,981
Return on equity, %	20.8	24.2
Net debt/equity ratio, %	-3.0	-0.9[1]
Dividend to owner[2], MSEK	5,850	6,104

[1] Calculation of the net debt/equity ratio was changed in 2020, see Note 42.
[2] The dividend proposed by the Board of Directors will be put to the Annual General Meeting for approval on 22 April 2021.
[3] Energy intensity for 2020 has been updated since the Year-End Report for 2020.

NON-FINANCIAL KEY RATIOS

	2020	2019
Carbon dioxide emissions, kg per tonne of product	25.0	25.8
Energy intensity, kWh per tonne of product	159[3]	158
Accident rate	6.3	6.8
Number of permanent employees at year-end	4,555	4,349
Percentage of women among permanent employees, %	24.7	23.8

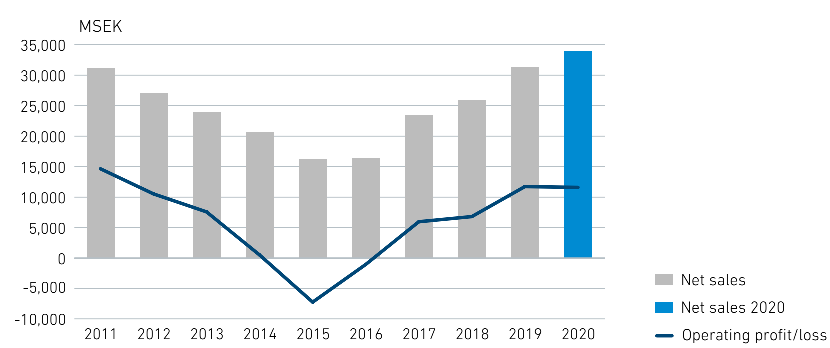
MSEK
33,914
Net sales (+8%)

MSEK
11,654
Operating profit (-1%)

28.5 Mt
Delivered iron ore products (+14%)

27.1 Mt
Produced iron ore products (-1%)

NET SALES AND OPERATING PROFIT



KEY EVENTS IN 2020

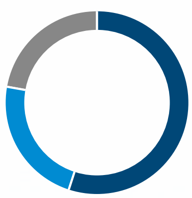
- New long-term strategy to achieve carbon-free processes and products by 2045 presented, including transitioning to become a producer of carbon-free sponge iron in the future.
- The coronavirus pandemic called for flexibility in the operations, which were mainly affected by a slowdown in the European steel industry and the need to extend maintenance shutdowns.
- A seismic event on 18 May caused extensive damage in the Kiruna mine. Nobody was injured, but production of crushed ore from the mine was affected during the rest of the year.
- Kiruna Municipality passed the required amendment of the zoning plan for area 2:4 in Mine City Park 2 after LKAB had requested that the government intervene.
- The world's first pilot facility for production of fossil-free sponge iron was commissioned as part of the HYBRIT initiative.
- LKAB expanded its ambition where technology for extracting mining waste is being developed to include the production of inputs, such as hydrogen, and electrified processes, which could eliminate carbon emissions from the process almost entirely.
- LKAB actively supported local businesses in Kiruna and Gällivare in connection with Covid-19 and LKAB Fastigheter halved rents for commercial tenants.
- New Group structure introduced from the start of 2020 with two business areas: Iron Ore and Special Products.

IRON ORE BUSINESS AREA

The Iron Ore business area mines and upgrades iron ore to produce climate-efficient products that are transported to customers in the steel industry. The business area includes mines and processing plants in Kiruna, Svappavaara and Malmberget, as well as rail freight services and ports in Narvik and Luleå.

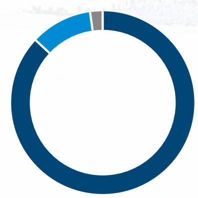
92% Share of net sales

SALES BY REGION
Percentage of sales (MSEK)



	%
Europe	55
Middle East and North Africa	23
Rest of World (including Turkey)	22

SALES BY PRODUCT AREA
Percentage of sales of iron ore products (MSEK)



	%
Pellets	87
Fines	11
Other	2

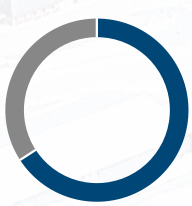
Read more about the Iron Ore business area on pages 20–29

SPECIAL PRODUCTS BUSINESS AREA

The Special Products business area develops products and services for markets involving industrial minerals, water-powered drilling technology, engineering services and mining and construction contracts. The business area is also a strategic supplier within the Group.

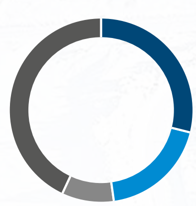
8% Share of net sales

SALES BY REGION
Percentage of sales (MSEK)



	%
Europe	66
Rest of World	34

SALES BY PRODUCT AREA AND SERVICE AREA
Percentage of sales (MSEK)



	%
Magnetite	29
Mineral sands	19
Mining and construction services	9
Other industrial minerals	43

Read more about the Special Products business area on pages 30–35

A CLEAR **WAY FORWARD**

2020 was a strong year for LKAB. Despite the challenges that the year brought, we achieved both high volumes and strong earnings. We have also established the direction we will take to secure the operations beyond 2060, something which also means we are taking on a leading role in the transformation of our industry.

Global challenges on the agenda
Around the world the year has been marked by Covid-19 and the challenges that the pandemic has brought at all levels of society. LKAB was no exception, even though the overall effect was considerably less for us than for many others.

Steelmakers in our primary market of Europe were impacted by restrictions on production as parts of society were locked down, resulting in a general slowing of demand. At the same time, steel production in China continued to increase and thus also demand for iron ore. Thanks to intensive work from the sales organisation, LKAB was able to redirect the volumes from our traditional markets to a market in growth.

One major focus during the corona pandemic has been to minimise the spread of the virus locally. This has been demanding for our employees and our organisation, and I am humbly impressed by how it has been managed. Measures included extending maintenance shutdowns to minimise the number of people in the workplaces, which affected production volumes somewhat.

Climate transition creates opportunities
The iron and steel industry accounts for seven percent of global carbon emissions. LKAB's total carbon emissions are currently around 700,000 tonnes, which represents four percent of all emissions from Swedish industry and makes us the fourth largest source of emissions in Sweden.

We can make a significant difference by transforming our operations. Our strategy for the future sets out the path towards

→ The transformation will allow us to bear the investments required to mine iron ore competitively deeper in our mines and to create a future for our operations beyond 2060.

zero carbon emissions from our own processes and products by 2045. Among other things, this is dependent on developing a new world standard for mining operations of the future. Through digitalisation, automation, electrification and new ways of working we will secure efficient, profitable and carbon-free mine production.

For future processing we are planning a gradual transition from iron ore pellets to carbon-free sponge iron produced using new hydrogen-based technology. This will increase the value of our products and at the same time give our customers direct access to carbon-free iron for steelmaking. Finally, we are broadening LKAB's business and increasing our contribution to a circular economy by extracting critical minerals.

This transformation will allow us to bear the investments required to continue to competitively mine iron ore and create a future for LKAB beyond 2060.

Record deliveries and high iron ore prices

Despite a turbulent world around us, LKAB increased deliveries of iron ore products to 28.5 Mt compared with 24.9 Mt in the previous year. This is a historic high for a single year. Production was also stable, despite the fact that volumes were affected by measures to minimise virus spread.

Production of crushed ore was also affected by a substantial seismic event in the Kiruna mine in May. Nobody was injured and some production was able to resume relatively quickly. However, extensive repair work came to be required and production was affected for the rest of the year. At the end of the year the mine was operating at around 80 percent of capacity. By redirecting crushed ore from our open-pit mine Leveäniemi, however, the processing plants were able to continue running at full capacity.

Despite the coronavirus pandemic, the average global spot price for iron ore rose to USD 109/tonne, an increase of 17 percent compared with the previous year. At the end of the year the spot price was USD 159/tonne. These are levels not seen since the record years a decade ago and it is expected that prices will gradually fall in 2021.

Competitiveness here and now

Since the coming decades' transformation is calculated to be financed mainly by cash flow from our operations, high iron ore prices naturally provide us with a better basis for this. At the same time, the market is very sensitive to changes in the economic cycle and investment decisions for new infrastructure both above and

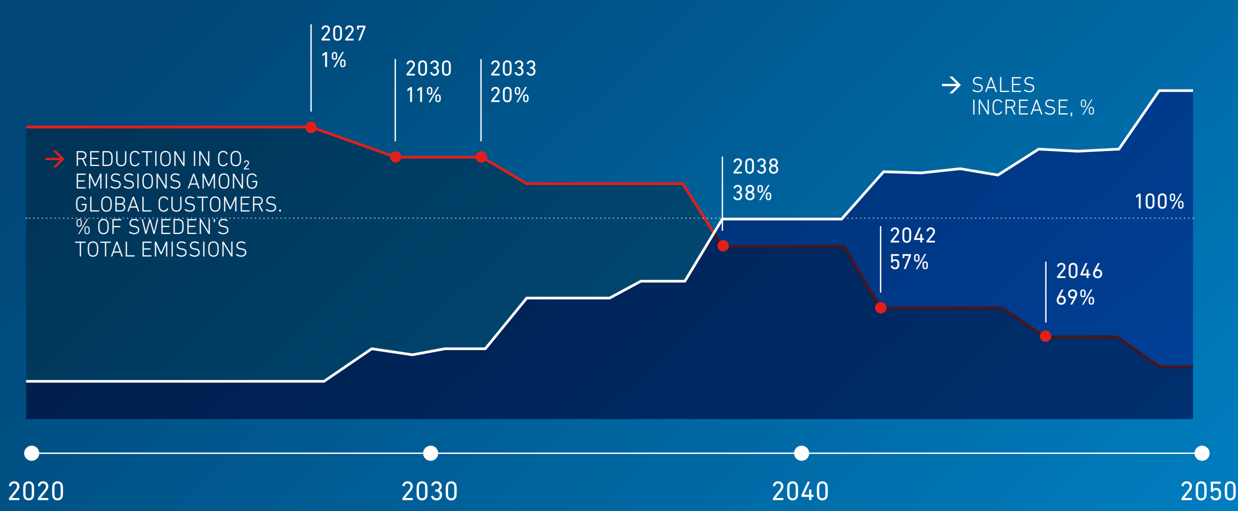
SEK 6.0 bn

Operating cash flow in 2020

SEK 11.7 bn

Operating profit in 2020

DECREASING CARBON EMISSIONS AND INCREASING SALES



When fully implemented the transition to production of carbon-free sponge iron will enable LKAB's customers around the world to reduce their carbon emissions by more than 35 million tonnes every year – equivalent to two thirds of Sweden's territorial emissions of greenhouse gases. At the same time, LKAB's sales will double as a result of more efficient mining methods and a higher price premium for a more upgraded product that is also carbon-free.

LKAB'S VALUES

Committed

Our customers' results are the focus of everything we do

Innovative

We emphasise creative thinking to drive improvements forward

Responsible

We think long-term, are respectful and put safety first

below ground will give rise to commitments for many years to come. In order to succeed in our transformation, it is hence essential that we increase the efficiency of our current production structure along the way. During the year we implemented continued initiatives in strategic maintenance of our plants to optimise the current production structure and in exploration and development projects aimed at securing and optimising future production and ways of working.

We continue to place great importance on leadership and employeeship efforts, an important part of which is to strengthen the safety culture. In 2020 we had 6.3 accidents per million hours worked compared with 6.8 in 2019. Safety is one of our key priorities and although this is developing in the right direction, I would have liked to see more progress.

Investing for the future

In recent years LKAB has invested MSEK 700 in exploration to secure access to ore after the current main haulage levels are expected to be mined out in around the mid-2030s. We now know that there are good opportunities for continued mining beyond the year 2060.

There is a lot of work still to do, but we are confident about the decision on our future transformation and investments. Moreover, during the year LKAB's way forward was clearly validated by the progress of our development projects for the future of mining and processing.

Since 2016 LKAB has been developing technology jointly with SSAB and Vattenfall for a fossil-free value chain from mine to finished steel within the HYBRIT initiative. In August 2020 a pilot plant was started up and in 2021 industrialisation of the technology will begin. The industrialisation will start with a first demo plant for the production of 1.3 million tonnes of fossil-free sponge iron in Malmberget, which is to be completed by 2026. The demo plant will be integrated with the pellet production and is part of LKAB's transformation plan. The intention is to expand sponge iron production to full industrial scale of 2.7 million tonnes by 2030.

In parallel we are making progress on developing a new world standard for mining at great depths, in partnership with Epiroc, ABB and Combitech. During the year Sandvik also joined this collaboration. The work has concentrated on our test mine, but during 2021 we expect to introduce more autonomous and battery-powered machinery and solutions into our regular operations.

In May a pilot facility for producing an apatite concentrate from the waste generated by iron ore mining was commissioned. The next step is to develop a process for upgrading the concentrate into rare earth elements and phosphorus for mineral fertiliser. During the year we expanded our ambition and a preliminary study into the establishment of a fossil-free industrial park for production of inputs and critical minerals will be carried out in 2021.

Our ambition is a positive footprint – globally and locally

We are now beginning the greatest transformation in our 130-year history, something that could become one of Sweden's biggest industrial investments ever. We are doing it because we can and must reduce global emissions by 35 million tonnes, which corresponds to two thirds of Sweden's total carbon emissions. This effect is three times greater than that of taking all cars in Sweden off the road for good, and it is the biggest thing we in Sweden can do for the climate.

Our plan is expected to create thousands of new jobs during the transition phase and to secure jobs in the region beyond the year 2060. The investments we are going to make alone could create 2,000–3,000 jobs a year, in the conversion and construction of facilities, for a period of more than 20 years. At the same time, we ourselves will be recruiting because the business is expanding.

In parallel LKAB is continuing to take responsibility here and now, for both people and the environment. Already today we have the world's most energy-efficient pellet production and we have long worked to set an example internationally in ethics and social responsibility.

VISION

We are leading the transformation of our industry toward a sustainable future

MISSION

The innovative and competitive mining and processing of iron ore and minerals to produce climate-efficient quality products

LKAB has been a signatory to the UN Global Compact since 2019 and works for sustainable enterprise in accordance with the organisation's principles. We have also mapped our operations against the UN Sustainable Development Goals in Agenda 2030 to understand how we can best contribute to the global efforts. Our ambition to continually increase the positive footprint of our operations and to reduce the negative impact has long been integrated throughout the company. Not least, we have a long history of assuming responsibility for the impact that our operations have on the local communities.

The communities around us will change for as long as LKAB's production continues. The transformation of the communities we operate in is one of the single most important topics for both LKAB and the local community. This is a hugely complex project which needs to satisfy many different interests. Working together is key, not least with the municipalities that are responsible for zoning plans, among other things. This work also provides a unique opportunity to create attractive communities. This is something that we at LKAB see as of strategic importance for retaining our skilled employees and for attracting new people to join us. However, it cannot be denied that our partnership with the municipalities has been strained at times, when the exercise of municipal powers is mixed with compensation matters in an unfortunate way. During the year we were forced to plan for a cutback of production in Kiruna as a result of zoning plan processes being stalled. It was a relief when the Municipality finally made a decision in the matter, so that production could continue according to plan. I am cautiously optimistic that we have now reached a consensus – not just on our shared ambition to secure the competitiveness and attractiveness of the operating locations, but also on future processes. The transformation ahead of LKAB requires significant advance planning, among other things, so that decisions can be taken in time.

Challenges along the way

We are facing a revolutionary shift in which we must ensure that iron ore can be mined at greater depths while remaining profitable and safe. We need to equip ourselves for the future and ensure that we have the finances to cope with a long period of investments, as well as the electricity required for full-scale production and the capacity to recruit people with the necessary skills and expertise. LKAB faces a number of serious challenges, with protracted and unpredictable permit processes being a particular issue. We are not calling for less stringent environmental and climate rules, but rather we want predictability through effective and legally secure processes that focus on the environment. This is needed both to keep current production going and for our historic climate transition.

Having said that, I am proud that Sweden and LKAB are taking a leading role in a necessary global transition. It is a pride that I share with many others. Our progress during the year would not have been possible without the hard work and enthusiastic commitment of the more than 4,500 people who make up LKAB.

Our plan is to contribute to vibrant communities with growth and prosperity today and for coming generations.

Luleå, 26 March 2021

Jan Moström, President and CEO

→ Already today LKAB has the world's most energy-efficient pellet production and we have long worked to set an example internationally in ethics and social responsibility.

GOALS FOR **SUSTAINABLE DEVELOPMENT**

To secure enduring competitiveness and long-term value creation, LKAB exploits iron ore resources of northern Sweden and develops minerals globally in a safe and responsible way. Sustainability work is therefore central to our business strategy.

ECONOMIC SUSTAINABILITY

LKAB needs to be financially strong in order to be an innovative and responsible company. Our aim is to expand our mineral reserves while at the same time broadening our business. In addition, we will continue to improve our competitiveness with the aim of increasing productivity by 40–50 percent in the next generation of mining and processing and be world-leading as a sustainable mining and minerals company.

PROFITABILITY

Return on equity shall exceed 12 percent over an economic cycle.

20.8 %

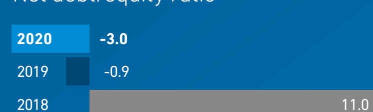
Return

CAPITAL STRUCTURE

Net debt/equity ratio of 0–30 percent.

-3.0 %

Net debt/equity ratio

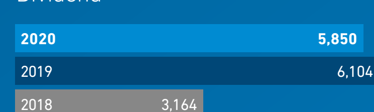


DIVIDEND TO THE SWEDISH STATE

Ordinary dividend shall amount to 40–60 percent of the year's profit.

MSEK 5,850

Dividend



→ A review of LKAB's goals is in progress, as the existing goals apply up to and including 2021. Updated goals will be adopted in 2021.

SOCIAL SUSTAINABILITY

LKAB shall be a safe and attractive workplace where diversity, non-discrimination and equality are a given. LKAB works to achieve leading expertise, effective dialogue with stakeholders and an ethical approach throughout the value chain. We also aim to contribute to vibrant local communities in our operating locations and for transparency and control in our supply chain by working closely with our business partners.

SAFETY

Reduce accidents leading to absence from work to a frequency of 3.5 per million work hours by 2021.

6.3 Accident rate

2020	**6.3**
2019	6.8
2018	7.7

DIVERSITY AND EQUAL OPPORTUNITY

The proportion of women/female managers in the company shall reach at least 25 percent by 2021.

24.7% Percentage of women

2020	**24.7**
2019	23.8
2018	22.1

23.2% Percentage of female managers

2020	**23.2**
2019	23.0
2018	21.4

SOCIAL RESPONSIBILITY AND COOPERATION

Compliance with LKAB's Code of Conduct and well-functioning dialogue with stakeholders.

87% Has attended training Dialogue according to plan

2020	**87**
2019	90
2018	91

For more information relating to the goals see the sections on Employees and Our impact.

ENVIRONMENTAL SUSTAINABILITY

LKAB aims to be one of the most resource-efficient and environmentally efficient mining and minerals companies in the world. Our ambition is to achieve carbon-free processes and products by the year 2045. We also aim to achieve environmentally neutral water and energy use, and to have no emissions impacting our surroundings. We safeguard biodiversity and are working to turn mine waste into resources.

EMISSIONS

Reduce carbon emissions by at least 12 percent per tonne of finished product by 2021 compared with 2015 and at the same time reduce emissions of nitrogen to air (NO_X)

25.0 kg/tonne

Carbon dioxide emissions

2020	**25.0**
2019	25.8
2018	25.7
Base year 2015	27.2

140 g/tonne

Nitrogen to air[1,3]

2020	**140**
2019	138
2018	141
Base year 2015	158

Reduce emissions of nitrogen to water by at least 20 percent per tonne of finished product by 2021, compared to 2015.

20 g/tonne

Nitrogen to water

2020	**20**
2019	15
2018	16
Base year 2015	26

Reduce emissions of dust into the air from treatment facilities by at least 40 percent by 2021, compared to 2015.

29 mg/m³ntg

Dust to air[2]

2020	**29**
2019	13
2018	10
Base year 2015	17

ENERGY INTENSITY

Reduce energy intensity (kWh per tonne of finished product) by at least 17 percent by 2021, compared to 2015.

159 kWh/tonne

Finished product[3]

2020	**159**
2019	158
2018	161
Base year 2015	166

For further information on the goals see pages 46–47.

[1] Refers to emissions from all pelletising plants.
[2] Covers dust extractors throughout LKAB's operations.
[3] The key ratio for 2020 has been updated since the Year-End Report for 2020.

DRIVERS OF **INDUSTRIAL TRANSFORMATION**

Metals and minerals are needed in order to build infrastructure and buildings, to raise standards of living and for sustainable development around the world. At the same time, global greenhouse gas emissions must be drastically reduced – a necessary climate transition that creates opportunities to strengthen LKAB's competitiveness.

ECONOMIC GROWTH AND DEMOGRAPHIC SHIFTS

Economic growth, population increase and urbanisation are driving demand for metals and minerals. Today more than half of the world's population live in cities, a share that is expected to increase to nearly 70 percent by 2050. This brings about the need for infrastructure investments and increases demand for consumer goods. Forecasts suggest that around 1.8 billion new consumers will have joined the global middle class by 2030 – which will again increase the strain on the planet's resources.[1]

CLIMATE CHANGE AND FINITE RESOURCES

Demand for sustainability and responsibility is increasing throughout the value chain, from raw materials to end products. Within industry ever more stringent requirements are being made of resource-efficient production processes and solutions for managing waste. There is a particular focus on the energy issue and the need to phase out fossil fuels.

INDUSTRIAL TREND

RENEWABLE ENERGY REPLACING FOSSIL ENERGY

The transformation within the industry is largely about energy, since access to renewable energy is a limiting factor. In contrast to many other countries, Sweden has a relatively good supply of fossil-free energy – which puts Swedish industry in a stronger position. A transition to renewable energy sources requires extensive expansion of the global infrastructure, which in turn is also expected to increase demand for iron ore and steel. By 2050 half of global steel production is expected to take place in electric arc furnaces (EAFs) rather than blast furnaces. In markets that are rich in natural gas resources, electric arc furnaces are already common because the process uses natural gas rather than coke. The carbon footprint is around 50 percent less with this technology. In Europe blast furnace technology is dominant, which means that European steel companies are facing a more radical shift.

EXTRACTION IS INCREASINGLY COMPLEX

Securing the long-term supply of raw materials is becoming more challenging for the global mining industry. Factors include access to water and energy, decreasing ore quality, increased infrastructure costs for mines in ever more remote locations and transitioning to mining underground when orebodies close to the surface have been mined out. LKAB has a high quality ore, but needs to be ready to mine ore competitively at greater depths.

CIRCULAR ECONOMY

The circular economy means transitioning from linear business models, in which products are manufactured from raw materials that are used and then discarded, to circular models in which resources are reused. In addition to recycling scrap for steel production, there is growing interest in and incentives for utilising and processing residual products from production as resources.

[1] The Brookings Institution. https://www.brookings.edu/blog/future-development/2019/10/09/double-tipping-points-in-2019-when-the-world-became-mostly-rich-and-largely-old/.
[2] Jernkontoret.
[3] IEA, Energy, Technology Perspectives, 2020.

DRIVING DEMAND

+50%

Demand for steel is expected to increase by almost 50 percent by 2050.[2]

DRIVING TRANSFORMATION OF THE INDUSTRY

1/4

In total, the iron and steel industry accounts for a quarter of carbon emissions from industry worldwide.[3]

LKAB'S RESPONSE

FOSSIL-FREE PROCESSES AND ENERGY EFFICIENCY

Oil and coal need to be replaced by fossil-free alternatives such as wind, hydroelectric or solar power. The ambition within the iron and steel industry is to develop a process that uses hydrogen rather than coal for fossil-free steel production, and for this groundbreaking technological development is required. Developing the iron ore operations towards carbon-free sponge iron (DRI/HBI) means that LKAB will increase the degree to which the ore is processed, while at the same time emissions of carbon dioxide will decrease because sponge iron contains less oxygen that needs to be oxidised away in the process of making finished steel. LKAB is improving its energy efficiency by such means as reusing hot water in production and using low-energy equipment. Modernisation of the plants also makes a contribution, and a steady rate of production means stable energy use.

AUTONOMOUS AND DIGITALISED MINING

Efficient production plants and products with climate benefits can help improve LKAB's competitiveness despite mining at greater depths in the mines. After 2030 LKAB needs to be ready to mine iron ore deeper in the mines and intensive work is in progress to develop and build an efficient autonomous production system that is carbon free and offers the highest level of safety.

GREATER RESOURCE UTILISATION

Processing and developing by-products results in increased resource utilisation, as well as boosting profitability and creating new business opportunities. Among other things, LKAB is working to develop processes for extracting rare earth elements and phosphorous from the waste generated in iron ore production. Utilising slag from steel production to produce the concrete substitute GGBS that is in turn used in rock reinforcement in the iron ore mines is another example.

STRATEGY FOR THE **LKAB OF THE FUTURE**

LKAB's strategy sets out the path the company will take to achieve zero carbon emissions from its own processes and products by 2045 and secures the operations beyond 2060.

In its long-term strategy LKAB plans how to develop the mining through digitalisation, automation and new design, and also how hydrogen technology for the production of carbon-free sponge iron will be used on an industrial scale. The strategy also includes broadening the business by extracting critical minerals from mine waste.

LKAB is about to embark on the biggest transformation in the company's 130-year history. The goal is for processes and products to be carbon-free by 2045. That creates value for our customers and provides the conditions to more than double our sales and improve our competitiveness. In doing so, we also create the conditions for the investments required for competitive mining deeper in the mines and securing a future for the operations beyond the year 2060.

Tomorrow's progress is enabled today

LKAB will supply the carbon-free iron that is needed to build the cars, wind turbines and electric motors required for a global transition to a carbon-free future. The market for steel is forecast to grow by 50 percent by the year 2050, with the largest proportion coming from recycled steel from scrap and from sponge iron. Today, the world market price for scrap steel is twice that of iron ore pellets, and as the world transitions to address the climate threat it is expected that the market will pay a premium for carbon-free iron for steelmaking.

LKAB's transformation is a process that will take many years, with many development projects and initiatives that will be gradually integrated into the operations. To finance this transformation it is essential that the existing operations are profitable. The focus therefore remains on exploration, increased productivity and work to ensure that LKAB is a safe workplace where people can develop.

It is estimated that the transformation may require annual investments in the order of SEK 10–20 billion for a period of 15 to 20 years within LKAB's operations alone. In addition, investments in the expansion of renewable electricity and hydrogen will be needed to enable the transformation.

FOUNDATION

GROWTH

OPERATIONAL EXCELLENCE

EMPLOYEESHIP AND LEADERSHIP

VALUES

Securing competitiveness – through operational excellence and growth – within the framework of the company's existing structures creates the conditions for investing in the future. LKAB's transformation will be driven by an organisation where managers and employees enjoy optimal conditions for their work and a culture that breeds innovation, responsibility and commitment.

NEW WORLD STANDARD FOR MINING OPERATIONS

Mining iron ore while maintaining profitability and safety at greater depths demands that we significantly develop our technology and our methods of extraction. Extensive work is under way in which LKAB is applying digitalisation, automation, electrification and new ways of working to develop a new world standard for mining operations. This development is taking place in cooperation with strategically selected partners in industry.

HIGH VALUE-ADDED

LKAB's niche position is based on magnetite ore with a high iron content that is upgraded into iron ore products for steel customers with high requirements of quality and sustainability. By switching from iron ore pellets to carbon-free sponge iron we are taking an important step forward in the value chain, increasing the value of our products further and at the same time giving our customers direct access to carbon-free iron for steelmaking.

CARBON-FREE → **2045**

CARBON-FREE SPONGE IRON

A key element in the shift to producing carbon-free sponge iron is that LKAB develops new technology for upgrading iron ore that replaces energy from fossil fuels with hydrogen produced using carbon-free electricity. In parallel, switches to carbon-free energy sources are to be made throughout the value chain from mining to finished iron.

STABLE AND RESOURCE-EFFICIENT PRODUCTION

To be competitive LKAB needs to spread its costs over greater production volumes. We are doing this by securing the supply of crushed ore in parallel with strengthening production capacity. The status of the facilities is being improved through strategic planning of maintenance while gradually introducing new technology and new methods from the development projects into the existing production structure. The ambition is to increase productivity by 40–50 percent while also transitioning to carbon-free production.

EXTRACTING CRITICAL MINERALS FROM MINE WASTE

By developing and industrialising technology and processes, strategically valuable earth elements, phosphorus, fluorine and gypsum will be extracted from the tailings that result from mining iron ore. This will take LKAB into new end-markets for minerals applications, such as agriculture through phosphorus-based mineral fertiliser and environmental technology through batteries and permanent magnets. Other mineralisations that can be extracted from the ore are also of interest. LKAB sees opportunities and synergies from collaborations and acquisitions that strengthen the offering based on an increased share of own mineral reserves.

COMPETITIVENESS TODAY **SECURING THE FUTURE**

CHALLENGES

Sweden's biggest industrial investment
The strategy involves probably the biggest industrial investment ever made in Sweden. We are not talking about one individual investment, however, but rather a series of investment decisions based on experience and insights gained along the way.

Technological leap
LKAB is to mine ore at a greater depth than ever before – toward 2,000 metres underground. To do this safely and cost-effectively, a technological leap is needed.

Securing the energy issue
A third of the electricity produced in Sweden today will be required to scale up to profitable industrial production of carbon-free sponge iron using hydrogen technology. The production and distribution of electricity therefore presents a significant challenge.

Efficient and legally secure permit processes
At present, permit processes are protracted and unpredictable – a major challenge for the transition to carbon-free processes and products, as forward planning and foresight are critical for success.

THE PACE **OF TRANSFORMATION**

The transformation in the period up to 2045 is a long process in which the exploration and development projects conducted by LKAB in recent years will form the foundation for the way forward.

2025
Decision on whether to mine deeper in the iron ore mines or whether to mine out current mineral resources

2027
Industrial park for extracting critical minerals from mine waste

2035
New world standard for mining at great depths results in increased production (Malmberget, Kiruna)

→ **Permits**

THE MINE OF THE FUTURE

2030
Infrastructure investment for expansion in the mines (Malmberget, Kiruna, Svappavaara)

2020
LKAB produces the world's first fossil-free pellets

2033
Sponge iron plant in production (Malmberget)

→ **Hydrogen technology is our way forward / Carbon-free sponge iron**

PROCESSING OF THE FUTURE

2030
Sponge iron plant in production (Malmberget)

The positive results of the extensive exploration work conducted in recent years provides the most important basis for decisions on future investments.

THE MINE OF THE FUTURE

Mining is complex and capital-intensive, and planning horizons are long. Around the mid-2030s, when the current main haulage levels are expected to be mined out, LKAB needs to be ready to mine iron ore deeper down in the mines. This means that a decision on whether to extend the infrastructure deeper down must be made no later than 2025.

▸ *Read more about the next-generation mining initiative on page 27*

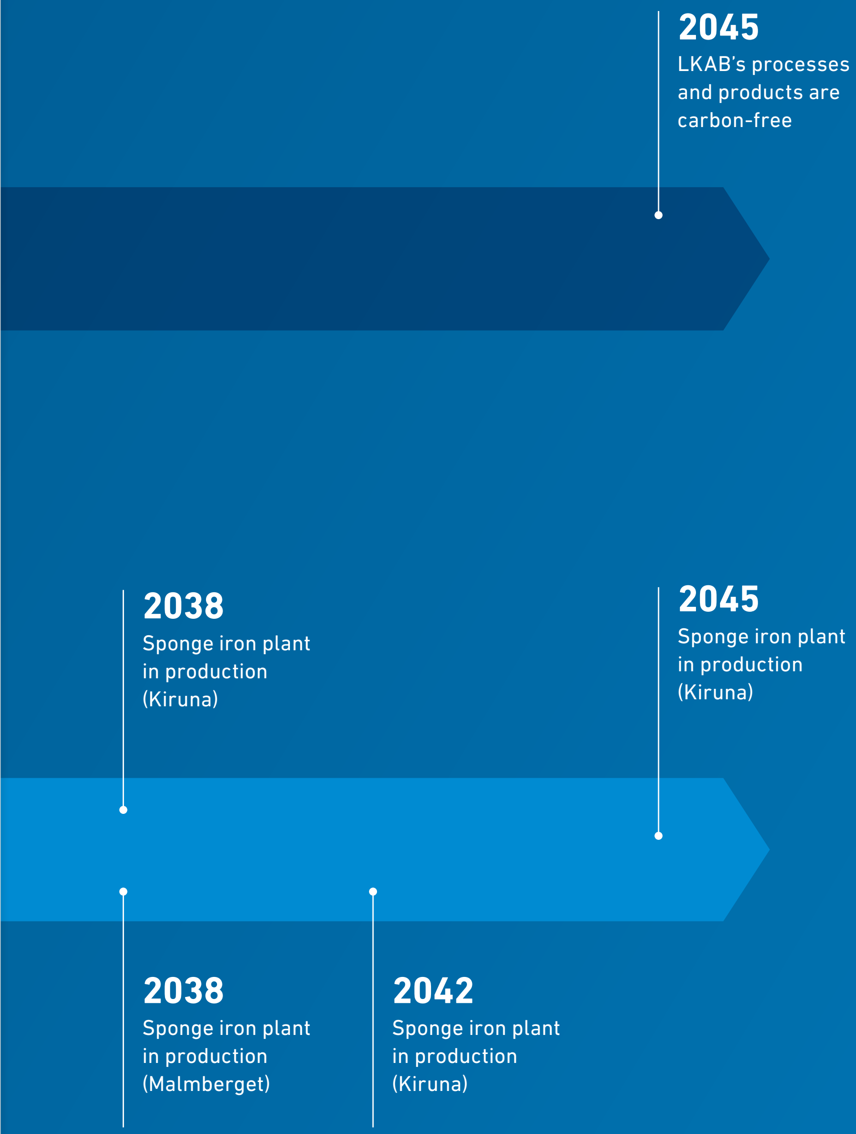
In parallel, work to develop new mineral products from the waste generated when mining iron ore continues. In 2027 a new industrial park for the extraction of mineral products will be complete. The ambition is that this will become a centre for the chemical engineering industry in the north, with a world-leading standard of clean products, energy efficiency and emissions. In partnership with academia and local businesses the industrial park will create jobs and attract unique expertise that strengthens the competitiveness of both LKAB and the region and enables new collaborations.

▸ *Read more about the development project on pages 34–35*

PROCESSING OF THE FUTURE

Within the HYBRIT initiative, which LKAB is conducting jointly with SSAB and Vattenfall, a pilot plant in Luleå was taken into use during the year. Now the industrialisation of the technology begins, the next step being a demo plant for the production of 1.3 million tonnes of fossil-free sponge iron in Malmberget. This is an important step on the way to LKAB's carbon-free sponge iron. The plan is for the demo plant to be ready in 2026, after which it will be integrated with LKAB's production and transformation plan.

In total six sponge iron plants are planned by 2045 – three in Kiruna and three in Malmberget. Decisions on the new technology for producing sponge iron must be made no later than 2025. The plan is that the first plant in Malmberget will be ready by 2030 and the first in Kiruna by 2038. In the longer term LKAB's current pelletising plants will be phased out and replaced or converted. This is a long process and LKAB will be a supplier of iron ore pellets at the same time for many years to come.



HOW WE **CREATE VALUE**

Cooperation and a long-term approach have been characteristic of LKAB since the company was formed. We have a strong tradition of taking responsibility and being a positive force for development – as a supplier to a global industry, but also as an employer, a collaborative partner and as a part of the community.

LKAB'S VALUES FORM THE BASIS OF EVERYTHING WE DO, AND OUR VISION AND MISSION DRIVE US FORWARD

CUSTOMERS

LKAB's upgraded iron ore products contribute to increasing our customers' productivity, profitability and sustainability. Our products have environmental benefits that result in reduced carbon emissions and less waste to landfill. Industrial minerals complement the offering and add value for customer segments outside the steel industry.

EMPLOYEES

LKAB is a leader in technology and innovation in the industry and offers employees many interesting career and development opportunities. As an employer LKAB aims to offer work/life balance and a secure and inclusive work environment characterised by diversity. Strong employeeship and leadership contribute to engagement and motivation among LKAB employees.

SUPPLIERS

LKAB is a significant purchaser of goods and services, contributing to jobs and revenue at our suppliers. We conduct extensive strategic development projects in close partnership with a number of suppliers. LKAB monitors its supply chain from a sustainability perspective and by setting performance requirements for sustainability LKAB contributes to and supports the suppliers' development.

COMMUNITIES

Access to minerals is essential for manufacturing everything from mobile phones and computers to wind turbines and solar panels. LKAB currently accounts for around 85 percent of Europe's iron ore production and is a growing supplier of industrial minerals. We are one of Sweden's biggest exporters and a significant employer in our operating locations. LKAB actively contributes to creating attractive communities with good residential environments, schools and community functions. We also work towards the UN Sustainable Development Goals.

OWNER

LKAB is one of the most responsible and sustainable mining and minerals companies in the world. Innovative and resource-efficient production combined with effective risk management help produce a good return for our owner. By collaborating on fossil-free steelmaking and the transition to carbon-free processes and products, LKAB aims to contribute to Sweden's climate goals.

28.5 Mt

iron ore products delivered in 2020, of which 84 percent are climate-efficient pellets

4,500 +

the average number of employees is more than 4,500 and LKAB creates further jobs both directly and indirectly

SEK 18 bn

paid to suppliers during the year

> SEK 4 bn

paid out for urban transformation during the year

–84 %

LKAB's reduction in carbon emissions in pellet production since 1960

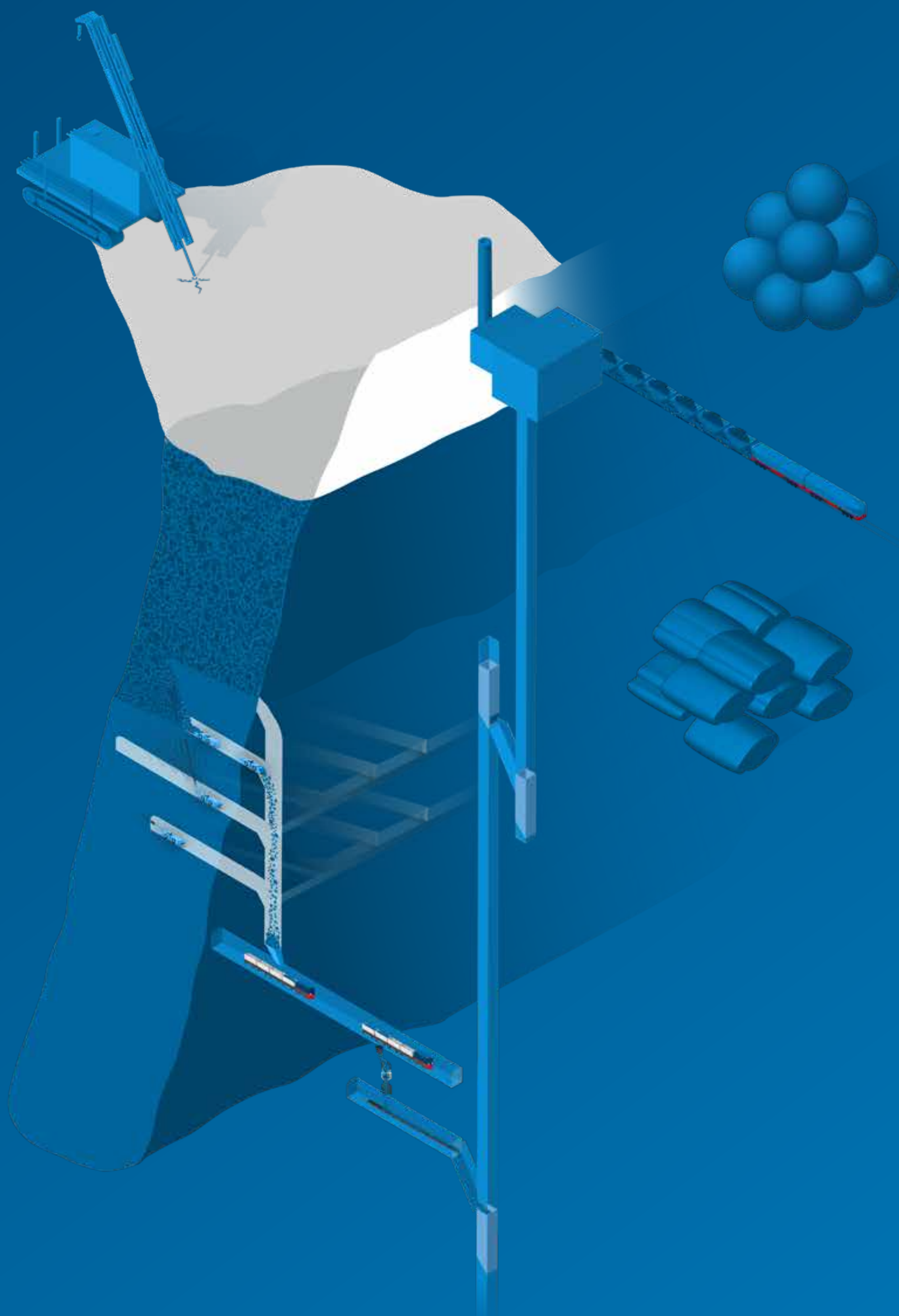
UN SUSTAINABLE DEVELOPMENT GOALS

LKAB is contributing to the UN Sustainable Development Goals (SDG). We are focusing our efforts on the goals where we have the most opportunity to make a difference.

Read more about how we are contributing to the Sustainable Development Goals on pages 129–131.

THE GLOBAL GOALS
For Sustainable Development

IRON ORE
BUSINESS AREA



FLEXIBILITY IN PRODUCTION AND SALES

In 2020 LKAB achieved record deliveries of 28.5 (24.9) Mt and production amounted to 27.1 (27.2) Mt. However, the year brought great challenges associated both with the global market situation and with production.

After a clear deterioration in the outlook for the European home market in the second half of 2019, LKAB decided that in 2020 it would offset cutbacks among regular customers by turning to other markets. These efforts were successful and resulted in historically strong deliveries, including sale of the inventories that had been built up. LKAB demonstrated great flexibility during the year, for example by loading more vessels for China via the port in Luleå and thereby temporarily relieving the port in Narvik, which contributed to the level of deliveries.

Overall, production also went well during the year. As in the rest of the world, managing the coronavirus pandemic placed great demands on the organisation. Although the impact on production volumes was marginal in the end, changes to procedures and levels of sick leave among colleagues made the work more demanding for LKAB employees.

In the night to 18 May a historically severe quake was registered in the mine in Kiruna with a magnitude of 4.1 at a depth of 1,108 metres. Nobody was injured, but the event caused significant damage in the mine. Following safety inspections around 70 percent of production was able to be resumed relatively quickly. During this period the processing plants in Kiruna were supplied with crushed ore redirected from the other mines. Work to repair the damage and ensure future safety has made good progress and it is hoped that full production will be resumed in 2022.

FROM MINE TO PORT

Every day, 365 days a year, the volume of iron ore mined in LKAB's mines is enough to provide the steel to build around six Eiffel Towers. The ore is mined in the underground mines in Kiruna and Malmberget and in the Leveäniemi open-pit mine in Svappavaara. The iron ore mined is subsequently upgraded in our processing plants. The iron ore products are then transported along the Ore Railway to the ports of Narvik and Luleå for shipment to customers around the world.

MSEK
31,727
Sales by the Iron Ore business area during the year

27.1 Mt
Iron ore products produced

28.5 Mt
Iron ore products delivered

TOP 5 PELLET PRODUCERS ON THE SEABORNE MARKET[1]

NO.	COMPANY	EXPORTS, MT
1	Vale	22.4
2	LKAB	19.1
3	Ferrexpo	13.0
4	Cliffs	10.5
5	Rio Tinto (IOC)	9.5

[1] Wood Mackenzie.

MARKET DEVELOPMENTS

In an overall perspective, LKAB is a small player on the global iron ore market. Our competitiveness is based largely on technical leadership and a strong niche position as a supplier of climate-efficient highly upgraded iron ore products.

Steel is the locomotive

Over the years 2000 to 2020 global steel production increased from 0.8 to 1.9 billion tonnes. By 2050 the figure is expected to have increased further to 2.8 billion tonnes. China accounts for around half of the world's steel consumption and although Chinese growth has slowed, the country is a clear driver of global demand for steel.

The coronavirus pandemic had major consequences for many manufacturing industries, which held back demand for steel in the first half of the year. However, the market recovered faster than expected and demand for steel, and thus also ironbearing materials such as iron ore, increased substantially towards the end of the year. Nonetheless, global steel production decreased by 0.9 percent compared with 2019.

The outlook for long-term demand remains positive. LKAB, which in global terms is a niche supplier to the steel industry, is still in a situation in which demand for its iron ore products outstrips production capacity.

Challenges in our main market

The steel companies are not just customers, but also strategically important business partners. Achieving long-term reductions in emissions from steelmaking is a high priority for these companies, and our geographical proximity also gives LKAB a freight advantage over competitors. Within the EU, LKAB accounts for around 85 percent of iron ore production.

We went into the year with a market situation in which steel production had decreased, leading to a temporary oversupply of pellets that pushed down the level of the pellet premium in Europe. When large parts of Europe locked down during the spring as a result of the coronavirus pandemic demand for steel fell further, particularly from the automotive and engineering industries.

LKAB had already begun redirecting certain deliveries to markets beyond those normally regarded as home markets in the second half of 2019 and this work was therefore intensified in the second quarter of 2020. At that time demand on the Asian market was relatively good, particularly in China, and LKAB was also able to sell off inventories that had built up in 2019.

Towards the end of 2020 demand for steel increased substantially, including in Europe. The global spot price for iron ore increased by around 70 percent during the year and the average price was around 17 percent higher than in the previous year.

In 2020 Europe accounted for 55 percent of LKAB's sales, compared with 61 percent in 2019 and 77 percent in 2018.

Other markets more stable

The Middle East and North Africa (MENA) is LKAB's second biggest market. The supply of natural gas and shortage of scrap means that a large part of steel production takes place through a direct reduction process based on natural gas. In order to efficiently produce iron via direct reduction, high quality pellets with a high iron content are required. The market is driven by economic development in the region, which to a large extent is oil price-dependent. Although oil prices fell, and were even negative for a period, the market for iron ore pellets was more stable than in Europe. The region did not lock down to the same extent, and so LKAB was able to maintain a large part of its delivery volumes for direct reduction pellets (DR pellets).

The USA has a strong domestic pellet market with limited impact on the international seaborne market. The introduction of tariffs on steel in 2018 drove up national steel prices. Improved profitability provided an incentive to increase steel production, which created a stable need for pellets and high demand for scrap. This effect has gradually petered out and domestic steel prices fell as demand decreased and restrictions on production were introduced. Towards the end of 2020, however, demand for steel also increased in the USA. LKAB sells only a small part of its iron ore production to the American market, but demand during the year was stable.

Steel production in Turkey follows general developments in the country and has been stable over the past year. Strong domestic steel consumption and renewed exports to the Far East compensated for the decreasing opportunities for exports to other regions due to Covid-19 and increased protectionism. Demand for pellets from Turkey increased during the year, in contrast to developments elsewhere. Turkey's stable demand for pellets is considered reliable.

+14 %

increase in LKAB's deliveries in 2020

55 %

of the Iron Ore business area's sales were exported to Europe, 23 percent to the Middle East and North Africa, and the remainder to the rest of the world, including Turkey

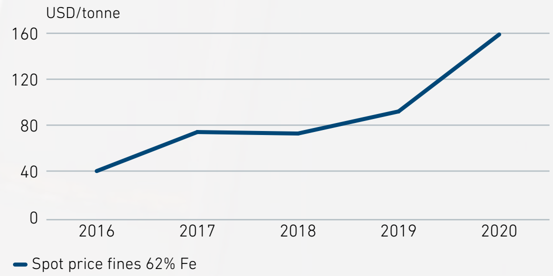
84 %

of the deliveries comprise pellets, 16 percent are fines

SUPPLY AND THE SPOT PRICE IN THE IRON ORE MARKET

Global spot prices for iron ore were not impacted to the same extent as for other commodities, and developed strongly and positively for most of the year. Decreased demand for iron ore in certain regions was balanced by stable demand in China combined with a decreased supply of seaborne ore. When demand increased again towards the end of the year the market found it difficult to keep up, and prices for iron ore rose to historically high levels. At the end of the year the global spot price was USD 159/tonne. The average for the full year was USD 109/tonne.

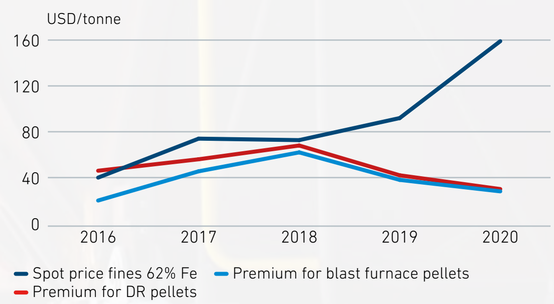
DEVELOPMENT OF THE SPOT PRICE[1]



UPGRADING MAKES US COMPETITIVE

Based on the current supply of and demand for iron ore fines on the spot market, the price of various iron ore products is set according to their quality, iron content and shipping cost. A higher degree of processing (upgrading) and higher quality result in a premium on top of the applicable market price for fines. For LKAB, which has ore with a high iron content but more expensive mining costs, it is key that upgraded quality products are sold with a price premium. The market climate in the first half of 2020, with steelmakers' margins squeezed, affected their choice of iron-bearing materials. Depressed steel markets in Europe and MENA, combined with a temporary oversupply of pellets, squeezed the premium, but the high underlying iron ore price meant that profitability was maintained.

DEVELOPMENT OF THE IRON ORE PRICE AND PELLET PREMIUM[1]

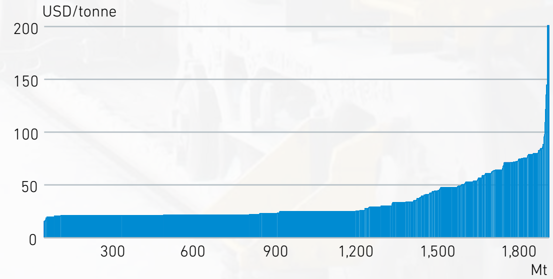


COST PER TONNE IS CRUCIAL

The mining industry is capital-intensive and the costs need to be spread across more tonnes produced in order to remain competitive. The production cost per tonne ("cash cost") is a way of assessing the competitiveness of a company's production volumes and is regularly listed by independent analysts. LKAB's relative position on the cost curve is close to the global average for pellet producers. Mining iron ore at great depths is complex and as LKAB plans for the autonomous and carbon-free mining of the future at even greater depths, it is key that the operations also become more efficient and that production volumes are increased.

CASH COST IRON ORE PRODUCERS[2]

Cost level per iron ore producer and cumulative iron ore production globally



[1] Platts and Refinitiv.
[2] Wood Mackenzie.

BUILDING ON COMPETITIVE **MINE OPERATIONS**

The most important strategic issue for LKAB in the immediate future is to secure the mining down to existing main haulage levels. Stable high production in our existing production structures is a precondition for our being able to invest in technological advances and development projects for future carbon-free production.

Extensive exploration

Successful exploration is the basis of all mining operations. In the past two years LKAB has substantially increased its exploration efforts in order to secure production after the current main haulage levels are expected to be mined out. Among other things, the results provide a basis for decisions on coming investments in mining at even greater depths.

The exploration is focusing on areas next to the current mining areas, with the aim of securing a billion tonnes of mineral resources in Kiruna, 500 million tonnes in Malmberget and 250 million tonnes in Svappavaara by 2023.

The exploration work is progressing according to plan. During the year the mineral resources increased by 45 percent as a result of exploration, from around 1.2 to 1.7 billion tonnes, of which 713 million tonnes of ore belongs to the Kiruna area.

In 2020 LKAB carried out test drilling in central Kiruna, among other activities. The drilling was carried out in close dialogue with those living nearby and the Sami communities. The exploration work is continuing in 2021, when there will be particular focus on exploring the area known as Per Geijer east of Luossavaara in Kiruna. This contains above all high concentrations of iron, but also phosphorus and rare earth elements that are of interest to LKAB.

In Malmberget the exploration work has also continued according to plan; likewise in Svappavaara, where the focus during the year was on Gruvberget. In 2021 the exploration work will also be intensified in Leveäniemi in Svappavaara.

LKAB invested around SEK 425 million in exploration in 2020. It is estimated that a further SEK 700 million will be invested in 2021 when the drilling in the Per Geijer area and in Svappavaara is expanded, while at the same time exploration continues next to the Kiruna mine and in Malmberget. The exploration organisation was expanded during the year by around 15 employees and a further 10 or so will be recruited at the beginning of 2021.

▸ *See Mineral resources and mineral reserves on pages 145–149.*

Access to land

Continued mining requires parts of Kiruna and Malmberget to be gradually relocated as the mining extends further out. Getting zoning plans and environmental permits approved in time is a challenge, but is crucial for the joint future of LKAB and the communities.

▸ *Read more about the transformation of the communities on pages 28–29.*

Safe and productive mines and plants

A strong safety culture and strategic maintenance work ensure high, consistent production. Maximising the production volumes is key to keeping costs per tonne down and securing margins and cash flow. During the year LKAB invested in a number of significant maintenance

PRIORITIES

Production and productivity
- Secure the mining down to existing main haulage levels
- Production stability and safety

Access to land
- Cooperation for legally secure permit processes
- Transformation of the communities with consensus in the operating locations

Exploration
- Achieve target for indicated mineral resources
- Expand analysis to include mapping of other valuable elements

Development for the future
- Skills development
- Technological development for mining at great depths
- Shift to production of carbon-free sponge iron

EXPLORATION EXPANSION PLAN

2019–2021	2022–2023	2024–2027
Define the potential for expanding mineral resources	Indicated mineral resources	Infill drilling[1] and studies to elevate to reserves

As a first step, the geological potential will be verified. After that there will be an intensive drilling phase to define indicated mineral resources equivalent to one billion tonnes in Kiruna, 500 million tonnes in Malmberget and 250 million tonnes in Svappavaara. Further studies and surveys will then be carried out to elevate these to mineral reserves.

[1] Drilling between existing drill holes.

projects. These efforts impact production in the short term, but increase the stability and productivity of existing production systems.

Production of crushed ore in the Kiruna mine was impacted during the year as a result of the seismic event in May. The forecast for 2021 is that mining volumes will remain lower, but deliveries are not expected to be impacted as the volumes will be compensated by crushed ore from other mines.

Developments in safety work were positive during the year, with an accident rate of 6.3 compared with 6.8 in 2019. Maintaining the safety culture is a constant task involving strengthening both leadership and responsibility among the employees' for their own safety and that of their colleagues.

Remediation and dam safety

It is unavoidable that mine operations will lead to changes in the surrounding landscape. Awareness of how mining affects ecosystems, biodiversity, the reindeer herding and tourism industries and local residents for example, are key issues for LKAB.

Within remediation important work is taking place with the ambition of achieving a biodiversity net gain. This means that when the mining has ended and the areas are to be returned to nature, LKAB is to contribute to establishing higher biological values than existed before mining began.

Dam safety is also a matter that has high priority since a failure could have major consequences for the economy, the community and the environment. LKAB carries out continual proactive and systematic dam safety work that is monitored by independent audits.

Read more about Environmental responsibility and environmental impact on pages 44–47.

IN FOCUS

REVOLUTIONARY INVESTMENT IN **CARBON-FREE SPONGE IRON**

LKAB is working with SSAB and Vattenfall to develop iron- and steelmaking technology with the aim of producing carbon-free sponge iron, in order to reduce global carbon emissions.

The HYBRIT initiative is a joint initiative by LKAB, SSAB and Vattenfall to secure a fossil-free value chain from mine to steel. The idea behind the development of this technology is to use hydrogen in the reduction process – hydrogen that has been produced using electricity from Swedish fossil-free sources. The residual product is ordinary water.

Replacing coal and oil with fossil-free fuel in LKAB's upgrading process is a necessary step. In June a bio-oil plant was taken into operation at LKAB's site in Malmberget and now supplies one of the existing processing plants; in November, LKAB produced the world's first iron ore pellets using fossil-free fuel. In parallel, tests are taking place with other carbon-free and fossil-free heating technologies at LKAB's experimental facility in Luleå.

"Bio-oil is an important step in the transformation process for a fossil-free future, even though LKAB's goal is to transition to entirely carbon-free alternatives in the longer term. We are pleased to have in place the first iron ore products produced using entirely fossil-free fuel, which can then be processed further into steel," says Christian Fredriksson, a specialist in combustion.

In spring 2021 it was decided that, as part of the HYBRIT initiative, a joint demo plant would be built for the production of fossil-free sponge iron in Malmberget. This collaboration is an important part of LKAB's plan for developing processes that are entirely carbon-free by 2045. In order for the new technology to have the effect the world hopes for, a long-term plan needs to be put in place now to move from developing the technology to industrial large scale application enabling us to offer carbon-free sponge iron on a global market.

Read more at www.hybritdevelopment.com

NEXT GENERATION LKAB

A major challenge in the years ahead is to develop, plan and install a new mining system below the current main haulage levels.

Extensive work is taking place in which LKAB is developing new upgrading processes, and our plants are to be converted to carbon-free production and transition from producing iron ore pellets to sponge iron (DRI/HBI) produced using carbon-free hydrogen. The profitability of the existing iron ore operations is largely expected to finance the huge investments required. LKAB therefore needs to secure the mining down to the current main haulage levels and achieve cost-effective safe and stable production.

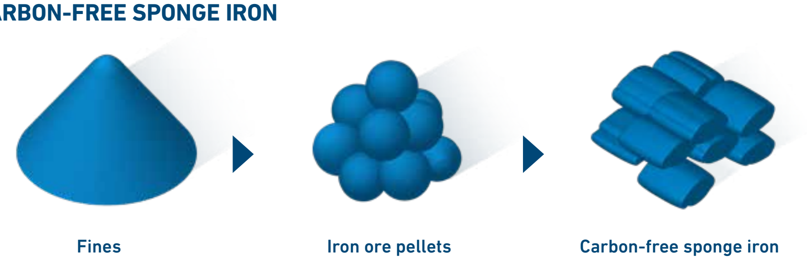
The efficiency of the current structures must be improved without tying up too much capital in existing, old technology. LKAB has a history of major technological advances and just as previously, the starting point is doing what is strategically right in the long term, for future generations. The entire chain, from mining to logistics, will undergo extensive transformation for a long time to come as the market for carbon-free iron and LKAB's operations are developed.

Unique product – unique position

In global terms Sweden is a small producer, but the country has a unique geology that provides unusually good conditions for mining iron ore. The bulk of LKAB's iron ore is high-value magnetite; 90 percent of the Earth's other known iron ore resources consist of hematite. The difference between magnetite and hematite is just one small oxygen atom – but this little difference is highly significant. Magnetite requires half as much energy as hematite during the firing process for pellets.

LKAB mines in the world's two largest underground mines for iron ore. By developing technology and processes for large-scale underground mining we have succeeded in making the mining profitable. Now the next technological advances await.

A GRADUAL TRANSITION FROM IRON ORE PELLETS TO CARBON-FREE SPONGE IRON



A TRANSFORMATION THAT SECURES THE FUTURE

2/3
Global emissions decrease by the equivalent of 2/3 of Sweden's total carbon emissions

3
The effect is three times that of taking all cars off the road in Sweden permanently

x2
Increase in sales as a result of higher value added by processing

IN FOCUS

INDUSTRIAL COLLABORATION FOR THE MINING OF THE FUTURE

In the coming years LKAB needs to have a solution in place that will allow it to mine iron ore at depths approaching or exceeding 2,000 metres – carbon-free, digitalised and autonomous. To achieve this, collaboration with other leading industrial companies is vital.

Since 2018 LKAB has been running a collaborative project to develop a new world standard for mining at great depths in partnership with Epiroc, ABB and Combitech, and during the year Sandvik joined as a new partner.

The collaboration is highly complex, with the companies linking up both digital systems and operations. But with each company contributing its specific expertise, the foundation is being laid for development that benefits all parties.

"The collaboration is both unique and challenging as the structure, cross-functional teams and ways of working are being developed to fit all the companies," says Per Brännman, who manages the loading section in Kiruna.

Key to the collaboration is the Konsuln test mine in Kiruna, where new technology, machinery and working methods are being tested in a real mine environment. What is tested is implemented step by step and sometimes in parallel in the regular mining operations.

Per Brännman is described by his colleagues as the "bridge" between production in the Kiruna mine and the test mine.

"What we're doing in this collaboration involves major technological advances for a new world standard for the future of mining. It's big. But at the same time, it's development that is closely related to the operations."

With the aim of carbon-free, digitalised and autonomous mining, the Konsuln test mine is important for achieving the goals of increased productivity, better and safer work flows and carbon-free operations. Close dialogue and cooperation for the work ahead:

- An integration and collaboration platform, "LOMI" (LKAB Open Mine Integrator), has been developed that allows an open systems architecture in which all parties can develop modules and solutions that work together.
- ABB has provided solutions for visualising key functions and key ratios in the mine. The aim is that everything that happens in the test mine must pass through, be planned in or be managed via a project office above ground so that the underground work becomes more efficient.
- Epiroc has provided a rig for drilling opening holes and a mine loader with automation functionality for the test mine, and operators and maintenance personnel have been trained. The drilling rig has drilled holes of more than 50 metres in the test mine with good results, which is an important step for planning the future mine design. The mine loader is being tested with gradually increasing complexity of automation and interoperability.
- Combitech is constantly providing new solutions for system platforms in close collaboration with LKAB's IT department, testing out the synchronisation of new technology with existing systems.

MINING SECURES **COMMUNITIES OF THE FUTURE**

Right from the start in 1890, LKAB and the mining communities have grown and developed side by side. While changes can be challenging for those involved, future mine operations are the best way to ensure that the communities remain attractive and vibrant.

Few would question the fact that LKAB is highly significant for the economic development of both the operating locations and Sweden itself. We employ around 4,500 people and create further jobs in the region, both directly and indirectly. The mine operations impact the lives of nearly everyone who lives in the area.

The extensive changes in the communities in recent years as a result of the mining in Kiruna and Malmberget have taken place gradually. The majority of residents have been affected in some way. LKAB aims to take responsibility for the impact that the mining has by compensating those required to relocate and making it easier for them.

Joint roadmap for the future

The development of attractive and vibrant operating locations in partnership with the people who live there, the municipalities and local businesses is a key part of LKAB's strategy. The municipalities determine what form the new communities will take, while under the Minerals Act it is LKAB that pays for the costs that arise as a result of the mining.

These costs involve large amounts each year and are also a way for LKAB to invest in the region. Investing in the communities and in developing the region into an innovation hub for the global mining and minerals industry enables LKAB to attract people with the right skills and strengthen its competitiveness for the future. This is the best way to guarantee long-term welfare and secure jobs – something that is in the shared interest of all the parties.

Intensified exploration

Securing access to mineral reserves and mineral resources after the current main haulage levels are expected to be mined out is vital for the future. The current mineral reserves are estimated to last until around 2035, and LKAB is working to secure sufficient mineral reserves and mineral resources to allow continued mining in the even longer term.

Uncertainty surrounding the downward extent of the deposit in Kiruna has resulted in increased exploration efforts, and this work has been intensified since 2019. The results show, among other things, that the deposit extends northwards down to deeper depths, which is substantially different to what was previously thought.

During the year LKAB was able to set a clearer boundary and give notice of which

PRINCIPLES OF THE URBAN TRANSFORMATION

LKAB aims for development before phase-out, which means that new homes, commercial premises and important social functions are to be completed or under construction before previous built environments are phased out.

LKAB and the municipalities agree schedules for the urban transformation. The municipality determines what form the communities will take, while under the Minerals Act it is LKAB that pays for the costs that arise when mining makes the transformation necessary.

Property owners are offered an equivalent house or a sum of money equal to the market value plus 25 percent. For industrial and commercial properties LKAB again aims to find constructive solutions together with the property owners, according to the same principles.

LKAB compensates residential tenants for their removal expenses, offers staged rent increases and has negotiated lower rents with the Swedish Union of Tenants (Hyresgästföreningen) for tenants moving from phase-out areas into new-build replacement housing. The same principles apply in the case of commercial tenants.

properties are affected in the period up to 2035. To a certain extent the map of impact in Kiruna has been adjusted, which among other things means that around 20 properties that were previously expected to be affected will get to stay, while around 20 others have now been included in the plan for phase-out.

The exploration work is continuing and will mean continued uncertainty as regards the future impact on the community and the people who live here. As LKAB gains new knowledge of the extent of the deposit, further areas may be affected.

Zoning plan amendments in Kiruna and Malmberget

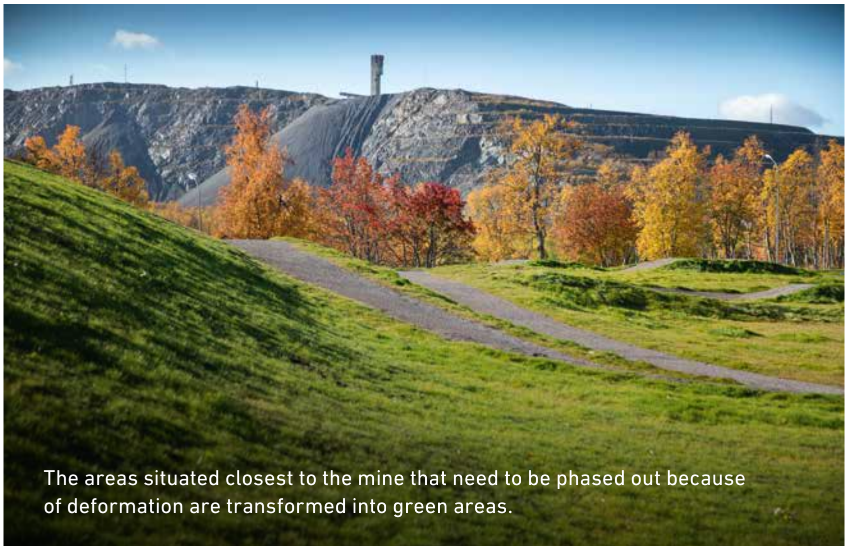
Mining requires long planning horizons and LKAB needs to secure access to the land impacted, through environmental permits and agreements with the municipalities and property owners. The timetables are key, and protracted or unpredictable zoning plan processes at the municipalities reduce LKAB's ability to plan ahead.

In 2020 the municipal councils in Kiruna and Gällivare made some decisions that were positive for LKAB, by adopting the zoning plans for area 2:4 in Mine City Park 2 in Kiruna and stage 3 and 5:1 for western and eastern Malmberget respectively, for converting the areas into industrial mining areas.

PROVISIONS FOR AND COSTS OF THE URBAN TRANSFORMATIONS

LKAB's provisions for the urban transformations in the Swedish orefields amounted to MSEK 14,272 (16,873) at year-end. The costs of provisions for the urban transformations in 2020 totalled MSEK 1,396 (1,441) – see also Note 31. Payments made amounted to MSEK 4,191 (2,624).

Read more at lkab.com and samhallsomvandling.lkab.com


The areas situated closest to the mine that need to be phased out because of deformation are transformed into green areas.

77%

of Gällivare residents take a positive view of the urban transformation and 83 percent have great confidence in LKAB's ability to shoulder its responsibility for the urban transformation

71%

of Kiruna residents take a positive view of the urban transformation and 82 percent have great confidence in LKAB's ability to shoulder its responsibility for the urban transformation

DEVELOPING THE REGION

The development of the communities is in an intensive phase that includes projects for the phase-out and relocation of selected cultural buildings, for the preparation of land, and for infrastructure in the development areas for building new homes and other important properties that need to be replaced.

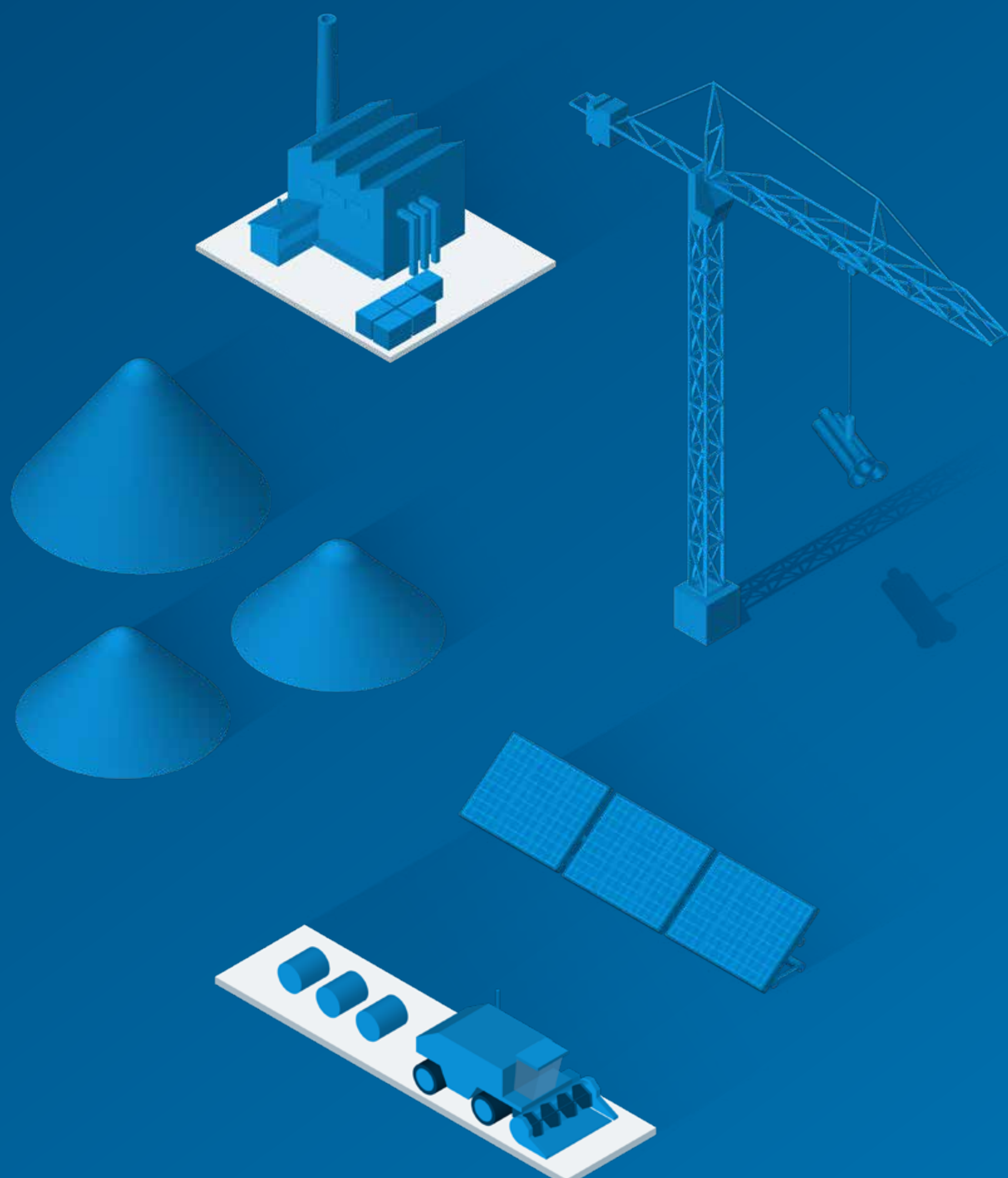
Among other things, LKAB's confidence in the region can be seen in its ambition to add further value by developing various social functions when new buildings are constructed. In 2020, for example, LKAB reached agreement with social infrastructure company Samhällsbyggnadsbolaget i Norden AB (SBB) and the Swedish Police Authority on the building of a new police station in central Kiruna. To meet the Authority's long-term needs the premises are being expanded and developed, bringing police operations in Kiruna together in one property rather than in two locations as previously.

Another milestone was the opening of the second stage of the E10 highway through Kiruna, which marked the end of a project started in 2017. The building of the road secures access to land for continued mining as well as securing communications to Kiruna's new city centre.

In the centre of Gällivare, Kunskapshuset was opened. This "house of knowledge" brings adult education and all upper secondary school programmes, both academic and vocational, under one roof. The building was made possible by an agreement between LKAB and the municipality concerning the replacement of municipal buildings, including the old upper secondary school that was located in the area impacted. The investment in Kunskapshuset is one element of promoting academic development and securing skills supply in the region.

An important new stage of residential construction has started at Bryggeribacken in Gällivare with rental apartments for LKAB Fastigheter and replacement single-family houses for residents of Malmberget, the first of whom have now moved in.

SPECIAL PRODUCTS BUSINESS AREA



BUSINESS DEVELOPMENT **STEPS UP A GEAR**

To enable growth that also strengthens resilience to fluctuations in the iron ore market, LKAB is broadening its business.

The Special Products business area currently accounts for around eight percent of the Group's external sales and has a clear mission to grow – organically, through innovation and development, and via acquisitions.

During the year the business area was negatively affected by the market situation, with lower sales of processed minerals as a result of extensive lockdowns in Europe during the spring in connection with Covid-19. Several of the industries to which LKAB supplies minerals are regarded as essential for society, however, and the operations in the UK, Finland, the Netherlands and Turkey were able to be maintained without interruption.

There has also been a major focus on development. Among other things, the business area provides services to the iron ore operations and development programmes, but above all it develops business opportunities within industrial minerals. The organisation was scaled up during the year.

Ambitions for the business area have been expanded to include the establishment of a fossil-free industrial park for extracting critical minerals from mine waste. All the processes in the industrial park will be electrified, which could eliminate carbon emissions almost entirely. The aims of the project include converting tailings from LKAB's iron ore production into products that are classified by the EU as critical raw materials due to a high dependence on imports and their great significance for the economy; examples include phosphorus and rare earth elements. Read more on pages 34–35.

The business area works actively to evaluate collaborations and acquisitions that create synergies. Among other things, it is investigating the possibility of realising graphite mining in the village of Vittangi in the Swedish orefields for the production of battery anodes, as well as the extraction of vanadium from mine waste.

MSEK 4,362

Sales for the Special Products business area during the year, of which MSEK 2,818 (3,250) were external sales

1/3

Over a third of the value of mineral sales stems from secondary materials that LKAB Minerals has developed into valuable products

30%

LKAB has the potential to supply the EU with up to 30 percent of its current requirements for rare earth elements

SUPPLEMENTING THE CORE BUSINESS

Within the business area LKAB develops products and services for industrial minerals markets as well as explosives, water-powered drilling technology, and rockwork and engineering services.

Strengthening LKAB's competitiveness
Services and products from LKAB's own companies secures cost-effective access to skills and resources.

Broadening the business
Growth opportunities in the global industrial minerals market, where innovation and recycling are creating valuable resources from mine waste. Acquisitions that create synergies accelerate growth.

MARKETS AND **MARKET DEVELOPMENTS**

Nearly all products and industrial processes require some kind of mineral, and as populations and economies grow so demand is also increasing.

Growing need for industrial minerals
A product or process can sometimes use various different minerals, and one mineral may have multiple areas of use. This makes it difficult to talk about a single industrial minerals market, like the iron and steel market, since in actual fact we are talking about many different minerals and even more areas of use.

Climate change and megatrends such as electrification are increasing demand – including the need for certain new types of minerals and metals. At the same time there is an expectation that resource efficiency must improve in all parts of the value chains and that the environmental impact of production processes must be reduced or eliminated. There is also increased awareness of how important minerals are for our economies and of the risks being highly dependent on imports. As a result, there is a will to develop value chains for sustainable minerals within regions such as the EU and within Sweden.

Customers impacted by Covid-19
Today LKAB has a leading position in the industrial minerals market for applications in areas such as construction, plastics, paints, agriculture and the chemicals industry. Sales during the year were impacted by the fact that many customers in Europe, particularly in the UK, were forced to downscale or entirely close their operations for some periods as a result of the coronavirus pandemic.

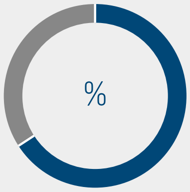
Since practically all industries depend on minerals, including industries considered to be critical for society in a pandemic, it was crucial that LKAB was able to keep production going. However, sales were significantly affected as regards road and water infrastructure projects, for example, as well as sales to customers that are subcontractors to the automotive industry.

Magnetite is the biggest product
The business area's biggest product is still magnetite, of which LKAB has its own resources. Magnetite accounted for 29 percent of sales in 2020 and demand is very good, particularly for applications associated with water treatment. During the year LKAB also made its final deliveries of the magnetite product MagnaDense to a gas pipeline project where it is being used as ballast in the heavy concrete with which the pipes are coated.

Mining and construction industries
The Special Products business area develops and produces technology and products of strategic importance for the business.

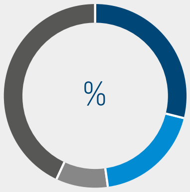
The subsidiary LKAB Berg & Betong carries out rock reinforcement and crushing for external customers, and today the company is Sweden's biggest producer of concrete. The water-powered drilling technology developed by LKAB, including the Wassara hammer that is used in LKAB's underground mining, is also sold to customers in the mining and construction industries globally. Uses of the Wassara hammer include work in sensitive environments, such as the major redevelopment of Slussen in central Stockholm. The external sales improve resource utilisation and generate revenue.

SALES BY REGION
Percentage of external sales (MSEK)



	%
Europe	66
Rest of World	34

SALES BY PRODUCT AREA AND SERVICE AREA
Percentage of external sales (MSEK)



	%
Magnetite	29
Mineral sands	19
Mining and construction services	9
Other industrial minerals	43

GROWTH AND **COMPETITIVENESS**

The industrial minerals market offers growth opportunities in a global market. Acquisitions that create synergies and increase market presence are continually evaluated.

Greater resource utilisation

Utilising resources efficiently strengthens the development towards a more circular economy. LKAB has long used waste rock from the mines to produce ballast materials for the construction industry in the region. Waste heat from the plants is utilised to produce environmentally friendly district heating.

Business development based on side streams along the value chain is a strategic focus area for LKAB. In addition to the development project for extracting mineral fertiliser (phosphorus) and rare earth elements, the possibility of extracting by-products from the waste generated in iron ore mining is being evaluated, for example. The possibility of utilising secondary flows is also looked at when LKAB evaluates potential acquisitions.

Growth opportunities

The minerals business today encompasses around 30 minerals but over the coming five-year period, through growth and consolidation, it is to be developed into fewer larger product groups for attractive markets. The focus is on developing and acquiring our own mineral reserves, and the areas of use for these. In addition, LKAB will continue to develop sales of minerals that we already extract – mainly magnetite and huntite from our own mines, as well as a number of minerals from other producers' mining and secondary material flows that LKAB processes. The cement substitute GGBS, which is made of blast furnace slag from steelmaking, is an example of an important product based on secondary material flows.

LKAB's industrial minerals business is aimed primarily at the following market segments:

- Agriculture: mineral fertilisers, soil improvers, feedstuffs
- Clean technology (cleantech): batteries, generators and renewable energy production
- Construction and engineering: cement, concrete, floor screed, roads
- Manufacturing industry: water treatment, sponge iron, plastics and coatings

During the autumn the European Commission launched the European Raw Materials Alliance initiative, which aims to secure access to critical raw materials and reduce dependence on imports. Increasing the degree of self-sufficiency is high on the agenda both nationally and within the EU. LKAB has the potential to secure up to 30 percent of current requirements for rare earth elements within the EU and is an important partner in the alliance.

Improving the efficiency of iron ore mining

The business area plays a key part in the work on the test mine for developing a new world standard for mining operations. In this development LKAB also needs to secure the skills and resources for engineering services and rockwork associated with an entirely new production structure. Similarly, it is key for today's production, to be able to provide world-class maintenance using our own resources for important areas and major production measures.

STRATEGIC SERVICES AND PRODUCTS IN OUR OWN COMPANIES

LKAB WASSARA sells advanced drilling systems. The patented water-powered drilling technology was developed by LKAB to improve the efficiency of iron ore mining in its own underground mines.

LKAB BERG & BETONG offers mining and construction services such as drifting and rock reinforcement. The company is also one of Sweden's largest producers of concrete.

LKAB KIMIT develops and produces explosives in bulk and packaged form.

LKAB MEKANISKA offers engineering services and production.

PRIORITIES

- Develop and acquire own mineral reserves
- Evaluate collaborations and synergies
- Consolidation of the industrial minerals portfolio
- Secure skills and resources for the iron ore business
- Processing
- Maintenance

IN FOCUS

TURNING TODAY'S WASTE INTO **TOMORROW'S RESOURCES**

LKAB is driving a development project for extracting phosphorus and rare earth elements from mine waste. During the year the ambition was expanded to encompass building a fossil-free industrial park that also produces inputs – including hydrogen – using electrified processes.

Increasing environmental performance and reducing impact

Within the Special Products business area many different innovation projects are being conducted which meet at least one of three criteria: extracting more products from existing production and its side streams, reducing the impact of production or improving environmental performance in its intended application for the customer. The ReeMAP development project is an important project within the business area that meets all three criteria.

"There are shortages of both phosphorus and rare earth elements on the world market. The residual products from LKAB's mines include both phosphate minerals and rare earth elements – materials that until now have been deposited in rock piles," explains Lars Vikström, Chief Technical Officer for the Special Products business area.

Resources for agriculture and green technology

Phosphorus mineral fertilisers enable rich harvests through the efficient application of plant nutrients. Without mineral fertilisers our agricultural production would be halved. The purity of the products is important, and LKAB's planned phosphorus mineral fertilisers will be free from substances such as cadmium – a substance harmful to health that can be present in some materials imported into the EU. Rare earth elements are used in many high tech products, such as permanent magnets in electric vehicles and wind turbines.

Ulrika Håkansson is the Business Development Manager with responsibility for the preliminary study: "Inputs have to be sustainably produced in order to bring about the transformation of other industries. For example, life cycle analysis of a kilo of wheat shows that as much as a third of its current carbon footprint comes from mineral fertilisers."

In the planned industrial park that is part of the project, gypsum and fluorine products will also be produced using hydro-chemical processes. Fossil-free energy – for example, from hydroelectric power or wind power – will be used throughout all production.

Establishing a fossil-free industrial park

The initiative was launched as a development project in 2018, but its ambitions have been expanded from the extraction of phosphorus and rare earth elements to the establishment of a chemical park that also produces other inputs, including hydrogen. The aim is to electrify all processes, which could eliminate carbon emissions almost entirely. For LKAB this project also provides the opportunity to develop skills and expertise, as well as

GREATER RESOURCE UTILISATION AND REDUCED CARBON EMISSIONS

the early industrialisation of large-scale hydrogen production that could be useful in the production of carbon-free sponge iron.

"The development organisation has been scaled up during the year and will continue to be expanded, so that by 2027 we will be able to have plants in operation in a brand new industrial park as well as apatite plants next to the mines in Kiruna and Malmberget."

Important for Sweden and Europe

The industrial park will be a driver of resource efficiency and green transition. The opportunity to exploit synergies for producing both inputs and by-products alongside phosphorus means the industrial park will be big. It is a nearly SEK 10 billion investment that is expected to generate hundreds of jobs and which could also attract other peripheral businesses.

"An area of up to 500,000 square metres will be needed for our own plants in the industrial park. Rail links and access to ports are also important, since we will be shipping towards one million tonnes of products per year. Production also requires good access to renewable energy."

The industrial park will create the conditions for innovation clusters and collaborations. New knowledge will be developed at the same time as European access to critical raw materials is increased.

"This is a courageous and important investment, and those of us working on the project are incredibly pleased to have been entrusted with driving it to industrial scale. By our calculations we will be able to supply up to 30 percent of Europe's requirements for rare earth elements and the equivalent of five times Sweden's requirement of cadmium-free mineral fertilisers for agriculture – as well as Sweden's entire demand for gypsum."

Sights set on 2027

When the apatite plants and industrial park may be up and running will depend on technical developments and the pre-engineering, but also relies heavily on external factors – where once again environmental permit processes are a challenge.

"Our aim is to get going as quickly as possible. There is so much to be gained. We will recycle materials that have already been taken up out of the ground and create products that are needed for climate transition in several industries, and we will do so using fossil-free processes," concludes Ulrika Håkansson.

SCHEDULE FOR APATITE PLANTS AND INDUSTRIAL PARK

2020–2021	2022–2026	2027
Preliminary study and pilot	Pre-engineering, environmental permits and construction	Full production

APATITE CONCENTRATE IS THE FIRST STEP

Apatite plants are to be sited directly next to LKAB's iron ore production, using flotation to produce a pure apatite concentrate from tailings sand. The apatite concentrate is transported by rail to the industrial park where it is processed further. In the industrial park the apatite is dissolved with hydrochloric acid, creating a pure phosphorus product and separating out rare earth elements and fluorine products. Phosphorus is then processed with ammonia to produce mineral fertiliser. The hydrochloric acid is regenerated using sulphuric acid and forms gypsum.

During the year LKAB opened a pilot plant for the production of apatite concentrate. The plant is mobile and is built on container platforms so that it can be moved easily within and between LKAB's operating locations in Kiruna and Malmberget. Tests using tailings sand from the two mines are being carried out as part of production campaigns in the various locations. There are several steps, the central process being flotation – in which the apatite mineral floats up and is skimmed off. LKAB is now also working intensively to develop the chemical processes for the further processing that will take place in the industrial park.

OUR EMPLOYEES **ARE DEVELOPING A SUSTAINABLE FUTURE**

LKAB is leading the transition to the sustainable mining and minerals extraction of the future. The ability to be at the forefront and develop innovative solutions is crucial to our success. Our employees and their skills have an obviously key role as LKAB creates tomorrow's jobs.

LKAB is embarking on an exciting transformation. We need to deliver here and now, while at the same time developing for the future and for coming generations. We have to come up with new methods and secure climate-efficient products that will create value both now and in the long term.

Skills supply is crucial

As we now prepare for the mining of the future, we require – among other things – comprehensive innovative solutions that are largely based on digitalisation and automation. This work is creating new roles and requires new skills in order to be realised. Competition for many of the expert skills required is fierce, and LKAB's work to ensure a supply of the skills needed involves both recruiting employees with expert knowledge as well as developing the skills of our existing employees.

During the year LKAB's employee value proposition was launched, making clear what characterises LKAB as an employer. The proposition is part of the work being carried out to strengthen LKAB's employer branding in the long term, which among other things will contribute to securing the skills needed.

Strategic skills development

As digitalisation, connectedness and automation increase, so the methods, processes and equipment used in day-to-day work will be affected and change. This places demands on our employees, but also provides great opportunities for development. LKAB is working on various initiatives that will give employees the opportunity to transform their skills for new areas. Among other things, we have produced a concept for employees who wish to make the move from electrician to instrument technician. LKAB has also worked to clarify various career paths within the company that create further opportunities for both specialisation and generalisation.

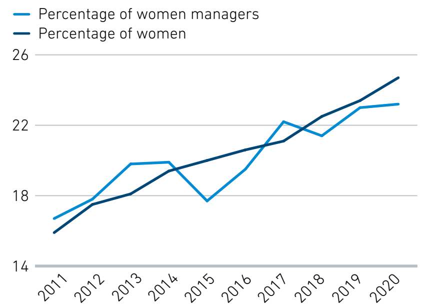
EMPLOYEES IN 2020

The total number of employees in 2020, including part-time and fixed-term workers, was 4,535 (average).

- At the end of the year there were 4,555 permanent employees, of which 1,745 were white-collar workers and 3,216 were employed under collective agreements
- 15 people worked part-time
- 406 people were fixed-term workers

For more information on the number of employees and on remuneration see Note 6 on pages 91–93.

PERCENTAGE OF WOMEN AT LKAB



Women make up an increasing percentage of LKAB's employees. At the end of the year the number of permanent employees was 4,555 (4,349), of whom 24.7 (23.8) percent were women and 75.3 (76.2) percent men.

During the year we worked intensively to develop leadership in various forms. Among other things, managers in the Iron Ore business area were offered leadership development and networking groups for sharing their experience and developing together as leaders. A programme has also been started that provides groundwork for moving into management, aimed at employees who are curious about a possible management role. The idea is to implement this in multiple operating locations.

Collaborating with academia

LKAB works with Luleå University of Technology (LTU) to provide targeted further education for employees. LKAB is also partnering with LTU and the University of Gävle on the project KUL 4.0 – Course development for lifelong learning in primary industry, which will assist with the transition to more digital ways of working.

Young employees

During the year LKAB's trainee programme started again, this time with 12 trainees – seven women and five men. They are all engineers and come from various parts of the world. This group provides a strategically important injection of skills into LKAB's business. The programme is nine months long and incorporates on-the-job training, various courses and networking. Read more about the trainee programme on page 39.

Diversity

Ensuring diversity and inclusion is key to our work on securing a supply of skilled employees. Our workplaces need to recruit more women, more workers with an international background and more young people. LKAB offers an exciting, forward-looking environment where employees are trusted and given the freedom to contribute to processes that benefit sustainable development.

Women make up 24.7 (23.8) percent of the Group's employees and 23.2 (23.0) percent of the Group's managers. The aim is that by 2021 women will make up 25 percent of both employees and managers.

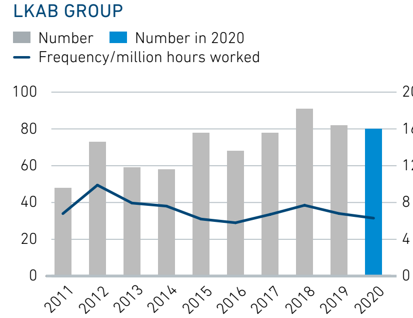
Impact of the coronavirus pandemic

During the pandemic LKAB's focus was on general measures to reduce the risk of spreading infection and individual measures to protect workers in risk groups. The basic

SICK LEAVE

Sick leave is at 4.35 percent, with long-term sick leave accounting for just 0.58 percent of this.

ACCIDENTS WITH ABSENCE
LKAB GROUP



The overall accident rate decreased in 2020 to 6.3 (6.8) accidents resulting in absence per million hours worked. The goal for 2021 is a maximum of 3.5 accidents per million hours worked.

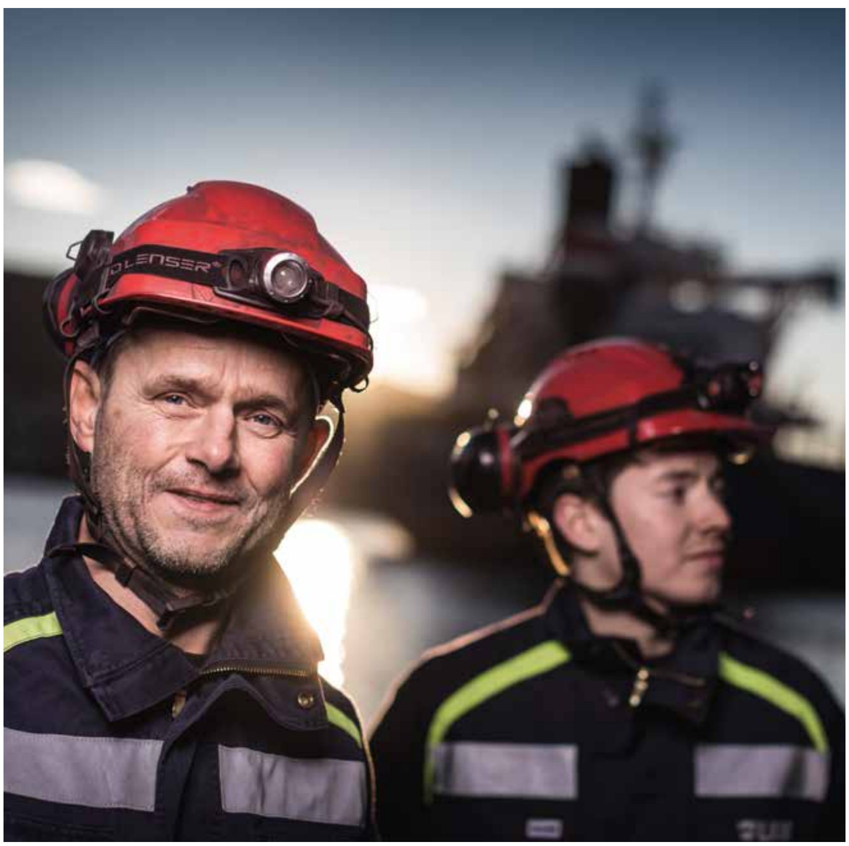
principle was to follow the directives from the authorities, supplemented by local measures adapted to the conditions in each workplace. The shared aim was to identify, and as far as possible avoid, situations in which people were physically close to each other.

Something that LKAB both planned for and experienced in real life is that in a pandemic you need to be prepared to quickly adapt measures to changes in the situation, such as new directives or local cluster outbreaks of infection. This did occasionally occur, and when it did the workplaces concerned acted quickly and by expanding local measures succeeded in limiting the further spread of infection within the company.

Employee survey

At the end of 2019/beginning of 2020 LKAB carried out a group-wide employee survey with questions in the following areas: my own workplace, myself as an employee, leadership and LKAB as an employer.

The survey resulted in an employee satisfaction index of 3.2 on a scale of one to four, where four is the highest value. The result was an improvement in all four areas compared with the previous survey. Among other things, higher scores from employees were recorded in respect of living up to LKAB's values, the approach to diversity and managers' ability to give feedback. One area where there was room for improvement was the employees' perception of being involved in various decisions.



VALUES-DRIVEN CULTURE

Employeeship and leadership within LKAB means creating a common culture characterised by team spirit and respect in which employees develop both themselves and the business.

At the heart of all this lie LKAB's values. Continuing to develop a culture that fosters commitment, innovation and responsibility will secure LKAB's role in the transformation required.

FOCUS ON HEALTH AND SAFETY

A safe workplace is essential if our employees are to feel secure at work, enjoy job satisfaction and do a good job. Safety work has highest priority and LKAB works to develop a culture characterised by participation, in which employees take responsibility for the safety of both themselves and others.

Safety work at LKAB is largely oriented towards efforts in the workplace, based on specific circumstances and needs. Plant safety has been a major focus and includes both preventive work, including risk assessments, as well as training and discussions concerning behaviour.

The fact that the psychosocial work environment is just as important as the physical work environment was made clear during the year in LKAB's sustainability policy. Since 2016 all managers have received training in the organisational and social work environment, and during 2020 work began on producing an even clearer strategy for preventive work in this area.

During the year LKAB and the subsidiaries were certified to the international standard on occupational health and safety ISO 45001, except for LKAB Wassara which was certified at the beginning of 2021. The standard sets requirements relating to safety, management engagement and employee participation, as well as the psychosocial work environment. This certification demonstrates that LKAB is working systematically to strengthen physical and social health in the workplace.

The number of accidents at LKAB has fallen in a longer-term perspective, but we are still too far away from our zero vision. The overall accident rate decreased during the year to 6.3 (6.8) accidents resulting in absence per million hours worked. The goal is to reduce the rate of accidents resulting in absence to no more than 3.5 per million hours worked by the end of 2021.

IN FOCUS

LKAB'S TRAINEE PROGRAMME – AN IMPORTANT SOURCE OF KEY SKILLS

LKAB's trainee programme attracted great interest, and following a thorough selection process seven women and five men were accepted onto this year's programme. They are all engineers and come from various parts of the world.

LKAB's trainee programme started in 2005 and since then 53 trainees have completed the programme. The 12 participants accepted this year are spread between Malmberget and Kiruna, and have been placed in various departments including market and technology, projects, processing operations and urban transformation.

"The trainee programme is an important source for securing the recruitment of key skills to LKAB. It is a unique opportunity to recruit people with varying backgrounds and with different experience and training. The dynamism created by the diversity of the group is important for LKAB's continued development journey," says Madeleine Björkman, HR Business Partner with responsibility for the trainee programme.

The trainee programme is nine months long and is aimed at a new graduates, mainly in engineering. The programme aims to give participants broad insight into and knowledge of LKAB's operations, processes and products, and enable them to build a network within the company. It also prepares them for a future position.

"A large part of the time is spent on training, both as a group and individually, as well as periods of work experience out in the operations. To a large extent the trainees can determine themselves what they learn about, but the operations are also involved in structuring the training so that it is geared towards the needs that exist," says Madeleine Björkman.

RESPONSIBILITY FOR **OUR IMPACT**

By acting responsibly and transparently throughout the value chain – from our local operating locations through our global supply chains and in close partnership with our customers – LKAB minimises the risk of negative social and environmental impact. At the same time we make the most of opportunities for sustainable value creation and innovative business models.

Running our business responsibly enables us to have a significant impact on the world around us. We contribute to social, economic and environmental development in our supply chain and show the whole industry that transformation is possible.

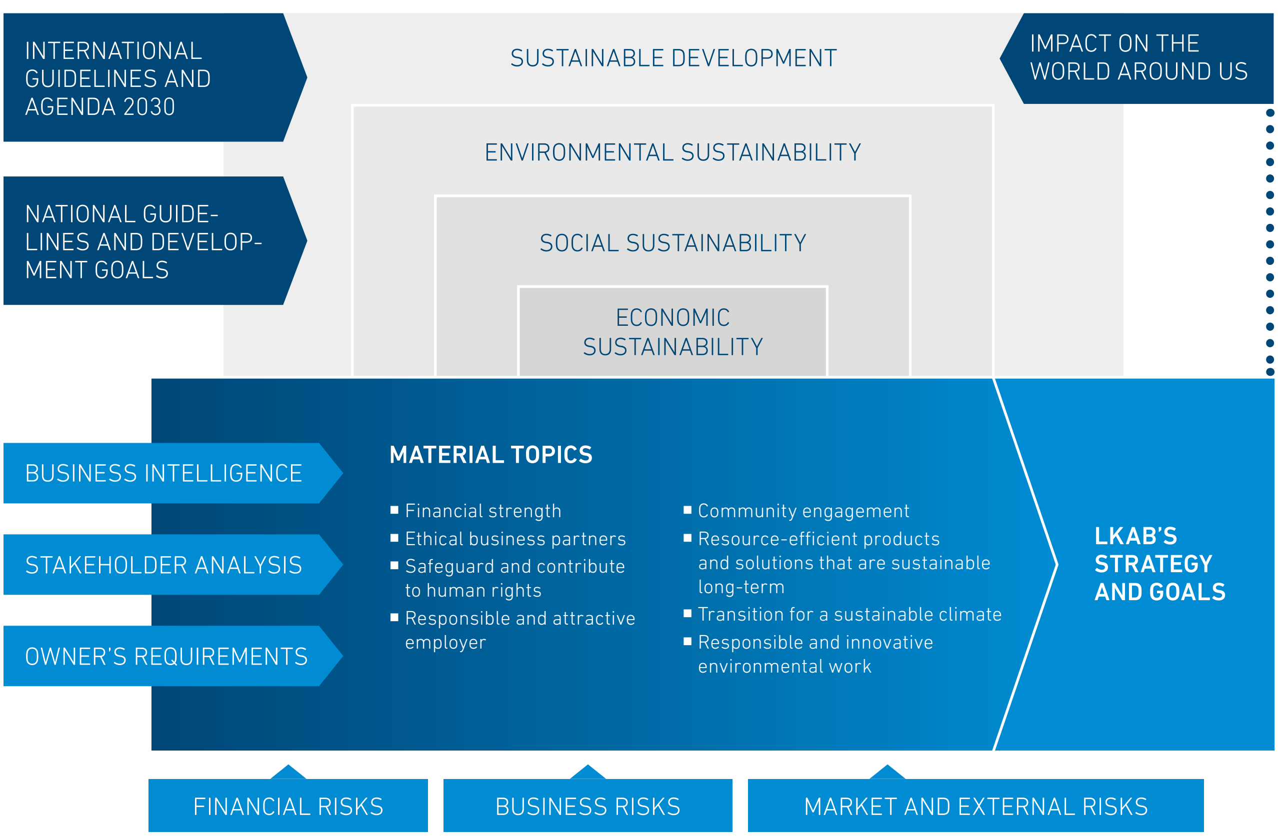
Analysis is conducted at all levels within the company to identify, assess and manage risks and opportunities. Other significant drivers include national legislation and the government's development goals, as well as compliance with international guidelines on the environment, human rights, labour practices and business ethics.

LKAB also places great importance on being accessible, responsive and transparent in order to encourage the collaboration that is required to improve sustainability. Engaging with stakeholders, both internal and external, provides a basis for identifying the areas in which LKAB is expected to report on its methods and results.

The materiality analysis conducted in 2019 identified eight areas where LKAB has the greatest obligation and opportunity to minimise negative impact, and the greatest opportunity to contribute to sustainable development.

Read more in the in-depth sustainability information on pages 123–143.

MATERIALITY ANALYSIS



ACTING ETHICALLY AND RESPONSIBLY

LKAB seeks to be an international model to the mining industry as regards acting ethically and respecting human rights. Our commitment in this area is reflected in our Code of Conduct, steering documents and guidelines.

LKAB complies with recognised declarations and conventions such as the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and UNICEF's Children's Rights and Business Principles. LKAB has also been a member of the UN Global Compact since 2019 and of Transparency International since 2020.

Code of Conduct guides behaviour
To ensure that everyone acts responsibly and ethically throughout the value chain we have both a Code of Conduct for our employees and an external Supplier Code of Conduct.

LKAB's internal code of conduct is based on our values and on the international standards mentioned above. It provides our employees with guidance on how to act in relationships with LKAB's stakeholders and in their daily business decisions.

Work on matters such as anti-corruption and non-discrimination has a high priority, and LKAB's stated aim is for the Code of Conduct to be complied with throughout the organisation. All LKAB employees must complete mandatory interactive training in the Code of Conduct. At the end of 2020 around 4,300 employees had completed the training.

LKAB's whistleblower system SpeakUp is there for anyone who wishes to anonymously report any perceived irregularities or deviations from the Code of Conduct. The system is available internally to employees and externally for persons outside LKAB. For more information on SpeakUp see page 133.

Human rights
As a state-owned company, LKAB has a duty to act in an exemplary manner and to ensure that its business partners respect human rights, including the rights of children. Our work is based on the Global Compact's Ten Principles for sustainable enterprise covering human rights, labour, the environment and anti-corruption.

LKAB's human rights policy supports the work to identify and manage risks in this area – not just internally but throughout the value chain, including among LKAB's suppliers.

LKAB works actively on the areas assessed as having the greatest human rights risks, which include the work environment and safety, the urban transformations and relations with indigenous peoples. This applies to operations both in Sweden and abroad.

During the year we continued to work on action plans and prioritised the risks identified. In addition, managers and employees in key positions received training in children's rights and in how to prevent, discover and take corrective measures if child labour is identified in any part of our value chain.

To minimise the negative impact of the mining on the Sami communities and reindeer herding, LKAB has established various forms of cooperation with the three Sami communities directly affected by the operations. The relevant agreements provide a framework for the forums and working methods needed for sharing information, decision-making and ongoing consultation. Where applicable, they are based on the principle of Free Prior and Informed Consent (FPIC) as expressed in international law on the rights of indigenous peoples.

In accordance with the UK Modern Slavery Act LKAB has updated its statement and reviewed existing processes for ensuring that we work to prevent any kind of human trafficking, forced labour or slave labour.

SUPPLIERS AND PURCHASING

LKAB is to work with the most competitive suppliers that also set an example in the area of sustainable enterprise. Having long-term relationships with chosen suppliers creates good conditions for developing together towards greater sustainability.

Global purchasing to a value of SEK 18 billion in 2020 makes LKAB a significant purchaser, with a major impact on the world around us. LKAB is to act in a sustainable way to reduce the risks all along the value chain, focusing on the goals set out in Agenda 2030. Specific priority areas include suppliers' work on human rights, work environment, the environment and business ethics/anti-corruption.

Risk-based approach
LKAB's work on sustainable purchasing is based on a risk perspective. Suppliers are classified as regards geographic risk, industry/product risk and business-critical risk.

LKAB's Supplier Code of Conduct has two parts: basic requirements and advanced requirements. The basic requirements must be met by all suppliers from the first delivery of goods or services. These are requirements to which we take a zero tolerance approach. The advanced requirements take the basic requirements and add a greater level of detail. LKAB expects all suppliers to try to fulfil the advanced requirements within an agreed period and expects suppliers to pass on these requirements along their value chain.

Under the updated ownership policy, LKAB is to impose labour requirements on its suppliers in the course of purchasing. These are minimum requirements relating to wages, working hours and annual leave in accordance with applicable laws and regulations or as agreed in relevant collective bargaining agreements. The requirements made of the main supplier also apply to any subcontractors that directly contribute to producing the product or service at any stage. LKAB conducts follow-ups on suppliers' sites where there is deemed to be a high risk of deviation from the Supplier Code of Conduct. During these site visits LKAB analyses the operations and interviews employees and management. After its visits LKAB gives the supplier a report detailing not just identified points of non-compliance with LKAB's requirements, but also recommended actions that should be prioritised. The suppliers come back to LKAB with an action plan, which may result in joint improvement projects. Due to the coronavirus pandemic, in 2020 LKAB worked to maintain its dialogue with suppliers via digital channels and the majority of reviews took the form of desktop audits. Read more on page 133 in the in-depth sustainability information.

Strategic partnerships with suppliers
LKAB sees great advantages in developing partnerships with strategically important suppliers. The intention is to identify innovative products and solutions that contribute to increased sustainability, productivity and cost efficiency.

Consolidating the work to fewer suppliers and establishing long-term relationships provides better conditions for LKAB and its suppliers to develop together in priority areas such as the work environment, safety and quality. In procurement, greater importance is being attached to the suppliers having the skills and resources to work on sustainability matters.

This ambition is reflected in documents such as LKAB's supplier handbook, a new version of which was issued in 2020. One change is that when entering into new or renegotiated contracts LKAB will only allow two subcontractor stages. Fewer stages increases the opportunities to achieve sustainable collaboration with the contractors more effectively.

Buying office in Asia
LKAB's local buying office in Shanghai, China, helps to lower costs, improve quality and reduce sustainability risk in the value chain. Among other things, this local presence makes it easier to support suppliers considered to have good potential for development and improvements – for example, in the areas of the work environment, employment practices, the environment and business ethics.

The electric loader Alice on site in Kiruna's underground mine. This electric vehicle is the result of close collaboration between LKAB and the supplier Sandvik, and was developed in line with LKAB's ambitions for sustainable and carbon-free mining.

SUPPLIERS

LKAB makes significant purchases and has just over 4,800 suppliers in various sectors. These include around 50 that have been identified as being higher risk.

Just over half of purchasing consists of contract work, transport and logistics. A further significant portion consists of purchases of equipment, raw materials and chemicals, as well as various types of services.

LKAB's suppliers can be found in 35 different countries; mostly in Sweden and Norway, but also in the rest of Europe, the US and Asia.

MODERN SLAVERY ACT TRANSPARENCY STATEMENT

In accordance with the requirements of the UK Modern Slavery Act 2015, which applies to all companies with operations in the UK, LKAB publishes an annual statement describing the steps taken to ensure that no form of modern slavery or human trafficking occurs within the company's operations and supply chains.

INNOVATIVE **ENVIRONMENTAL WORK**

LKAB accounts for a large share of Sweden's carbon emissions and the operations use substantial areas of land. We are also one of Sweden's biggest consumers of energy and water. Our impact on the surrounding landscape and communities is significant, and we work on a broad front to minimise this.

LKAB's long-term goals go beyond having processes and products that are carbon-free. In the longer term, the business is to have no emissions whatsoever that have a negative impact on air or water. To achieve this we are working to develop technologies that make both energy and water use more efficient. LKAB is also trying to find new uses for what we currently refer to as waste. This work is being carried out in close dialogue and collaboration with our stakeholders.

As regards biodiversity, LKAB is not only to minimise its impact but in the longer term we want to have a positive impact as well. We already work to create well-groomed and green industrial areas, and in parallel we are planning what form our remediation and landscape design till take in the future.

Threats to biodiversity

Research shows that the loss of biodiversity is just as great a threat to our welfare as climate change, and that the two threats reinforce each other.

Within the framework of the UN Convention on Biological Diversity, work is under way to formulate new goals and there is a strong expectation that trade and industry must contribute to achieving these – in the same way as for the climate goals. LKAB has substantial experience of developing methods and innovations in this area, and can lead the way for other operators in the work to restore and increase biodiversity.

LKAB's impact takes place in natural areas that are particularly worthy of protection. Biodiversity has therefore long been a priority and LKAB has had clear guidelines on how this issue is to be addressed. Our efforts are based on the following steps: avoid, minimise, restore and – as a last resort – compensate for environmental damage.

Collaboration on unique roadmap

During the year LKAB took part in a collaboration with industry organisation Svemin and others, which produced a

roadmap for increased biodiversity. The aim of the roadmap is that by 2030 at the latest, the mining and minerals industry will contribute to increased biodiversity at the sites where mining takes place. A further aim is to achieve agreement on how operators in the industry should act, and to report this transparently. Another key element is the importance of innovation and of collaboration with other players, such as academia and public sector bodies.

Working to increase biodiversity is resource-intensive, but with greater collaboration and sharing of knowledge both the costs and the risks can be limited. Several of the measures involve initial costs for mapping and for building up systems and expertise in the area. Once this is in place, there may be savings to be made in the form of a reduced risk of protracted processes for environmental permits and unforeseen costs of environmental impact, such as fines.

Creating the conditions for biodiversity

Securing ecosystem services is important because the mining industry is dependent on these. Among other things, we need clean water in our processes, flood protection and dust binding. By creating good conditions for establishing the ecosystems that provide these services, we increase the stability of and reduce the risks in LKAB's own operations.

One example of how LKAB is creating the conditions for biodiversity is our testing of methods for establishing plants within the industrial mining area in Kiruna. The aim is to increase knowledge of more large-scale remediation and ecological landscape design. In summer 2020 LKAB created what are known as a test squares for the nature types lichen pine forest, mountain birch forest and alpine heath. The aim is, among other things, to succeed in establishing local species to replicate the surrounding natural environments.

One example of how biodiversity can contribute ecosystem services for LKAB's own operations is the use of fungi for ecological cleaning up of contamination, such as oil spills, in the mine. Biogeochemical exploration, which involves looking for organisms which only grow among certain minerals in order to identify new deposits, is another example.

LKAB is also participating in various external projects to develop methods of measuring biodiversity.

MAJOR PERMIT EVENTS IN 2020

Our operations, including the impact that LKAB has on the surrounding area, are regulated by Swedish and European legislation and by the permits that apply to each part of the operations. In 2020 the following major permit events took place.

- In summer 2018 an application was submitted to the Land and Environment Court relating to a new production permit for the operations in Kiruna. Work on the requested supplements to the application began in 2019 and was able to be completed in autumn 2020.
- In Malmberget, permit work was focused on rock piles and associated issues. The application to increase the capacity of the tailings pond and, for the purpose of environmental improvements, to also increase the capacity of the sedimentation pond was re-evaluated in 2020. To enable an expansion of the tailings pond capacity in 2021, the applications for expansion of the sedimentation pond and Natura 2000 permit were revised. In December 2020 a partial ruling was received which permits LKAB to carry out a limited expansion of the capacity. The process relating to the full capacity increase as well as the Natura 2000 issue will thus continue in 2021.

In addition to these major matters, LKAB is dependent on bringing about minor changes in order for the operations to continue, such as changes relating to rock piles and the use of crushed ore. Such changes are tending to become increasingly difficult to get through at present, since the processes are generally becoming increasingly complex and detailed.

Innovation in water treatment

Increased production entails increased quantities of substances that can be leached out from process water and affect the surrounding watercourses. Water treatment is a focus area for LKAB and we collaborate with external researchers to develop innovative and sustainable methods in this area.

Nitrates and sulphates are two of the substances that have the greatest impact on the immediate environment. In 2019 and 2020 pilot studies were carried out in Kiruna that involved using bacteria to treat process water to remove sulphates and nitrates.

Nitrogen discharged into lakes and watercourses contributes to overfertilisation. In partnership with researchers at Uppsala University, LKAB has developed a method that provides a natural way to treat diffuse discharges. The NITREM innovation project combines rock piles with remediation, water collection and bioreactor technology to reduce the content of nitrogen in the leachate from barren rock piles. The leachate is fed into bioreactors, where the nitrogen is broken down by bacterial treatment and converted into nitrogen gas which is harmless to the environment. The method has been tested on a pilot scale as well as in a full-scale pilot in Kiruna, with very good results.

Environmental permits are crucial and challenging

LKAB's operations require permits under the Environmental Code. The purpose of an environmental permit process is to decide whether an operation is being conducted in the best possible way for people and the environment, and is thus permissible from an environmental perspective.

These permits are crucial for securing LKAB's future, so that we are able to maintain production and make the necessary investments and environmental improvements. The legislation and its application in the permit processes, as well as our own requirements of sustainable operations, are all continually changing – which makes the applications extensive, complex and resource-intensive.

LKAB is far ahead of the field as regards environmental performance and innovations. However, today's processes are designed such that they block rather than promote development. Unpredictable and protracted permit processes are therefore a major challenge – not just for LKAB, but for the whole of the Swedish mining industry.

Together with industry organisation Svemin, LKAB is continuing to draw attention to this issue. What we are calling for is clarity and predictability in permit processes, and a holistic perspective in which consideration is given to socioeconomic interests as well as environmental aspects in a wider perspective.

ENVIRONMENTAL IMPACT AND RESOURCE CONSUMPTION

LKAB has a stated aim to be one of the world's leading mining and minerals companies in terms of resource-efficient production and minimal environmental impact.

Emissions to air

LKAB's emissions to air come primarily from the pelletising plants and consist mainly of carbon dioxide, nitrogen oxides, particulates and acid gases such as sulphur dioxide, hydrogen fluoride and hydrogen chloride. LKAB also monitors diffuse dust in the communities in our operating locations.

Energy consumption and energy intensity

LKAB accounts for around 1.9 percent of total electricity consumption in Sweden, and energy represents a significant part of our costs. One important goal is therefore to reduce the energy intensity per tonne of finished product. LKAB's pelletising plants largely run on oil and coal, but by 2045 hydrogen-based production is planned.

Emissions to water

The groundwater that is pumped up in order to be able to mine the iron ore is used in the concentrating process. Although up to 80 percent of the water is recirculated in production, large volumes of surplus water arise. This is discharged into nearby watercourses, several of which are tributaries to or included in Natura 2000 areas. Self-monitoring includes biological and chemical measurements on water discharge, including measurement of nitrogen emissions originating from the explosives used in the mining.

Waste and rock piles

Most of the waste from extraction consists of rock that is not ore, known as barren rock or in wet form as tailings, which is mainly deposited in piles or in our tailings ponds. Crushed barren rock and waste lime are already reused in our own concrete production and LKAB is carrying out development work to further increase resource utilisation and reduce rock piles and waste.

159 kWh/tonne

Energy intensity per tonne of product[1,2] (158 kWh/tonne)

25.0 kg/tonne

Carbon dioxide emissions per tonne of product[4] (25.8 kg/tonne)

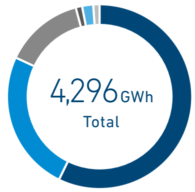
DEVELOPMENTS DURING THE YEAR

Energy intensity for the year was 159 (158) kWh/tonne. Extended maintenance shutdowns as a result of measures associated with Covid-19 had a negative impact. Good energy performance is dependent on a high and consistent level of production. The product mix for the year impacted positively as a result of a higher proportion of fines, which require less energy to produce, and this also impacted carbon emissions.

Emissions of carbon dioxide showed an improvement compared with the previous year, the level being just above the Group's goal for 2021. Emissions amounted to 25.0 (25.8) kg/tonne and were positively affected by trials involving tall oil as a substitute for heavy fuel oil. Blending in of HVO (hydrogenated vegetable oil) was also initiated, but since problems arose at lower temperatures the method needs to be developed further.

Production efficiency and plant efficiency are essential for low emission levels, but to achieve LKAB's long-term goal of carbon-free processes and products by 2045 a change of fuel is required.

ENERGY CONSUMPTION, LKAB GROUP[1]



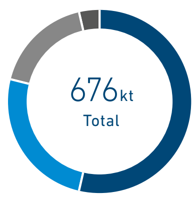
By energy type	%	GWh
Electricity[3]	58	2,473
Coal	25	1,061
Fuel oil	14	617
Tall oil	1	51
Diesel oil	2	90
Other types of fuel	1	45
HVO	0	7
District heating	0	10
Waste heat (sold)	-1	-58
TOTAL	100	4,296

[1] Refers to facilities in Kiruna, Svappavaara, Malmberget, Luleå and Narvik, and electricity for ore trains. For consumption outside Sweden and Norway see page 141.

[2] Updated since the Year-End Report for 2020.

[3] 56 percent is from nuclear power and 44 percent from hydroelectric power.

CARBON DIOXIDE EMISSIONS, LKAB GROUP[4]



By energy type	%	kt
Coal	54	364
Fuel oil	25	172
Additives	18	119
Diesel oil	3	23
District heating	0	1
Other types of fuel	1	9
Electricity	0	0
Carbon in pellets	-2	-12
TOTAL	100	676

[4] Refers to facilities in Kiruna, Svappavaara, Malmberget, Luleå and Narvik, and electricity for ore trains. For consumption outside Sweden see page 141.

MINED AMOUNTS, INPUTS, RESIDUAL PRODUCTS AND EMISSIONS

Mined amounts	**2020**	**2019**
Crude ore, magnetite and hematite (Mt)	47.8	47.4
Huntite (kt)	25	21[1]
Dolomite (kt)	121	246
Finished products (Mt)	27.1	27.2
Inputs		
Explosives (kt)	20	22
Concrete produced ($10^3 m^3$)	209	225
Additives (kt)	954	932
By-products		
Barren rock (Mt)	21.9	22.5
Tailings (Mt)	5.1	4.8
Waste lime (kt)	78	81
Other waste deposits LKAB Minerals (kt)	2	5
Emissions to air from product manufacturing[2]		
Particulates (t)[3]	977	810
Sulphur dioxide (t)	407	538
Hydrogen fluoride (t)	32	38
Hydrogen chloride (t)	82	77
Nitrogen oxide (t)	4,060	3,965
Discharges to water[4]		
Nitrogen (t)	531	402
Phosphorus (kg)	470	381
Trace metals (kg)[5]	242	154

[1] Provisional data for 2020, to be confirmed in April 2021.

[2] Refers to total emissions in Kiruna, Svappavaara and Malmberget.

[3] Refers to total emissions from pelletising plants as well as operating and maintenance facilities in Kiruna, Svappavaara, Malmberget, Luleå and Narvik.

[4] The quantities are based on overflow water from ponds in Kiruna, Svappavaara and Malmberget.

[5] For a breakdown of trace metals see page 141.

RISKS AND RISK MANAGEMENT

LKAB is exposed to various types of risk that could have a material impact on the Group's ability to achieve its goals in the short and long term. It is vital to identify and act on risks and opportunities that impact LKAB's competitiveness so that we can deliver on our strategic priorities and create value for our stakeholders.

SECURING THE FUTURE

LKAB operates in a capital-intensive industry with a planning horizon that extends across several decades. Like other companies in the industry, LKAB needs to consider risks and opportunities that have a bearing on the business as it is today and as it will be in 10 or more years' time. However, we also need to act today to equip ourselves for the transition to a brand new world. Competitiveness is essential for our ability to invest in the future. The global climate threat means that the iron and steel industry will need to change fundamentally. For LKAB, this brings both risks and opportunities.

In view of this, and in line with the government's stricter ownership policy introduced in 2020, LKAB has begun the process of producing disclosures according to TCFD[1] guidelines. Work to analyse, manage and report both risks and opportunities from a climate perspective has been initiated and will provide an important tool for securing LKAB's resilience and adaptability to ongoing climate change. Human rights is also a key issue within all types of risk prevention work, such as in dialogue with indigenous peoples and other stakeholders – in connection with the urban transformation, for example – as is good working conditions for employees and suppliers.

An active Group-wide risk management process creates transparency and awareness of the biggest risks, which helps provide a better basis for prioritising and decisions. LKAB's work to identify and manage risks is coordinated with the strategy and business planning process, and is decentralised in accordance with how the Group is governed. The risks are broken down into market and external risks, business risks and financial risks.

In 2020 strategic risks were consolidated into general risk areas. The updated risk map places greater focus on the areas where adequate risk management, along with internal governance and control, need to be ensured at a Group level.

On the following pages a summary of LKAB's main risk areas is presented, along with how these are managed at an overall level.

ACTIONS TAKEN IN 2020

In 2020 risk management became an increasingly important part of the Groups strategic planning and corporate governance process. A revision of the Group's policy documents was initiated during the year, with the strategic risk map as an important starting point. As part of this work a draft risk management policy has been produced. The policy aims to describe how LKAB assures risk management work within the Group in order to create the best possible conditions for the business to achieve its strategic objectives. Risk management is to form a natural part of the business and risk taking is to be based on conscious decisions that are in line with the Group's risk appetite.

PLANNED ACTIONS IN 2021

In 2021 the aim is for the revised Group-wide policy documents to be approved. Establishing the overall governance clearly will enable the work to develop and detail governance on a business area level. The new risk management policy provides a clearer basis for risk prevention work at all levels. This includes identifying risk in the planning process, as well as the management and monitoring of risks during the year. The ways in which climate-related risks and opportunities are identified and reported in accordance with TCFD guidelines will be established during the year. However, climate related risks within the framework of TCFD that have already been identified are already reported, for instance under "Market Risks" and "Risk of negative environmental impact".

[1] The Task Force on Climate-related Financial Disclosures (TCFD) initiative includes guidelines on climate-related financial risk reporting linked to the impact of climate change over time and of potential instruments to limit carbon emissions.

MARKET AND EXTERNAL RISKS

LKAB's business is sensitive to economic fluctuations and is exposed to a number of external risks that are difficult to influence. The ways that LKAB manages these include monitoring the outside world, analysing scenarios, building long-term customer relationships and having a flexible customer and product portfolio.

Strategic risk areas	Description of risk area	Description of risk management
Market risks	One significant market risk is price fluctuation in the global iron ore market, which has a direct impact on LKAB's earnings and cash flow. LKAB's price is affected partly by the underlying market price of iron ore (IODEX 62 percent Fe CFR North China), but also by the quality premiums added on for high quality iron ore products. While the market price is set daily, the premiums are a combination of the market price and negotiations with LKAB's customers. Significant changes in iron ore supply and demand that change the foundations of the industry and that have a long-term negative impact on the iron ore market are also a strategic market risk for LKAB. This situation could arise, for example, as a result of game changers in the iron ore and/or steel industry. All changes that involve transitions or challenges for LKAB's iron ore customers also increase the risk of a negative impact on LKAB. The global iron ore and steel market is made up of a small number of players. This concentration gives each individual player great influence and results in considerable interdependence. The countries in which LKAB's customers operate have varying degrees of political and commercial stability. Political risk is the risk that turbulence in a country or region where LKAB's customers operate becomes sufficient to force LKAB to stop working with these in view of the guidelines and policies governing LKAB, for example as regards human rights and corruption. Market risks also include risk associated with negative development in the supply of or prices for commodities, materials and equipment that are critical to LKAB's production. There are climate-related risks within this area associated with the supply and price of fossil fuels, driven by production cutbacks in oil and coal, for example. Access to "green electricity" and biofuels is critical to the ability to realise LKAB's strategy.	By securing flexibility in the product portfolio, customer portfolio and in production and logistics systems, LKAB is better prepared for sudden economic fluctuations. LKAB always strives to offer consistently high product quality and reliable delivery in order to create competitive advantages. In addition, LKAB collaborates with customers on technical matters to add value and strengthen relationships with selected customers as well as its own long-term stability. The Special Products business area has a more diversified customer base that helps dampen economic fluctuations, since different geographical regions, segments and minerals have different economic cycles. Under the Group's finance policy LKAB does not normally hedge price risk – other than in exceptional cases, such as binding contracts. However, cash flow is analysed on an ongoing basis and, in conjunction with this, sensitivity analysis is also performed based on changes in the outside world such as prices. In periods where high outgoing cash payments are expected, longer hedging of the iron ore price may be considered. That the need for iron ore be replaced by any other material has thus far proved unlikely. The use of scrap for steemaking may replace iron ore to some extent, but as long as the industrialisation of the world continues and the world's population continues to grow the need for iron ore will remain. LKAB actively monitors customers' technological development to ensure that the products that LKAB produces accord with customers' future needs. One example is the HYBRIT initiative aimed at developing fossil-free steel production. This shows that a well-managed risk also can be an opportunity. LKAB also actively monitors the outside world in order to analyse and manage political risk, and works in partnership with national and international industry organisations. Existing and potential customers are analysed based on political, geographical and commercial risk diversification. Potential customers that could be introduced if an existing customer should be lost, for example because of political unrest, are continually monitored. Vulnerability within the supply chain is continually analysed in order to ensure that in the event of an interruption of supply, deliveries of critical inputs and equipment can be ensured by means of alternative supply channels. LKAB's ambition to achieve fully carbon-free operations is an important risk-mitigating factor for reducing dependence on fossil fuels, where supply and price can be expected to become more unstable in the future.
The risk of a lack of efficient, legally secure processes	LKAB's business depends in several ways on permits and other decisions by authorities. It is vital that processes for environmental permits, licences and planning matters are efficient, predictable and legally secure if LKAB is to be able to plan and drive its operations forward, particularly at a time such as now when the Group needs to make various extensive transitions.	The Group works actively with authorities and other stakeholders, focusing on the importance of what is required to secure the current operations and at the same time allow the transformation that is ahead of LKAB. Understanding among decision-makers – owner, national and local political bodies, authorities and courts – is essential for reducing risk in this area. The credibility of LKAB's sustainability work is also important in this context.

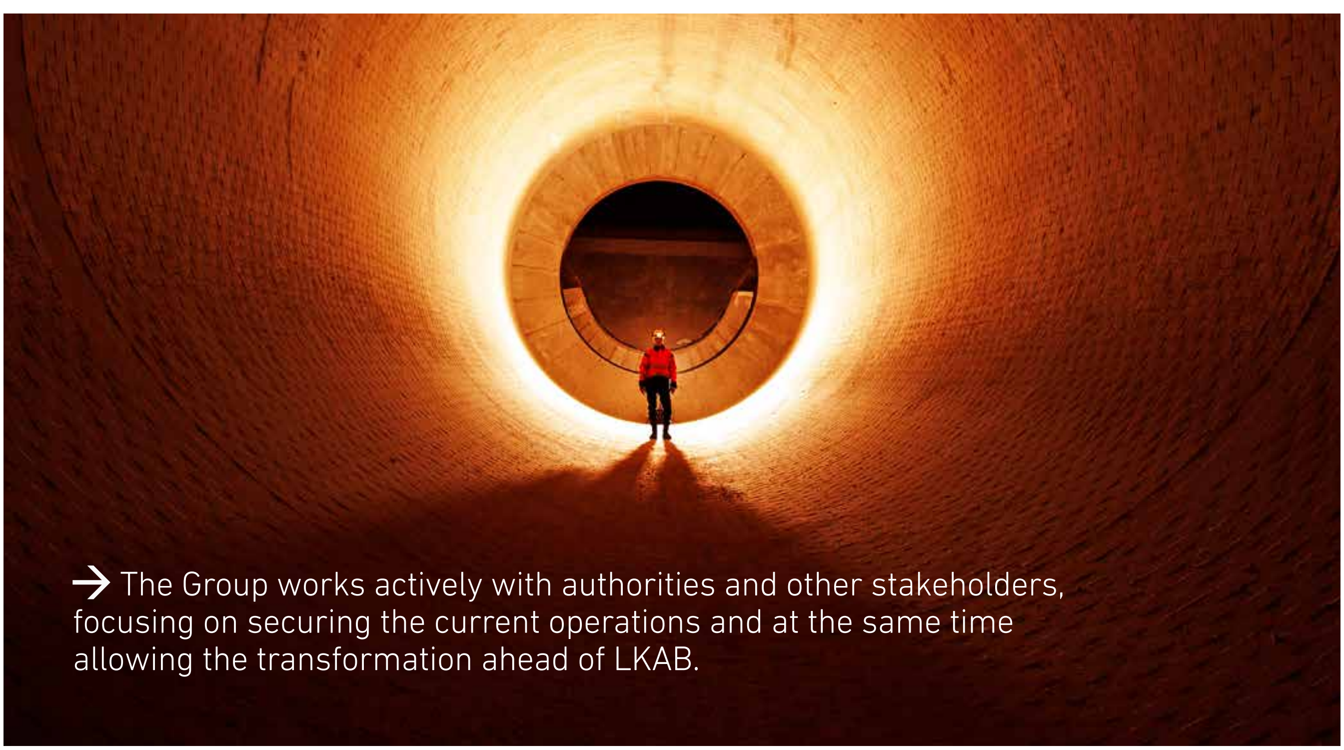
BUSINESS RISKS

Risks in the implementation of the strategy include factors that LKAB is able to influence. Through its operations LKAB is exposed to risks relating to production facilities, environmental impact and personnel, among other things. Risks associated with LKAB's ability to ensure safe, stable and resource-efficient production need to be managed in parallel with risks associated with long-term competitiveness and the transition to the next generation of mining, processing and logistics.

Strategic risk areas	Description of risk area	Description of risk management
Risk of insufficient mineral reserves/ mineral resources	To secure LKAB's mineral reserves, continued access to mineable iron ore is required – either in existing mines or in new deposits. To obtain the necessary information about future geological conditions for mining it is necessary to maintain a planning horizon of around 20 years, from exploration until the start of production mining, including the permits required. Insufficient advance planning of the exploration work would have serious consequences for the company's future.	LKAB conducts a centralised exploration programme that is currently focusing on exploration close to the existing mines. Intensive exploration has been under way since 2019, primarily to increase the mineral resources and secondarily to convert these into mineral reserves.
Risk of negative environmental impact	This risk area includes potential negative effects on future environmental permits if existing limit values for emissions are not achieved. Exceeding the permitted limits also has a negative impact on public confidence in LKAB, which affects LKAB's licence to operate. There is also a risk that environmental requirements will drive high transition costs, putting LKAB at a competitive disadvantage. Another important risk is the negative effects that arise from inefficient energy use. The energy issue, both as regards the type of energy and energy efficiency, has a strong link to LKAB's goal of carbon-free processes and products by the year 2045. A transition to fossil-free operations is an important strategic issue for the future, partly to reduce the risks of negative environmental impact but also to manage the climate risks arising from a future continued dependence on fossil fuels (see also under market risks). Linked to the issue of carbon is also a significant risk relating to the current system of trading in emissions allowances. If LKAB were to lose its free allocation of emission allowances, this would be a competitive disadvantage compared with competitors outside the EU Emissions Trading System. Even within the EU there are challenges, since LKAB is currently the only producer of upgraded crushed iron ore that is not grouped with other producers. The level of the free allocation for these has therefore been able to be set at 171 kilograms of carbon dioxide per tonne produced, while LKAB has a separate level of 30.7 kilograms of carbon dioxide per tonne produced. A decision on future allocations is expected in 2021. As in other mining companies, there is a risk that LKAB too could suffer a dam failure. LKAB has dams constructed according to the upstream method, which has demonstrated an increased risk of breaches. A damn failure would have major negative consequences for the company's business and for the environment, but also for neighbouring communities. Moreover, it is important that remediation is carried out for all discontinued operations in an ecologically sustainable way.	Various types of emission levels are measured systematically both by LKAB and in external audits to ensure that environmental impacts are within authorised levels. Research and development is also carried out with a view to reducing emission levels further, and this is also important for preparing for potential stricter requirements in the future. The switch to non-fossil fuels and a gradual transition to carbon-free processes and products is largely bound up with the issue of energy, since energy consumption and the type of energy determine the levels of carbon emissions. As part of the HYBRIT initiative, full-scale trials involving bio-oil started in 2020 at one of the pelletising plants in Malmberget. So far the results have been positive. The conversion of one plant has meant that fossil carbon emissions will be reduced by up to 40 percent for the operations in Malmberget during the test period. In the longer term the goal is to achieve carbon-free processes and products. LKAB is in dialogue with decision-makers in both Sweden and the EU concerning the future model for emission allowances. To meet the EU's and Sweden's long-term climate targets through the necessary investments in continued reductions in carbon emissions, the free allocation of emission allowances needs to continue. LKAB works proactively and systematically on dam safety according to the industry's safety directive GruvRIDAS. LKAB also holds dam liability insurance for losses among third parties in the event of a dam failure. In 2020 a new international standard on dam safety was published: the Global Industry Standards on Tailings Management. LKAB has reviewed its organisation, dam structures and its control and monitoring of dam safety work based on the new standard. Future alternative depositing methods are also being investigated. For remediation of the industrial areas an industry-wide roadmap has been produced focusing on biodiversity. Internal guidelines on land use have also been produced.

Strategic risk areas	Description of risk area	Description of risk management
Risk of not being sufficiently competitive	LKAB's production consists largely of continuous processes where unplanned stoppages can quickly have a big impact on the company's deliveries. Unplanned stoppages can also impact product quality and emissions to air and water. Changes in climate conditions may also have a direct impact on production, e.g. water shortages, heavy rain, avalanches or storms. Important matters for the future include switching production to non-fossil fuels as well as more efficient mining methods under ground, which are crucial for long-term sustainable operations. Since many of LKAB's competitors mine ore in open-pit mines, it is all the more important for LKAB to be at the forefront of innovations in order to find cost-effective and sustainably competitive solutions in the production chain.	Efficient, safe, uninterrupted production is based on being large-scale and on continuous efficiency improvements. Good maintenance planning and clarity regarding ownership are important. Audits of the production facilities are carried out annually, but so-called interruption studies are also carried out to assess the likelihood and impact of unplanned events in production. Based on these processes, decisions are taken on how the risks are to be managed. Preventive work within fire safety is given a high priority in view of previous events. In addition, there is insurance cover for the risks of damage to property and subsequent production losses. Identifying efficiencies in mining is an important issue for LKAB's future. This work is being conducted as part of the SUM (Sustainable Underground Mining) development programme. The HYBRIT initiative is another example of strategic measures taken to address the climate challenges and at the same time improve the efficiency of the production process.
Risk of accidents and illness	LKAB's employees and contractors are sometimes exposed to risky situations which may involve an increased risk of accident and/or illness. There is also the risk of negative effects arising as a result of an unhealthy working climate between people in the workplace, known as the organisational and social work environment. That LKAB is an employer with safe and healthy workplaces where employees are happy and feel secure is an important strategic matter for the Group.	This risk is managed primarily through the systematic work environment efforts conducted within the company, which include risk analysis as well as the reporting and monitoring of risks, near-misses and accidents. These efforts also involve bolstering the safety culture through increased focus on health and safety as an element of the management philosophy, but also making sure that everybody feels included in the work environment efforts. Active work on standards and ground rules based on LKAB's values is continually ongoing. High priority is likewise given to continual assurance of the status of our facilities in order to minimise the risk of accidents.
Risk of inadequate diversity and skills	Being able to attract and retain employees is a prerequisite for LKAB's long-term competitiveness. One parameter for succeeding in this is to secure a work environment in which diversity is an asset and a strength. Another important matter is identifying at an early stage which key skills will be needed at a time of rapidly changing technology and automation.	LKAB has a long history of collaboration with universities and colleges and is involved with the local elementary schools and upper secondary schools in its operating locations. This work, but also broadening the recruitment base geographically and from a diversity perspective, increases the opportunities to recruit the necessary competencies, both now and in the future. In addition, LKAB engages in initiatives to develop and transform the skills of existing employees; for example, in the form of clear career paths. Examples of other activities include building homes in the Swedish orefields and increased efforts to attract more applicants through clearer communication. The SUM (Sustainable Underground Mining) initiative includes finding new ways of working as new technology is tested and developed. Within LKAB, active work takes place to develop LKAB's culture, promote diversity and make LKAB more attractive as an employer – based on the management philosophy, Code of Conduct and diversity plan.

Strategic risk areas	Description of risk area	Description of risk management
Risk of losing credibility	Acting ethically and for the long term is crucial for creating confidence among LKAB's customers, suppliers, owner, employees and other stakeholders. LKAB condemns all forms of corruption and fraud and demands transparency, integrity and honesty throughout the value chain. LKAB is totally opposed to all forms of discrimination and to any other violations of human rights. A lack of credibility would have serious consequences for LKAB as a business with operations that require permits, as a state-owned company and as a significant member of the community in the county of Norrbotten. Given LKAB's size, there is a risk that one of the company's ethical principles could be breached, but the big risk in this context is rather that the company will fail to comply with codes and requirements in the form of monitoring and measures.	Good credibility is ensured by, among other things, the Group's Code of Conduct and Sustainability Policy, where non-compliance can have consequences under labour law. The Code of Conduct covers not just employees, but also partners such as suppliers and consultants. Compliance is ensured partly by both internal and external audits, and partly by an effective leadership system and a whistleblower function. The Group-wide policy documents are revised annually. In 2020 there was a special review of LKAB's anti-corruption programme and training was provided in identifying the risk of child labour among suppliers. The entire operations were also charted for risks of a negative impact on human rights.
Risk of external intrusion/damage in the operations	Digitalisation means that an ever increasing proportion of the activities in the Group, and also its contacts with various stakeholders, are dependent on networks and information systems. As a result of this, data security and cybersecurity risks are increasing. Threats and risks in the area of information technology range from less extensive risk at an individual level to well-planned and precisely targeted attacks on critical parts of the company's functions. In view of previous events in the world around us, the risk that a targeted attack – whether a cyberattack or a physical attack – could knock out an industrial company's production system, involving significant costs for loss of production, is a reality that LKAB must address by taking various measures to prevent it from happening.	Systematic data protection and cybersecurity work is conducted with a view to ensuring data security within the Group. This work includes continual risk and vulnerability analysis, penetration tests and careful monitoring of external developments in this area. In addition, there are activities to increase awareness and the capabilities of individual users of LKAB's IT systems, in order to reduce the risk associated with the "human factor". Cybersecurity work is continually reviewed, developed and revised as attackers' methods change. LKAB's industrial areas have perimeter protection as appropriate for the different parts of the operations, to protect the facilities from various kinds of trespass and damage.



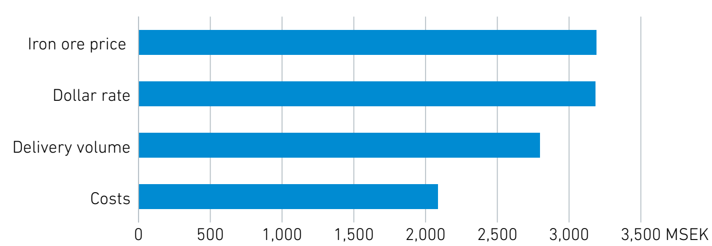
FINANCIAL RISKS

LKAB's financial risks are mainly associated with fluctuations in global iron ore prices and in the USD/SEK exchange rate. Together these factors could have a major impact on the company's income statement, balance sheet and cash flow.

Strategic risk areas	Description of risk area	Description of risk management
Financial risks	LKAB is exposed to various types of currency risk. The main exposure stems from sales of iron ore where market pricing is in USD. This risk is known as transaction exposure. Currency risks also arise in the translation of foreign subsidiaries' assets and liabilities to the Parent Company's functional currency. This risk is known as translation exposure. Financing risk is the risk that the LKAB Group cannot meet its commitments due to lack of liquidity or the inability to raise external loans for operating activities. This is a particularly important matter now that the Group is embarking on a transformation that requires extensive investments to be made. The Group's ability to manage its transformation to more sustainable operations and to climate-smart products is an important factor for securing access to external financing in a financing market that is focusing more and more on sustainability and climate issues. Financial risks also include credit risks associated with accounts receivable, derivatives and current investments.	Under the Group's finance policy LKAB normally only hedges currency risk in accounts receivable. However, cash flow is analysed on an ongoing basis and, in conjunction with this, sensitivity analysis is also performed based on changes in the outside world such as exchange rates. In periods where there are expected to be high outflows, longer currency hedging may be considered. The foreign companies within the Group mainly operate in their local currencies in order to reduce currency exposure. Translation exposure is not normally hedged within LKAB. The Group's finance policy defines the financing needs in the form of operating capital, needs caused by fluctuations in cash flow, and planned expenditure for commitments within urban transformation, pensions and remediation. The Group's cash flow forecast is updated every quarter. Financing is to be long-term, and is to cover these financing needs as a minimum. At the end of 2019 LKAB became probably the first iron ore producer in the world to issue what are known as green bonds. The finance policy contains rules on rating new and existing customers as well as rules on other credit risks. Monitoring of compliance with the finance policy and monitoring of external circumstances take place continuously, including in ongoing reporting to the Audit Committee. The finance policy is reviewed at least annually.

SENSITIVITY ANALYSIS

The following sensitivity analysis summarises LKAB's earnings sensitivity to a hypothetical change in volumes, prices and currencies. Changes in the SEK/USD exchange rate, market prices and delivery volumes have the greatest impact on earnings. In this analysis the delivery and price analysis refers to the Parent Company, and the remaining factors to the entire Group.



Sensitivity analysis

Group	Change	Exposure, 2020	Effect on operating profit, 2020 (MSEK)	Exposure, 2019	Effect on operating profit, 2019 (MSEK)
Iron ore price[1]	10 %	MSEK 31,419	3,188	MSEK 28,354	2,843
Dollar rate[1]	10 %	MUSD 3,494	3,183	MUSD 2,999	2,834
Delivery volume	10 %	28.5 Mt	2,796	24.9 Mt	2,500
Costs[2]	10 %	MSEK 20,864	2,086	MSEK 18,030	1,803

[1] Not including effects of hedging.

[2] Excluding provisions for urban transformation and impairment of property, plant and equipment.

FINANCING

Favourable market conditions during the year continued to provide LKAB with strong cash flow. It is expected that operating activities will largely finance LKAB's transition to carbon-free processes and products, while at the same time securing our extensive commitments.

LKAB is sensitive to economic fluctuations and if cash flow from operating activities decreases because of changes in the global iron ore price or dollar exchange rate, we need to remain well prepared. LKAB has substantial commitments associated with our responsibility for the impact of mine production and secures these through buffer capital for urban transformation and remediation.

LKAB has had financial instruments listed for trading on NASDAQ Stockholm since the end of 2014. To secure access to funding, in addition to credit facilities LKAB has various borrowing programmes – both MTN programmes and commercial paper programmes. These provide good preparedness for temporary fluctuations in the financing needs in the short term and ensure long-term funding.

Financial risks and finance policy

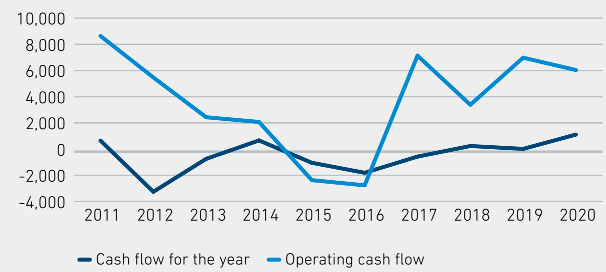
LKAB Group Treasury is the Group's central finance function, tasked with securing financing in accordance with business, investment and urban transformation plans. Management of financial risks is regulated in the finance policy, which forms the framework for financing activities within LKAB. The finance policy defines LKAB's financing needs in the form of operating capital as well as buffer capital, which takes the form of cash and cash equivalents to cover needs caused by fluctuations in cash flow as well as planned expenditure for commitments within urban transformation, pensions and remediation.

The requirement of buffer capital means that over time LKAB manages extensive financial assets. This is regulated by investment guidelines approved by LKAB's Board of Directors. As a starting point, the duration of the investments is to follow our commitments and be matched to planned outgoing payments.

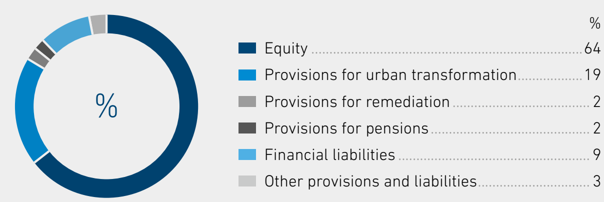
Financing activities in 2020

At year-end LKAB's net debt/equity ratio was -3.0 (-0.9) percent, which is mainly due to increased financial assets and increased equity as a result of the strong earnings for the year.

CASH FLOW (MSEK)



LKAB'S CAPITAL STRUCTURE



SOURCES OF FINANCING AS AT 31 DECEMBER 2020

MSEK	Loan framework	Utilised	Available
Commercial paper programmes	5,000		5,000
MTN bond programmes	7,000		4,000
– Maturing June 2021		1,000	
– Maturing March 2025 (green bonds)		2,000	
Other bond financing	250	250	
Credit facility	6,004		6,004

GREEN BONDS

In November 2019 LKAB issued green bonds for the first time, raising SEK 2 billion in total. The bonds mature in 5.25 years and allows investors to be part of the transformation of an industry that is of great significance – including globally – for the sustainable development of society.

At the end of 2020 around SEK 1.5 billion was allocated to a total of nine projects that are expected to have a long-term positive impact on the environment. Around a third of the allocated funds have been invested in initiatives to reduce carbon emissions, including the development projects for production of carbon-free sponge iron, and the remainder in increased resource efficiency and contributions to a more circular economy, clean transport, renewable energy and green buildings.

The bonds were issued under LKAB's MTN programme and are listed on Nasdaq Stockholm's Sustainable Bond List.

For further information see lkab.com, where LKAB's Green Bond Impact Report 2020 is also published.

LKAB LEADS THE WAY

2020 has been a challenging and different year for LKAB, marked by strong confidence in future growth and development. But what is fundamental for the future is the mines and the operation of the mines.

Operating mines is a hugely complex task that demands many different expert skills. Like all industrial operations, it can also at times be risky. This means that LKAB must put safety first, both in its existing operations and in the way we develop for the future.

LKAB is facing various crucial challenges to its future and the Board of Directors is deeply involved in these. Firstly, we need to ensure that LKAB has access to ore that is worth mining. There has long been a perception that the orebodies LKAB mines are everlasting. That is not the case; they are finite resources. LKAB has therefore invested significant resources in exploration in recent years and we are optimistic about the outcome of these efforts.

The challenges brought by climate change are something the whole world is having to address, and LKAB is no exception. The importance of steel in society is not going to diminsh. Steel will continue to provide the backbone for infrastructure and for building communities. However, we need better steel with less environmental impact – fossil-free steel. The development work that LKAB has begun, along with SSAB and Vattenfall, responds to that need. Here we have an opportunity to make a difference at a global level.

One thing that is key in connection with this is access to green electricity that is cheap enough to be used for production on an industrial scale. The breakthroughs we are seeing in solar energy and wind power, along with the hydropower we already have in Norrbotten, is a development that will make this process possible.

The third big challenge involves developing new methods of mining. LKAB needs to mine deeper down, towards 2,000 metres below the surface. Mining ore at such a great depth safely and efficiently requires new technology and a high degree of automation. We are working with a number of other large Swedish companies to find completely new solutions for this. And here, too, LKAB can play a leading role internationally by leading the way.

Managing these great challenges requires huge investments. It is therefore crucial that LKAB remains profitable. It is equally key that our owners, the Swedish people, have sent a clear signal that this is the path we should take. Driving an industrial transformation that makes a real contribution to Sweden's climate goals will also secure the future of both LKAB and our operating locations.

We want the communities that LKAB is part of to be good communities that offer quality housing, decent services and a strong local economy. LKAB has extensive commitments in Gällivare and Kiruna, where along with the municipalities we are practically building new cities. It is important to stress that Narvik, too, where we have our biggest shipping port, is a community that in many ways has been and continues to be characterised by LKAB.

LKAB has a proud history of innovation and bold technological advances, but also of taking responsibility. We are taking that with us as we take on the challenges and opportunities that we now face.

Luleå, 26 March 2021

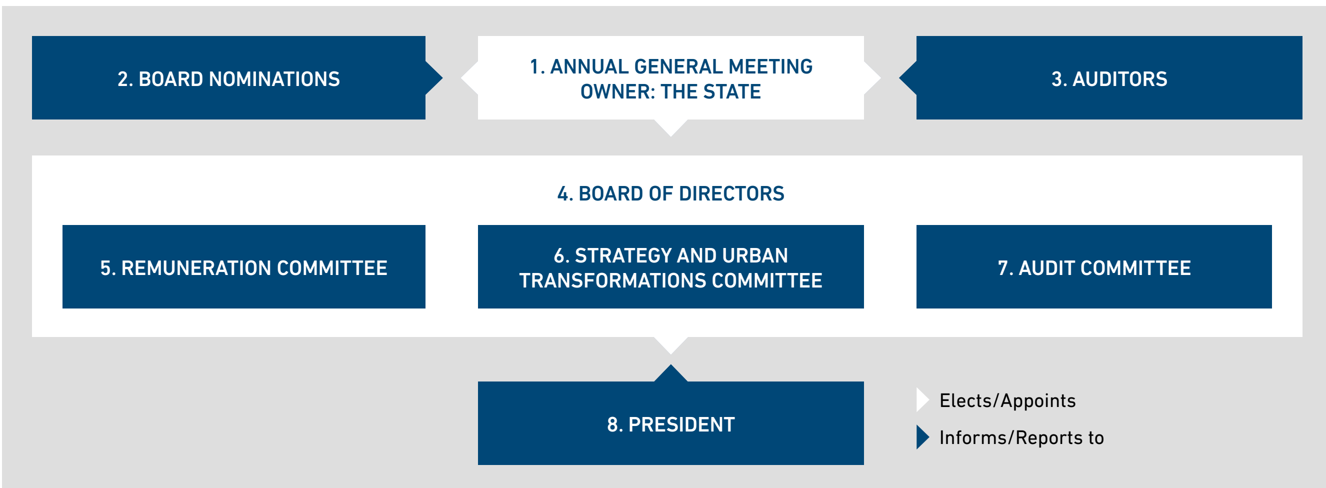
Göran Persson
Chairman of the Board

→ Managing these great challenges requires huge investments. It is therefore crucial that LKAB remains profitable. It is equally key that our owners, the Swedish people, have sent a clear signal that this is the path we should take.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STRUCTURE

LKAB's owner, the Swedish state, is ultimately responsible for making decisions on corporate governance. At the Annual General Meeting the owner (shareholder) appoints Board members, the Chairman of the Board and an auditor. The Board is responsible to the owner for the company's organisation and the administration of its affairs. The diagram below summarises how governance and control are organised at LKAB. The company functions are described in more detail on pages 57–63 of the corporate governance report.



1. ANNUAL GENERAL MEETING

The AGM is LKAB's highest decision-making body and the forum at which the shareholder formally exercises its influence. Among other things, the AGM resolves on adoption of the income statement and balance sheet, discharge from liability of the Board, the election of Board members and the auditor, the remuneration of Board members and the auditor, and guidelines for the remuneration of senior executives.

2. BOARD NOMINATIONS

LKAB does not have a nomination committee. Instead, decisions concerning the nomination of Board members are prepared by a Board nomination process in accordance with the state's ownership policy. The work is coordinated by the Ministry of Enterprise and Innovation.

See deviations from Code rules on page 59.

3. AUDITOR

The auditor reports to the shareholder at the AGM and provides an audit report on the Annual Report and the Board's administration of the company.

The auditors regularly report verbally and in writing to the Audit Committee on how the audit was conducted and on the auditor's assessment of order and control at the company. A summary of the annual audit is also submitted to the full Board.

4. BOARD OF DIRECTORS

The Board of Directors is responsible for the company's organisation and manages the company's affairs on behalf of the owner. The work of the Board includes continuously monitoring the company's financial situation and ensuring that the company is organised so that its bookkeeping, asset management and other financial circumstances are controlled in a satisfactory manner. The Board also appoints the President.

5. REMUNERATION COMMITTEE

This committee is involved in preparing the Board's proposed guidelines for remuneration of senior executives and the company's remuneration report, prepares decisions on the President's terms of employment and supports the President's work on determining the salaries of senior executives. The committee also works on succession planning.

6. STRATEGY AND URBAN TRANSFORMATIONS COMMITTEE

The committee prepares and follows up matters relating to the company's strategy and the long-term conditions for mining operations, and monitors that the company is managing the urban transformation efficiently and appropriately.

7. AUDIT COMMITTEE

The Audit Committee oversees the financial reporting by reviewing all critical accounting matters and other factors that could affect the quality of the financial reporting content. The committee also monitors compliance with LKAB's finance policy, including the company's liquidity management, borrowing and hedging.

8. PRESIDENT

The President is appointed by the Board of Directors. Besides instructions from the Board, the President is subject to the Swedish Companies Act and various other laws and regulations relating to the company's accounting, asset management and operational control.

GOVERNING POLICIES, **GUIDELINES AND REGULATIONS**

BASIC REGULATIONS

The basis for corporate governance at LKAB is Swedish legislation, the Swedish Corporate Governance Code (the Code), the state's ownership policy and internal steering documents. In the state's ownership policy and principles for state-owned companies, the government describes missions and objectives, applicable frameworks and its position on important matters of principle related to corporate governance in state-owned companies; see also www.government.se.

CODE OF CONDUCT

The Code of Conduct describes how we at LKAB are to conduct ourselves towards each other, towards our business partners and towards the community around us. It is based on LKAB's values – Committed, Innovative and Responsible (CIR) – and on international guidelines and our wish to set an example both in business and in the community. The Code of Conduct is to be complied with by all employees of LKAB and also by our business partners. We want our suppliers to also lead the field when it comes to ethics, the work environment, equality and diversity, and therefore we require that they comply with both our Basic Requirements and our Supplier Code of Conduct.

POLICY DOCUMENTS

Sustainability policy
LKAB's mission is to utilise iron ore and mineral resources in a responsible way and to secure lasting competitiveness and long-term value creation. Our goal is a business that is sustainable in the long term, in which diversity is an asset. We will get there through zero accidents and illness, by showing respect for human rights and by minimising negative impact and energy consumption.

Staff policy
Staff and management shall help the business develop by encouraging initiative taking, commitment and good effort. We set clear requirements, provide constructive feedback and continually develop skills.

Finance policy
All the Group's financial risks shall be identified, reported and managed in accordance with instructions from the Board and executive management.

Communications policy
LKAB shall provide employees, the world around it and other stakeholders with a true picture of the company and its operations.

Human rights policy
LKAB shall effectively identify, respect and manage risks associated with direct and indirect infringements of human rights.

Insider policy
LKAB shall manage insider information correctly and ensure that insider trading does not occur.

In 2020 a review of LKAB's steering documents was carried out with a view to ensuring good internal governance and control, and to clarify the structure and content of the Group's steering documents. In the first quarter of 2021 the Board adopted the following policy documents: Code of Conduct, Insider Policy, Finance Policy, Sustainability Policy and Risk Management Policy. These will replace the policies above.

LKAB's values and policies are described in more detail on the website lkab.com.

DEVIATIONS FROM THE CODE

In accordance with the state's ownership policy, LKAB applies the Swedish Corporate Governance Code (the Code). LKAB's governance for the 2020 financial year deviates from the requirements contained in the Code on the following points:

CODE RULE	DEVIATION AND EXPLANATION/COMMENT
ITEM 1.1 Publication of information on shareholder's right of initiative.	The purpose of this rule is to give shareholders the opportunity to prepare for the AGM in a timely manner and to have a matter included in the notice of the AGM. At wholly state-owned companies it is not necessary for this rule to be applied and therefore no information is published concerning the shareholder's right of initiative.
ITEM 2 The company shall have a nomination committee that represents the company's shareholders.	Due to its ownership structure, LKAB does not have a nomination committee. The Board nomination process follows the policies outlined in the state's ownership policy and is coordinated by the Ministry of Enterprise and Innovation. Proposals for the election of the auditor and for auditor's fees are presented by the Board and adopted by the company, applying the EU Audit Regulation. Accordingly, the references to the nomination committee in items 1.2, 1.3, 4.6, 8.1 and 10.2 of the Code are not applicable.
ITEM 10.2 The corporate governance report shall contain information that indicates whether Board members are independent of major shareholders.	This provision is aimed primarily at protecting minority shareholders in companies with dispersed ownership. In companies that are wholly owned by the state, it is not necessary to apply this rule.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

SHAREHOLDERS

LKAB is wholly owned by the Swedish state. The Government Offices of Sweden administers companies through the special organisation for administration of state-owned companies that is part of the Ministry of Enterprise and Innovation.

To achieve active and professional company administration the owner has developed a corporate governance model that includes a number of tools and processes. In the state's ownership policy the government describes missions and objectives, applicable frameworks and important matters of principle related to corporate governance in state-owned companies. The state's ownership policy also contains guidelines on external reporting as well as guidelines on remuneration and other terms of employment for senior executives.

Establishing and monitoring financial objectives is another important governance tool that the state has as owner. At the 2017 AGM the owner set new financial objectives for LKAB relating to capital structure, profitability and dividend (see objectives and follow-up of objectives on pages 10–11).

ANNUAL GENERAL MEETING 2020

LKAB's Annual General Meeting was held on 23 April 2020 at LKAB's office at the World Trade Center in Stockholm. Due to the spread of coronavirus the meeting was not open to the public. The owner was represented by Anna Magnusson of the Ministry of Enterprise and Innovation. Chairman of the meeting was Board Chairman Göran Persson.

Resolutions passed at the meeting included the following:

- A dividend of SEK 8,720 per share, representing a total of SEK 6,104,000,000. Due to the uncertainty surrounding the economic consequences of the coronavirus pandemic and its future impact on LKAB's business, the meeting resolved to split the dividend into two payments. The sum of SEK 4,069,000,000 – corresponding to SEK 5,813 per share – was paid on 6 May 2020, and the sum of SEK 2,035,000,000 – corresponding to SEK 2,907 per share – was paid on 1 November 2020.
- Re-election of Board members Göran Persson, Gunnar Axheim, Eva Hamilton, Bjarne Moltke Hansen, Lotta Mellström, Ola Salmén, Gunilla Saltin and Per-Olof Wedin.
- Re-election of Göran Persson as Chairman of the Board.
- Unchanged remuneration of SEK 650,000 to the Chairman of the Board and SEK 290,000 to the other Board members elected at the AGM. Remuneration is not paid to Board members who are employed at the Government Offices, nor to employee representatives.
- Re-election of the registered accounting firm KPMG AB as auditor for a period of one year.
- Resolution on new guidelines for remuneration and other terms of employment for senior executives.

The minutes of the 2020 AGM and of other recent years' general meetings are available on LKAB's website at lkab.com.

BOARD NOMINATIONS

Instead of having a nomination committee, the election of Board members is prepared in accordance with the state's ownership policy. The work is coordinated by the Ministry of Enterprise and Innovation. LKAB's expertise requirements are analysed based on the company's operations, situation and future challenges. Diversity aspects such as ethnic and cultural background are among the factors considered. The government aims for gender balance both on individual company boards and at portfolio level. In order to be considered for a Board position, a person must have a high level of expertise relevant to current business operations, business development, industry expertise, financial matters, sustainable enterprise or in other relevant areas. They must also have a high level of integrity and the ability to act in the best interests of the company.

AUDITOR

On behalf of the owner, the auditor independently reviews the management of the Board and President, as well as the company's Annual Report and accounts. The auditor also performs a review of the company's interim report for the third quarter and of the company's sustainability report. The auditor is elected by the AGM. The work of the auditor is evaluated annually.

At the Annual General Meeting on 23 April 2020 KPMG AB was re-elected as auditor for a period of one year. Authorised public accountant Helena Arvidsson Älgne is the chief auditor. The remuneration paid to the auditor is specified in Note 7 on page 93 of the Annual Report.

BOARD OF DIRECTORS

COMPOSITION AND DIVISION OF DUTIES OF THE BOARD OF DIRECTORS

LKAB's Articles of Association state that the company's Board of Directors shall consist of no fewer than six and no more than eleven AGM-elected members, excluding deputies. The Board consists of eight AGM-elected members. Employees are represented by three members and three deputies in accordance with the Board Representation (Private Sector Employees) Act. Board members have broad and extensive business experience and most maintain other duties as Board members of large companies. The members of the Board are presented on pages 64–65.

The Board annually establishes rules of procedure for the Board, instructions for the President and instructions for financial reporting. These documents define the basic divisions of responsibility and powers between the Board, Board committees, the Chairman and the President.

CHAIRMAN OF THE BOARD

The duties of the Chairman are subject to the Swedish Companies Act, the Code and the ownership policy. They are further specified in the Board's rules of procedure. The Chairman's duties include organising and leading the work of the Board, ensuring that the Board fulfils its duties and that its decisions are implemented effectively, and that the Board evaluates its own work annually.

Coordination responsibility is a special task assigned to the chairpersons of state-owned companies. This responsibility means that, through the Chairman, the Board is to coordinate its views in writing with representatives of the owner when the company faces important decisions such as substantial strategic changes in the company's operations, major acquisitions, mergers or disposals, or decisions which involve significant changes to the company's risk profile or balance sheet.

THE WORK OF THE BOARD OF DIRECTORS IN 2020

During the year the Board held 12 meetings, of which one was the constituent Board meeting. Due to the coronavirus pandemic all the Board meetings were held by telephone or video, apart from the first meeting of the year which was held in Stockholm in February. The meetings follow a set agenda to ensure the Board's information needs are met. The first meeting of the year is usually an annual accounts session attended by the auditor. At this meeting, the Board deliberates with the company's auditors without the presence of the President or others from executive management. At the second Board meeting the Annual and Sustainability Report is discussed. The third to seventh meetings tend to be devoted to operational, strategic and personnel matters and to market developments, among other things. At the last Board meeting of the year decisions are made on budgets and the business plan for the coming year.

In 2020 the board also held three extra board meetings. The first meeting took place in April for the purpose of revising the dividend proposal to the 2020 annual general meeting, the second was in May when the President was instructed to ask the government to intervene in respect of the zoning plan for area GP 2:4 in Kiruna and the third meeting was convened following the seismic event in the Kiruna mine in May 2020.

Important matters on the Board's agenda in 2020 included LKAB's management of and adaptation to the consequences of the coronovirus pandemic, the company's major development projects HYBRIT, SUM and ReeMAP, and ongoing exploration work in Kiruna, Malmberget and Svappavaara. In February LKAB further increased its shareholding in SSAB by just over five percent, to 10 percent of the votes. The Board also addressed LKAB's new strategy for the future, with LKAB embarking on the biggest transformation in the company's 130-year history. The goal is that, together with Swedish industry, we will be at the forefront of the global transition to sustainable development and reduced climate impact. The intention is to move a step forward in the value chain and replace pellets with sponge iron (DRI/HBI) produced

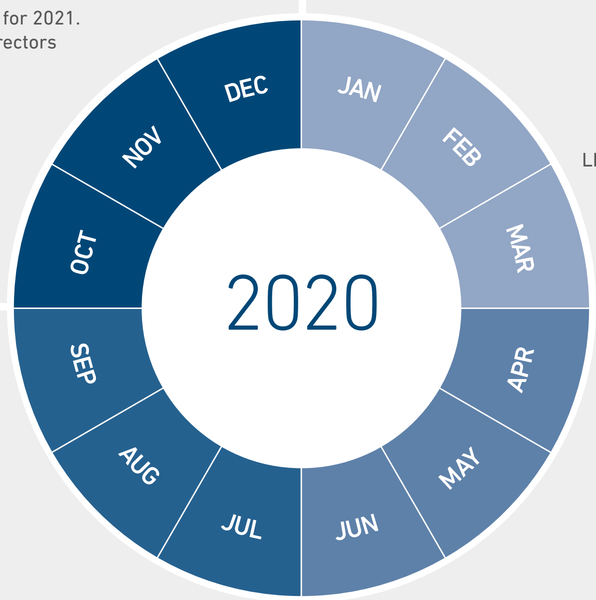
THE WORK OF THE BOARD OF DIRECTORS IN 2020

DECEMBER
Decisions on business plan and budget for 2021. Review of evaluation of the Board of Directors and of the President for 2020.

NOVEMBER
LKAB's new strategy for the future presented.

OCTOBER
Adoption of interim report for Q3.

AUGUST
Adoption of interim report for Q2.



FEBRUARY
Adoption of the year-end report. Review of 2020 audit. Matters relating to the Annual General Meeting.

LKAB increases its shareholding in SSAB.

MARCH
Approval of Annual and Sustainability Report.

APRIL
Adoption of interim report for Q1. Annual General Meeting, including decision on dividend of SEK 6.104 billion. Constituent Board meeting.

JUNE
Decisions concerning updated strategy.

using carbon-free hydrogen. In addition, competitive mining at greater depths is to be ensured through automation, digitalisation and new technology solutions, and the business is to be broadened by the extraction of valuable by-products such as rare earth elements and phosphorous.

Urban transformation in Kiruna and Malmberget is in an intense phase in each city, resulting in a number of matters relating to urban transformation being put on the Board's agenda. Other pressing matters in 2020 included good cost control, stable production and systematic maintenance, legally secure and efficient environmental permit processes, as well as work to reinforce the safety culture and reduce the accident rate throughout the LKAB Group.

The deputy employee representatives participate in the Board meetings. The President is not a Board member, but participates in Board meetings. Board member attendance at 2020 Board and committee meetings is shown in the table on page 61.

COMMITTEES

Under the state's ownership policy it is the Board's responsibility to assess whether there is a need to establish special committees. LKAB's Board has established an Audit Committee, a Strategy and Urban Transformations Committee, and a Remuneration Committee. Committee work is of a preparatory and advisory nature. However, in special cases the Board may delegate decision-making powers to the committees. Committee members and chairpersons are appointed at the constituent Board meeting that follows the AGM each year.

Audit Committee

The Audit Committee has four members: Ola Salmén (chair), Lotta Mellström, Per-Olof Wedin and Björn Åström. The meetings are also attended by the head of accounting, the Chief Financial Officer and the company's auditor. The committee is tasked with quality assurance of LKAB's financial reporting and with ensuring that the company has appropriate risk management, complies with established principles for financial reporting and internal control, and that LKAB undergoes a qualified, effective and independent audit. The Audit Committee is responsible for purchases of audit services and prepares a reasoned proposal for the election of an auditor that is put to the annual general meeting for approval, and also prepares the Board's proposal for the appropriation of earnings for the financial year. The committee's duties also include monitoring that the company's liquidity management, financing and hedging activities for currency (USD), iron ore prices and electricity prices comply with the finance policy passed by the Board, and otherwise preparing financial matters that require Board approval.

In the course of the year the Audit Committee held seven meetings.

Strategy and Urban Transformations Committee

The Strategy and Urban Transformations Committee has five members: Göran Persson (chair), Gunnar Axheim, Eva Hamilton, Bjarne Moltke Hansen and Anders Elenius. The meetings are also attended by the President and the Senior Vice President of Urban Transformation. The duties of the Strategy and Urban Transformations Committee include monitoring the company's strategy work and its progress on priority activities, discussing in greater depth the conditions for creating a company that is sustainable and competitive in the long term, monitoring the company's management of matters of particular strategic importance for mining, such as access to land and efficient and legally secure permit processes, as well as preparing matters relating to urban transformation and monitoring the company's management in this area.

The committee held six meetings during the year.

BOARD MEETINGS 2020

	10/2	23/3	22/4	23/4	Const.	8/5	22/5	9/6	13/8	27/8	27/10	15/12
Göran Persson	■	■	■	■	■	■	–	■	■	■	■	■
Gunnar Axheim	■	■	■	■	■	■	■	–	■	■	–	■
Anders Elenius	■	■	■	■	■	■	■	■	■	■	■	■
Dan Hallberg	■	■	–	■								
Eva Hamilton	■	■	■	■	■	■	■	■	■	■	■	■
Bjarne Moltke Hansen	■	■	■	■	■	■	–	■	■	■	■	■
Tomas Larsson	■	■	■	■	■	■	■	■	–	■	■	■
Lotta Mellström	■	■	■	■	■	■	■	■	■	■	■	■
Ola Salmén	■	■	■	■	■	■	■	■	■	■	■	■
Gunilla Saltin	■	■	–	■	■	■	■	■	■	■	■	■
Per-Olof Wedin	■	■	■	■	■	■	■	■	■	■	■	■
Pentti Rahkonen	■	■	■	■								
Peter Skoggård	■	■	■	■	■	■	■	■	■	■		
Björn Åström	■	■	■	■	■	■	■	■	■	■	■	■
Peter Nordström	■	■	■	■	■	■	■	■	■	■	■	■
Stefan Tallfjärd					■	■	■	■	■	■	■	■
Emil Lantto											■	■

STRATEGY AND URBAN TRANSFORMATIONS COMMITTEE 2020

	6/2	16/4	18/5	15/9	22/10	3/12
Göran Persson	■	■	■	■	■	■
Gunnar Axheim	■	■	■	■	■	■
Eva Hamilton	■	■	■	–	■	■
Bjarne Moltke Hansen	■	■	■	■	■	■
Anders Elenius			■	■	■	■

AUDIT COMMITTEE 2020

	7/2	17/3	16/4	3/6	10/8	22/10	7/12
Ola Salmén	■	■	■	■	■	■	■
Lotta Mellström	■	■	■	■	■	■	■
Per-Olof Wedin	■	■	■	■	■	■	■
Dan Hallberg	■	■	■				
Björn Åström				■	■	■	■

REMUNERATION COMMITTEE 2020

	13/3	18/8	15/12
Göran Persson	■	■	■
Lotta Mellström	■	■	■
Gunilla Saltin	■	■	■
Tomas Larsson	■	■	■

Remuneration Committee

The Remuneration Committee has four members: Göran Persson (chair), Lotta Mellström, Gunilla Saltin and Tomas Larsson. The Senior Vice President of Human Resources also attends the meetings.

The Remuneration Committee's duties include preparing and evaluating the remuneration and other terms of employment for the President and other members of Group management, participating in the preparation of the Board's proposed guidelines for remuneration to senior executives and the company's remuneration report, monitoring the company's process for succession planning and talent management, and annually evaluating the company's employee incentive programme.

In the course of the year the Remuneration Committee held three meetings.

EVALUATION

EVALUATION OF THE BOARD OF DIRECTORS

The Board's work is evaluated once a year, with questions concerning how well the Board as a whole and the Board members individually have performed their duties. This evaluation is used in the Board's internal work. The Chairman is responsible for following up the results so that they can form a basis for discussions and improvements. In 2020 the evaluation took the form of a survey. The results and analysis of the evaluation were presented to the entire Board at its meeting in December 2020, as well as to the President where appropriate. The Chairman of the Board notifies the owner of relevant results of the evaluation ahead of work related to the election of new Board members.

EVALUATION OF THE PRESIDENT

The evaluation of the President's performance is a fundamental task of the Board of Directors. The Board continually assesses the President's work and has regular deliberations at Board meetings where executive management are not present. In 2020 the evaluation took the form of a survey. The results and analysis of the evaluation were presented to the entire Board at its meeting in December 2020, as well as to the President.

REMUNERATION PRINCIPLES

GUIDELINES

The 2020 AGM approved remuneration levels for Board members and auditors, and also adopted new guidelines for remuneration of senior executives which accord with the government's principles for compensation and other employment terms for senior executives at state-owned companies dated 27 February 2020. The total remuneration is based on fixed remuneration, benefits and pension. No variable remuneration is paid to senior executives in Group management. The guidelines passed by the AGM for 2020 and reporting on the remuneration paid to senior executives can be found in Note 6 on pages 91–93. LKAB has also published a separate remuneration report, which is available on its website at lkab.com.

The Board is proposing that the AGM on 22 April 2021 adopts unchanged guidelines for remuneration of senior executives, these being in accordance with the government's principles for compensation and other employment terms for senior executives at state-owned companies dated 27 February 2020. The Board's proposal is designed to ensure that LKAB can offer Group management remuneration that is competitive, capped, reasonable and appropriate. The total remuneration package is to be moderate and well-balanced, and must contribute to good ethics and a good corporate culture. The guidelines cover both LKAB and all its subsidiaries.

REMUNERATION TO THE BOARD OF DIRECTORS

Total fees to the Board members elected by the AGM amounted to SEK 2,748,000 in 2020. See Note 6 on pages 91–93.

INCENTIVE PROGRAMME

LKAB's incentive programme for Group employees is designed to support the Group's strategic plan and overall objectives. Input parameters include monitoring performance against targets for accident rates, production and delivery volumes, costs and profitability.

The maximum bonus is SEK 40,000 per person and year. The incentive programme only applies if the LKAB Group reports a profit for the year. Senior executives are not included in the incentive programme.

LKAB'S MANAGEMENT

GROUP MANAGEMENT AND GROUP MANAGEMENT STRUCTURE

The President, who is also the Chief Executive Officer of the LKAB Group, is responsible for day-to-day management in accordance with the Swedish Companies Act. General responsibilities are stated in the President's instructions and the Board's rules of procedure.

Effective from 1 January 2020 LKAB has a new Group structure in which the three former divisions – Northern, Southern and Special Products – became two business areas: Iron Ore and Special Products. These business areas are supported by Group functions for Finance and Accounts, for HR and Sustainability, for Communication and Climate, for Exploration, Strategy and Business Development, for Market and Technology, for Urban Transformation and for Strategic Projects. During the year some parts of the Group functions for Finance and Accounts and for HR and Sustainability were moved into the Iron Ore business area in conjunction with the implementation of the new Group structure.

For overall management of the Group, the CEO has established a Group management team that focuses on the overall direction of the Group. Group management meets monthly to address matters of importance to the Group and to prepare matters that are to be dealt with by the Board. The CEO also has monthly operational follow-up meetings with each business area and Group function to discuss matters such as results, forecasts, investments, progress towards targets set, significant events and current challenges. The CEO also has a more in-depth follow-up meeting with the management team of each business area three times a year.

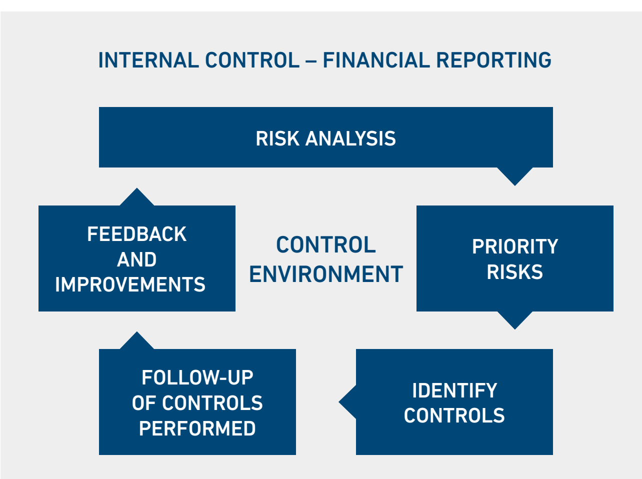
Information on members of Group management can be found on page 66.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board's responsibility for internal control over financial reporting is regulated by the Swedish Companies Act, Annual Accounts Act and Corporate Governance Code. The Board has overall responsibility for financial reporting, and its rules of procedure govern the internal division of duties of the Board and Audit Committee. Work on internal control over financial reporting within LKAB is based on the five internal control components below.

CONTROL ENVIRONMENT

LKAB's internal control structure is based on a defined division of responsibilities between the Board, Board committees and the President. The internal control structure is also based on the Group's organisation and the way business is conducted, including well-defined roles and responsibilities, delegation of powers, steering documents such as policies, guidelines and instructions and clearly defined management processes. In 2020 a review of the Group's steering documents was begun. The aim is for revised Group-wide steering documents to be established in the first quarter of 2021. The most important elements of the control environment for financial reporting are dealt with in the Group's steering documents for accounting, financial transactions and regulation of the division of authority. Group-wide instructions and systems for the presentation and consolidation of the Group's financial statements aim to ensure the accuracy of its financial reporting.



RISK ASSESSMENT

As part of internal governance and control work, comprehensive analysis of risks related to financing reporting is performed annually at Group level and for each business area. Based on the comprehensive risk analysis, priority processes are identified and worked on in a structured way through process mapping, including documenting risks and controls. The purpose of this is to ensure ongoing management and monitoring of risks identified. In 2020 a number of priority areas were identified, including accounting for ore revenues, remediation and property, plant and equipment.

CONTROL ACTIVITIES

In addition to the Board and its Audit Committee, the management teams in the Group are also general control bodies. The business processes are designed to ensure that any deviations in the financial reporting are prevented or detected and rectified by controls built into the processes. Control activities include everything from review of performance outcomes at management team meetings to specific account reconciliation and analysis at various levels in the day-to-day processes for financial reporting.

INFORMATION AND COMMUNICATION

Information on steering documents such as policies, guidelines and instructions is available on LKAB's intranet. Changes to instructions for financial reporting are updated regularly and communicated to the functions and operations concerned. The Group's central accounts function is tasked with ensuring the application of Group-wide instructions for financial reporting and with identifying and communicating on weaknesses and areas for improvement in financial reporting processes.

MONITORING ACTIVITIES

Business processes that are judged to have a material impact on financial reporting are monitored continually, for example by performing risk analysis or based on previously identified weaknesses or deviations. The results of reviews performed are fed back to the operations concerned and actions decided on are monitored on an ongoing basis.

LKAB has an internal control function that is responsible for the framework for internal control over financial reporting. The function reports to the Chief Financial Officer and presents matters relating to internal governance and control at the meetings of the Audit Committee.

The structure for monitoring internal control that currently exists at LKAB is deemed to meet the Board's requirements, and consequently no separate internal audit function has been established. The decision on internal audits is reconsidered annually by the Board.

Luleå, 26 March 2021

The Board of Directors, through the Chairman

Göran Persson

BOARD OF DIRECTORS

GÖRAN PERSSON

BORN 1949

POSITION Chairman of the Board

BOARD MEMBER SINCE 2017

EDUCATION Studied sociology and political science at Örebro University College 1969–1971

BACKGROUND Prime Minister of Sweden 1996–2006, chairman of the Council of the EU 2001, Swedish Finance Minister 1994–1996, Swedish Minister for Schools 1989–1991, leader of the Swedish Social Democratic Party 1996–2007, Chairman of the Board at Sveaskog AB 2008–2015, board member at Ålandsbanken 2015–2019.

OTHER DIRECTORSHIPS Chairman of the Board at Swedbank AB, at Scandinavian Biogas Fuels International AB and at GreenGold Group AB.

REMUNERATION SEK 745,000

GUNNAR AXHEIM

BORN 1951

POSITION President of Axheimconsult AB

BOARD MEMBER SINCE 2017

EDUCATION MSc Engineering, Luleå University of Technology

BACKGROUND Head of BU Vattenfall Hydro and President Vattenfall Vattenkraft 2007–2013. Head of BU Vattenfall Tjänster 1998–2007. Managerial positions at Boliden 1989–1998, Holmen 1986–1989 and LKAB 1976–1986.

OTHER DIRECTORSHIPS Chairman of the Board at Svenska Kraftnät Gasturbiner AB, Läkarjouren i Norrland AB, Läkarjouren AS and GeoVista AB. Board member at Exeri AB.

REMUNERATION SEK 335,000

EVA HAMILTON

BORN 1954

BOARD MEMBER SINCE 2015

EDUCATION Dag Hammarskiöld College, Economics, University of Uppsala 1974, Stockholm University of Journalism 1976

BACKGROUND Chairman of the Board at Radiotjänst i Kiruna 2006–2015. CEO at SVT 2006–2014. Head of SVT Fiction 2004–2006. Head of SVT News and Sport 2000–2004. Journalist at Sydsvenska Dagbladet, Sundsvalls Tidning, Aftonbladet, SvD, Dagens Industri and Rapport/SVT.

OTHER DIRECTORSHIPS Chairman of the Board at Luleå University of Technology, the Swedish Film & TV Producers' Association and Nexiko Media AB. Board member at Fortum Oyj, Fastator, Bonnier News, Bonnier Local and Expressen.

REMUNERATION SEK 335,000

LOTTA MELLSTRÖM

BORN 1970

POSITION Senior advisor and corporate administrator within the department for state-owned companies at the Ministry of Enterprise and Innovation

BOARD MEMBER SINCE 2018

EDUCATION MSc Business and Economics, Lund University

BACKGROUND At the Swedish Government Offices since 2001. Analyst within the department for state-owned companies at the Ministry of Enterprise and Innovation/Ministry of Finance (2001–2008), management consultant Resco AB (2000–2001), controller Sydkraft Försäljning AB (1998–2000), management trainee and controller positions within the ABB group (1993–1998).

OTHER DIRECTORSHIPS Board member at Swedavia AB and Jernhusen AB.

REMUNERATION SEK 0

BJARNE MOLTKE HANSEN

BORN 1961

BOARD MEMBER SINCE 2016

EDUCATION BSc Engineering

BACKGROUND: Group Executive Vice President (Koncerndirektør) FLSmidth & Co. 2002–2017, President Aalborg Portland Holding A/S 2000–2002, President Cembrit Holding A/S 1995–2000, various managerial positions at Unicon A/S 1984–1995.

OTHER DIRECTORSHIPS Chairman of the Board at Aalborg Portland Holding A/S, Bladt Industries A/S, RMIG A/S and Pindstrup Mosebrug A/S. Board member at Per Aarsleff Holding A/S, Randers Tegl A/S, Højslev Teglværk A/S and Danish SGD Investment Fund, Investment Committee.

REMUNERATION SEK 335,000

OLA SALMÉN

BORN 1954

BOARD MEMBER SINCE 2016

EDUCATION MSc Business and Economics, Stockholm University

BACKGROUND CFO Sandvik AB, Vin & Sprit AB and Adcore AB. Finance Director Handelsbanken Markets. Senior positions in finance and controlling within the groups Swedish Match and STORA.

OTHER DIRECTORSHIPS Board member at Arla Plast AB.

REMUNERATION SEK 365,000

GUNILLA SALTIN

BORN 1965

POSITION CEO Uncoated Fine Paper, Mondi

BOARD MEMBER SINCE 2017

EDUCATION MSc in Chemical Engineering KTH Royal Institute of Technology, Stockholm, PhD Chemical Engineering University of Idaho, MBA Stockholm School of Economics

BACKGROUND At Södra Group 2000–2019, including as Executive Vice President Södra Cell and Site Manager Södra Cell Värö. Research engineer and process engineer MoDo 1994–2000.

OTHER DIRECTORSHIPS –

REMUNERATION SEK 310,000

PER-OLOF WEDIN

BORN 1955

BOARD MEMBER SINCE 2018

EDUCATION MSc in Engineering, KTH Royal Institute of Technology, Stockholm

BACKGROUND President and CEO Sveaskog AB 2011–2019, CEO Svevia 2008–2011, head of Stora Enso's Uncoated Magazine Papers and Pulp division and its Transport and Distribution department 2001–2008, CEO Stora Enso Grycksbo AB 1998–2001. Senior positions within SCA and Modo 1982–1998.

OTHER DIRECTORSHIPS Board member at Inlandsbanan AB, Envigas AB and Skogssällskapet.

REMUNERATION SEK 340,000

THE BOARD'S EMPLOYEE REPRESENTATIVES
FULL MEMBERS/DEPUTIES

ANDERS ELENIUS / FULL MEMBER

BORN 1965
POSITION Production driller
MEMBER SINCE 2018
EDUCATION Upper secondary education
BACKGROUND Employee at LKAB since 1990.
OTHER DIRECTORSHIPS Chairman of the union club Gruv 12:an, IF Metall Malmfälten.
REMUNERATION SEK 0

TOMAS LARSSON / FULL MEMBER

BORN 1983
POSITION Scaler
MEMBER SINCE 2018
EDUCATION Upper secondary education
BACKGROUND Employee at LKAB since 2003.
OTHER DIRECTORSHIPS Chairman of the union club Gruv 4:an, IF Metall Malmfälten.
REMUNERATION SEK 0

BJÖRN ÅSTRÖM / FULL MEMBER

BORN 1972
POSITION Project manager
DEPUTY MEMBER SINCE 2017
EDUCATION Four-year technical stream at upper secondary school Technical officer and BTech Project Engineering.
BACKGROUND Technical Officer at Ing 3, Project Coordinator at LKAB, General Manager Terminals LKAB Malmtrafik, Project Manager at Transportation & Logistics Technology LKAB, Project Manager for Strategic Production Development LKAB, Project Manager Process and Product Development LKAB.
OTHER DIRECTORSHIPS Chairman of the Board at Akademikerföreningen Kiruna/Svappavaara.
REMUNERATION SEK 0

AUDITOR AND SECRETARY

AUDITOR
KPMG
Helena Arvidsson Älgne
Authorised Public Accountant

SECRETARY
Malin Sundvall
Legal Director, LKAB
Secretary of the Board since 2008

EMIL LANTTO / DEPUTY

BORN 1984
POSITION Operating mechanic
DEPUTY MEMBER SINCE 2020
EDUCATION Upper secondary education
BACKGROUND Employee at LKAB since 2011.
OTHER DIRECTORSHIPS Chairman of the union club IF Metall Klubb Svartöstaden, board member at the Mine Workers' Industry Forum and at the foundation Stiftelsen Ellen och Harald Björnlunds Hem för Gamla i Luleå.
REMUNERATION SEK 0

PETER NORDSTRÖM / DEPUTY

BORN 1963
POSITION Rock worker
DEPUTY MEMBER SINCE 2020
EDUCATION Upper secondary education and trade union training
BACKGROUND Employee at LKAB since 2010.
OTHER DIRECTORSHIPS Chairman of the union club Klubb 135:an, IF Metall Malmfälten, Chairman of Vittangi Alltjänst AB.
REMUNERATION SEK 0

STEFAN TALLFJÄRD / DEPUTY

BORN 1971
POSITION Group manager
DEPUTY MEMBER SINCE 2020
EDUCATION Within building and construction
BACKGROUND Employed at LKAB since 1998 in various departments, all underground in Malmberget.
OTHER DIRECTORSHIPS Formerly chairman and now deputy board member at Ledarna, Malmberget/Luleå/Stockholm.
REMUNERATION SEK 0

GROUP MANAGEMENT[1]

JAN MOSTRÖM[2]

BORN 1959

POSITION President and CEO

EDUCATION: Mining Engineer, Bergsskolan Filipstad, 1983

YEAR EMPLOYED: 2015

OTHER ENGAGEMENTS: Chairman of the Board at GAF (the Association of Mining Employers), Deputy Chairman at Svemin (industry association of mining, mineral and metal producers), board member at Industriarbetsgivarna (Swedish Association of Industrial Employers) and at the Royal Swedish Academy of Engineering Sciences (IVA).

BACKGROUND: Boliden 2000–2015, Skellefteå Municipality 1998–2000, Boliden 1979–1998.

LEIF BOSTRÖM

BORN 1959

POSITION Senior Vice President, Special Products Business Area

EDUCATION: MSc Business Economics, Luleå University of Technology, 1990

YEAR EMPLOYED: 1992

BACKGROUND: NCC 1980–1992.

PETER HANSSON

BORN 1970

POSITION Chief Financial Officer

EDUCATION: MSc Business Economics, Luleå University of Technology, 2000

YEAR EMPLOYED: 2016

BACKGROUND: Boliden Mineral AB 2002–2015, Riksskatteverket (National Tax Board) 2000–2002, Skatteverket (Swedish Tax Agency) 1991–2000.

PIERRE HEEROMA

BORN 1957

POSITION Senior Vice President, Exploration, Strategy and Business Development

EDUCATION: Bachelor of Science specialising in bedrock geology, mineralogy and tectonics and PhD studies in structural geology at Uppsala University, 1984.

YEAR EMPLOYED: 2018

BACKGROUND: Boliden 2006–2018, Areva France 2004–2006, Cogema 1992–2004, Nämnden för Statens Gruvegendom (State Mining Property Commission) 1988–1992, Boliden 1981–1988.

NIKLAS JOHANSSON

BORN 1970

POSITION Senior Vice President, Communication and Climate

EDUCATION: MBA, Stockholm School of Economics, 1998

YEAR EMPLOYED: 2020

BACKGROUND: Ministry for Foreign Affairs 2019, Ministry of Enterprise and Innovation 2016–2019, Opcon AB 2007–2016, Prime Minister's Office 2003–2006, Government Offices 1996 and 1997–2003, European Parliament 1994–1995.

MICHAEL PALO

BORN 1977

POSITION Senior Vice President, Iron Ore Business Area

EDUCATION: MSc in Engineering, Luleå University of Technology, 2004

YEAR EMPLOYED: 2018

BACKGROUND: Boliden 2011–2018, Pon Equipment 2010–2011, LKAB 2005–2010.

GRETE SOLVANG STOLTZ

BORN 1970

POSITION Senior Vice President, HR and Sustainability

EDUCATION: MSc Business Economics, Luleå University of Technology, 1993

YEAR EMPLOYED 2009

OTHER ENGAGEMENTS: Chairman of the board at Career Centre, Luleå University of Technology, board member at Svemin.

BACKGROUND: LKAB 1993–1995, SCA 1995–2008, Northland Resources 2008–2009.

CHANGES TO GROUP MANAGEMENT

Niklas Johansson replaced **Bo Krogvig** as SVP Communication and Climate on 20 March 2020. Bo Krogvig moved to the strategic projects unit.

Roger Hahne is Acting Senior Vice President of Market and Logistics, replacing **Markus Petäjäniemi** as of 1 March 2021.

[1] For remuneration to Group Management in 2020 see Note 6 on pages 91–93.

[2] Neither the CEO nor any natural person or legal entity related to him has any significant shareholdings or partnerships in companies with which LKAB has substantial business relationships.

FINANCIAL **RESULTS**

LKAB increased its net sales during the year, with higher delivery volumes being offset by a lower dollar rate. Operating profit was also affected by a higher cost level than in the previous year. The seismic event in the Kiruna mine in May, extended maintenance shutdowns as a result of measures associated with Covid-19 and increased investment for the future in exploration and development programmes contributed to higher costs. Operating cash flow was affected by higher urban transformation expenditure and higher capital expenditure during the year, but remains strong.

MSEK
33,914
Net sales (+8.5%)

MSEK
11,654
Operating profit (-1.1%)

MSEK
6,038
Operating cash flow (-13.5%)

An overview at Group level and by business area is presented on the following pages, followed by our financial statements and notes.

GROUP OVERVIEW

GROUP

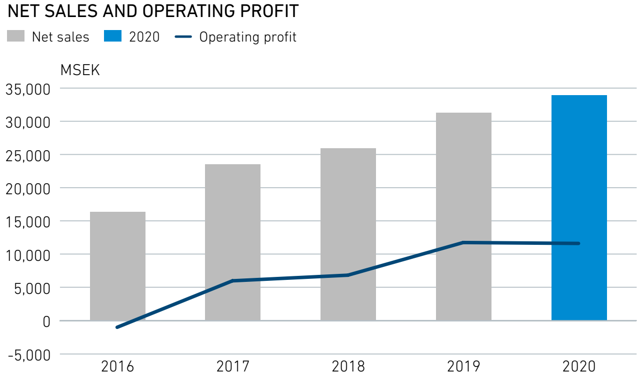
For management and follow-up, the operations are split into in two business areas: the Iron Ore business area and the Special Products business area. Group-wide functions are monitored under Other Segments, which includes supporting operations such as HR, communications, finance, strategic R&D and exploration.

The Group's earnings and the breakdown of earnings between operating segments are described below as well as in Note 2 and Note 3 on pages 88–90.

Financial overview

THE GROUP IN SUMMARY (MSEK)	2020	2019
Net sales	33,914	31,260
Operating profit/loss	11,654	11,788
Net financial income/expense	797	1,136
Profit/loss before tax	12,452	12,924
Profit/loss for the year	**9,757**	**10,173**

NET SALES AND OPERATING PROFIT



ANALYSIS OF CHANGE IN OPERATING PROFIT (MSEK)	2020
Operating profit 2019	11,788
Iron ore prices incl. hedging	-117
Currency effect, iron ore incl. hedging of accounts receivable	-1,321
Volume and mix, iron ore	2,403
Volume, price and currency, industrial minerals	-73
Costs for urban transformation provisions	45
Depreciation	-229
Other income and expenses	-842
Operating profit 2020	**11,654**

Sales for 2020 were eight percent higher than in the previous year, with higher delivery volumes offset by a lower dollar exchange rate. The average spot price for iron ore during the year was USD 109 (93)/tonne. Quoted pellet premiums were on average USD 26 lower in 2020, which overall had a negative effect on prices compared with the previous year. The cost level, excluding provisions for urban transformation and volume effects, was higher than in the previous year, mainly as a result of a substantial seismic event in the mine in Kiruna and extended maintenance shutdowns. Increased investments for the future in the form of exploration and development programmes also contributed to the higher costs for the year. Operating profit for the year was at the same level as in the previous year, amounting to MSEK 11,654 (11,788).

Net financial income/expense for the year amounted to MSEK 797 (1,136), with the return on financial investments being particularly affected by negative stock market development in the first quarter as a result of the coronavirus pandemic.

Financial position

NET FINANCIAL INDEBTEDNESS (MSEK)	2020	2019
Loans payable	3,608	4,195
Provisions for pensions	1,741	1,830
Provisions, urban transformation	14,272	16,873
Provisions, remediation	1,736	1,351
Less:		
Cash and cash equivalents	-3,406	-2,312
Current investments	-19,073	-21,997
Financial investments	-348	-355
Net financial indebtedness	**-1,470**	**-415**

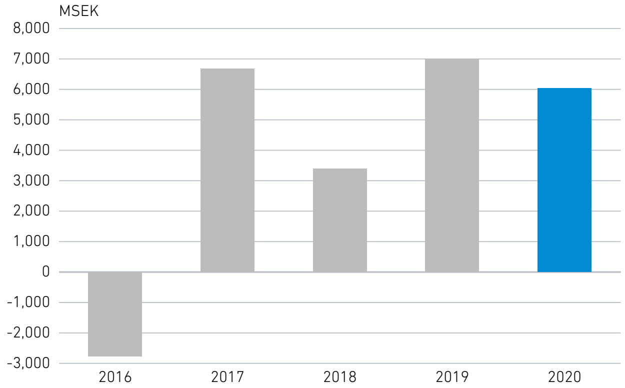
NET DEBT/EQUITY RATIO (MSEK)	2020	2019
Net financial indebtedness	-1,470	-415
Equity	48,412	45,528
Net debt/equity ratio, %	**-3.0**	**-0.9**[1]

[1] Calculation of the net debt/equity ratio was changed in 2020 – see also Note 42.

The net debt/equity ratio was -3.0 (-0.9) percent, which is mainly due to positive cash flow and decreased liabilities relating to provisions for urban transformation.

Operating cash flow and investments

OPERATING CASH FLOW



OPERATING CASH FLOW (MSEK)	2020	2019
Cash flow from operating activities before expenditure on urban transformation and changes in working capital	13,707	13,053
Expenditure on urban transformation	-4,191	-2,624
Cash flow from operating activities before changes in working capital	9,516	10,429
Change in working capital	-553	-960
Capital expenditures (net)	-2,693	-2,252
Acquisition of subsidiaries	–	-39
Acquisition/divestment of financial assets	-232	-196
Operating cash flow	**6,038**	**6,981**

Operating cash flow for 2020 was MSEK 6,038 (6,981). Increased operating profit was offset by higher expenditure on urban transformation and higher capital expenditure. A decrease in working capital tied up, mainly due to inventory decreases, had a positive effect.

CAPITAL EXPENDITURE, TOTAL AND BY BUSINESS AREA (MSEK)	2020	2019
Group	2,763	2,373
Iron Ore business area	2,472	2,208
Special Products business area	145	127
Other Segments	147	39

Capital expenditure for the year amounted to MSEK 2,763 (2,373), the majority of which relates to investments to secure future production capacity. Capital expenditure for replacing LKAB's own properties, associated with the urban transformation, amounted to MSEK 294 (207). The year's capital expenditure on environmental protection and dam facilities amounted to just over MSEK 440 (300).

PARENT COMPANY

The Parent Company LKAB consists of most of the Iron Ore business area and the group-wide functions reported under Other Segments. The Parent Company includes the majority of LKAB's operating activities as well as the Group's financial activities.

THE PARENT COMPANY IN SUMMARY (MSEK)	2020	2019
Net sales	31,743	28,658
Operating profit/loss	**11,196**	**11,205**
Costs for urban transformation provisions	-1,396	-1,441
Investments in fixed assets	2,481	2,090
Depreciation	-2,384	-2,195
Deliveries of iron ore, Mt	28.5	24.9
Production of iron ore, Mt	27.1	27.2

OUTLOOK FOR 2021

The iron ore price at the beginning of 2021 was at a record high and demand for LKAB's highly upgraded iron ore products remains good. The global extent of the coronavirus pandemic and its impact on communities and economies will continue to affect LKAB, but to what extent is difficult to predict.

The urban transformation work is in an intensive phase, with an increased number of acquisitions as well as the construction of new replacement properties for property owners, which will result in continued high expenditure in 2021. Gällivare Municipality has still not approved the necessary zoning plan amendment for area 5:2 as regards eastern Malmberget, and this risks delaying the schedule for the phase-out area and thus limiting future production.

Sustainability work is central to LKAB's strategy and development work for the next generation of LKAB is continuing according to plan. Securing access to ore when the current main haulage levels are expected to be mined out is the basis for the next generation of LKAB, which is why exploration work continues to have a high priority. The exploration efforts have been successful and updated mineral resources and mineral reserves are presented on pages 145–149.

BUSINESS AREAS

IRON ORE BUSINESS AREA

The Iron Ore business area produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets, in mines and processing plants in Kiruna. The processed iron ore products are transported along the Ore Railway to the port in Narvik for shipment to steel mill customers around the world.

MSEK	2020	2019
Net sales	31,727	28,725
Operating profit/loss	**12,756**	**12,439**
Costs for urban transformation provisions	-1,396	-1,441
Investments in fixed assets	2,472	2,208
Depreciation	-2,864	-2,647
Deliveries of iron ore products, Mt	28.5	24.9
Proportion of pellets, %	84	83
Production of iron ore products, Mt	27.1	27.2

Sales for 2020 were higher than in the previous year mainly because of the high delivery volumes, which were somewhat offset by a lower dollar exchange rate. Operating profit for the year amounted to MSEK 12,756 (12,439), with costs mainly affected by higher delivery volumes and by repair costs and the costs of crushed ore handling in connection with the seismic event in Kiruna in May. The maintenance shutdowns were extended during the year for more extensive maintenance work and measures to limit the spread of Covid-19, resulting in higher costs.

Effective from 1 January 2020 the former Northern and Southern divisions are reported within the Iron Ore business area. Earlier periods have been restated in accordance with the change.

SPECIAL PRODUCTS BUSINESS AREA

The Special Products business area encompasses LKAB Minerals AB, which sells minerals for industrial use, LKAB Wassara AB, which sells drilling technology systems for the mining and construction industries, as well as LKAB Berg & Betong AB, LKAB Kimit AB and LKAB Mekaniska AB, which provide contract work and rockwork, concrete, explosives and mechanical engineering services.

MSEK	2020	2019
Net sales	4,362	4,732
Operating profit/loss	**261**	**343**
Investments in fixed assets	145	127
Depreciation	-192	-185

Net sales for the year were eight percent lower than in the previous year, mainly due to the impact of the ongoing coronavirus pandemic and the seismic event in the mine in Kiruna. Lower sales of magnetite compared with the previous year also had an impact. Operating profit for the year amounted to MSEK 261 (343).

Investments in property, plant and equipment increased during the year, as did depreciation. This was mainly due to increased orders for the mines in Malmberget and Kiruna.

OTHER SEGMENTS

Other Segments covers supporting operations such as group-wide functions and certain operations that take place in subsidiaries. Other Segments also covers financial operations, including the transactions and gains or losses relating to financial hedging of iron ore prices, foreign currency effects and purchases of electricity.

MSEK	2020	2019
Net sales excl. hedging	83	61
Net sales hedging	-36	-109
Total net sales	47	-48
Operating profit/loss	**-1,291**	**-951**
Investments in fixed assets	147	39
Depreciation	-78	-57

For 2020 operating profit was affected mainly by increased investment in exploration and development projects compared with the previous year. A better result from hedging activities also had a positive effect for the year. Increased investments relate to investment in a new enterprise resource planning system as well as investments associated with development projects.

Under LKAB's hedging strategy, price and currency risk in the Group's forecast sales are not normally hedged. Currency effects on outstanding accounts receivable are hedged, however. In 2020 deliveries to the spot price market were occasionally hedged in respect of iron ore prices.

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

MSEK	Note	2020	2019
	1		
Net sales	2, 3	33,914	31,260
Cost of goods sold	13, 14, 15, 31	-20,918	-18,124
Gross profit/loss		**12,996**	**13,136**
Selling expenses		-144	-152
Administrative expenses		-587	-572
Research and development expenses		-652	-574
Other operating income	4	413	375
Other operating expenses	5	-301	-415
Share of profit of joint ventures	16	-72	-11
Operating profit/loss	2, 6, 7, 8	**11,654**	**11,788**
Financial income		1,197	1,407
Financial expense		-399	-271
Net financial income/expense	9	**797**	**1,136**
Profit/loss before tax		**12,452**	**12,924**
Tax	11	-2,695	-2,751
Profit/loss for the year		**9,757**	**10,173**
Attributable to Parent Company shareholders	12	9,757	10,173
Earnings per share before and after dilution (SEK)	12	13,938	14,533
Number of shares		700,000	700,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	2020	2019
Profit/loss for the year		**9,757**	**10,173**
Other comprehensive income			
Items that will not be reclassified to profit/loss for the year			
Remeasurement of defined-benefit pension plans		-21	-184
Tax attributable to actuarial gains and losses		4	37
Changes for the year in the fair value of equity instruments measured at fair value through other comprehensive income	26	-472	90
		-488	**-57**
Items that have been or may be reclassified subsequently to profit/loss for the year			
Translation differences on translation of foreign operations for the year	26	-273	108
Changes in fair value of cash flow hedges for the year	26	0	-30
Changes in fair value of cash flow hedges transferred to profit/loss for the year	26	-10	-86
Tax attributable to components of cash flow hedges	26	3	25
Total items reclassified to profit or loss		**-281**	**17**
Other comprehensive income for the year		**-769**	**-40**
Comprehensive income attributable to Parent Company shareholders for the year:		**8,988**	**10,133**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	31 Dec 2020	31 Dec 2019
	1, 17, 33, 34		
Assets	35, 36, 38		
Non-current assets			
Intangible assets	13	1,349	1,412
Property, plant and equipment for operations	14	30,515	30,822
Property, plant and equipment for urban transformation	15	7,954	7,757
Interests in associates and joint ventures	16	297	136
Financial investments	20	3,285	1,097
Non-current receivables		102	102
Deferred tax assets	11	12	4
Total non-current assets		**43,514**	**41,331**
Current assets			
Inventories	23	4,226	4,791
Accounts receivable	3, 24	3,313	2,348
Prepaid expenses and accrued income	25	155	277
Other current receivables	3, 22	1,583	1,624
Current investments	20, 41	19,073	21,997
Cash and cash equivalents	41	3,406	2,312
Total current assets		**31,755**	**33,350**
Total assets		**75,269**	**74,681**
Equity and liabilities			
Equity	26, 44		
Share capital		700	700
Reserves		-259	493
Profit brought forward including profit for the year		47,971	44,335
Equity attributable to Parent Company shareholders		**48,412**	**45,528**
Total equity		**48,412**	**45,528**
Non-current liabilities			
Non-current interest-bearing liabilities	27	2,544	3,600
Provisions for pensions and similar commitments	29	1,741	1,830
Provisions, urban transformation	30, 31	11,081	13,198
Other provisions	30	1,617	1,292
Deferred tax liabilities	11	1,560	1,548
Total non-current liabilities		**18,542**	**21,468**
Current liabilities			
Current interest-bearing liabilities	27	1,064	595
Trade payables		1,746	1,582
Tax liabilities		207	7
Other current liabilities	3	327	278
Accrued expenses and deferred income	32	1,458	1,420
Provisions, urban transformation	30, 31	3,191	3,675
Other provisions	30	323	128
Total current liabilities		**8,315**	**7,685**
Total liabilities		**26,857**	**29,153**
Total equity and liabilities		**75,269**	**74,681**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to Parent Company shareholders

		Reserves				
2019 **MSEK**	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings including profit/ loss for the year	Total equity
Opening equity 1 Jan 2019	700	-162	450	98	37,487	38,573
Adjustment for IFRS 16, after tax	–	–	–	–	-14	-14
Profit/loss for the year	–	–	–	–	10,173	10,173
Other comprehensive income for the year	–	108	90	-91	-147	-40
Comprehensive income for the year	–	108	90	-91	10,026	10,133
Dividend	–	–	–	–	-3,164	-3,164
Closing equity 31 Dec 2019	**700**	**-54**	**540**	**7**	**44,335**	**45,528**

See Note 26.

Equity attributable to Parent Company shareholders

		Reserves				
2020 **MSEK**	Share capital	Translation reserve	Fair value reserve	Hedging reserve incl. hedging cost reserve	Retained earnings including profit/ loss for the year	Total equity
Opening equity 1 Jan 2020	700	-54	540	7	44,335	45,528
Profit/loss for the year	–	–	–	–	9,757	9,757
Other comprehensive income for the year	–	-273	-472	-7	-17	-769
Comprehensive income for the year	–	-273	-472	-7	9,740	8,988
Dividend	–	–	–	–	-6,104	-6,104
Closing equity 31 Dec 2020	**700**	**-327**	**68**	**0**	**47,971**	**48,412**

See Note 26.

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 December

MSEK	Note	2020	2019
	1, 41		
Operating activities			
Profit/loss before tax		12,452	12,924
Adjustment for items not included in cash flow		3,743	3,050
Income tax paid		-2,479	-2,889
Expenditures, urban transformation	30, 31	-4,191	-2,624
Expenditures, other provisions	30	-9	-32
Cash flow from operating activities before changes in working capital		**9,516**	**10,429**
Cash flow from changes in working capital			
Increase (+)/Decrease (-) in inventories		566	-1,447
Increase (+)/Decrease (-) in operating receivables		-1,363	109
Increase (+)/Decrease (-) in operating liabilities		244	378
Change in working capital		**-553**	**-960**
Cash flow from operating activities		**8,963**	**9,469**
Investing activities			
Acquisition of property, plant and equipment	14	-2,763	-2,373
Government investment grants		5	14
Disposal of property, plant and equipment		65	107
Acquisition of subsidiaries		–	-39
Acquisition of other financial assets – operating		-232	-196
Acquisition of other financial assets – non-operating		-2,666	–
Disposals/acquisitions (net) in current investments		4,446	-2,476
Cash flow from investing activities		**-1,146**	**-4,963**
Financing activities			
Repurchase agreements		-173	-1,388
Repayments/borrowing		-348	160
Repayment of lease liabilities		-79	-97
Dividends paid to Parent Company shareholders	26	-6,104	-3,164
Cash flow from financing activities		**-6,705**	**-4,489**
Cash flow for the year		**1,112**	**17**
Cash and cash equivalents at start of year		2,312	2,290
Exchange difference in cash and cash equivalents		-19	4
Cash and cash equivalents at end of year		**3,406**	**2,312**
Consolidated operating cash flow			
Cash flow from operating activities		**8,963**	**9,469**
Acquisition of property, plant and equipment		-2,763	-2,373
Government investment grants		5	14
Disposal of property, plant and equipment		65	107
Acquisition of subsidiaries		–	-39
Acquisition of other financial assets – operating		-232	-196
Operating cash flow (excluding current investments)		**6,038**	**6,981**
Acquisition of other financial assets – non-operating		-2,666	–
Disposals/acquisitions (net) in current investments		4,446	-2,476
Cash flow after investing activities		**7,817**	**4,506**
Cash flow from financing activities		-6,705	-4,489
Cash flow for the year		**1,112**	**17**

INCOME STATEMENT – PARENT COMPANY

1 January – 31 December

MSEK	Note	2020	2019
	1, 38		
Net sales	2, 3	31,743	28,658
Cost of goods sold	14, 15, 31	-19,624	-16,524
Gross profit/loss		**12,119**	**12,134**
Selling expenses		-29	-30
Administrative expenses		-365	-357
Research and development expenses		-619	-555
Other operating income	4	112	43
Other operating expenses	5	-21	-30
Operating profit/loss	6, 7, 8	**11,196**	**11,205**
Earnings from financial items			
Income from interests in Group companies		614	-550
Income from interests in associates		–	–
Income from other securities and receivables held as non-current assets		113	136
Other interest income and similar profit/loss items		425	350
Interest expense and similar profit/loss items		-475	-113
Profit/loss after financial items	9	**11,874**	**11,028**
Appropriations	10	838	1,570
Profit/loss before tax		**12,712**	**12,598**
Tax	11	-2,598	-2,818
Comprehensive income for the year[1]		**10,114**	**9,781**

[1] Profit/loss for the period corresponds to comprehensive income for the period.

BALANCE SHEET – PARENT COMPANY

MSEK	Note	31 Dec 2020	31 Dec 2019
	1, 33, 34, 35		
Assets	36		
Non-current assets			
Intangible assets	13	194	69
Property, plant and equipment for operations	14	25,341	25,295
Property, plant and equipment for urban transformation	15	7,954	7,757
Financial assets			
Interests in subsidiaries	39	1,680	1,814
Interests in associates and jointly controlled entities	18	380	148
Receivables from subsidiaries	19, 38	3,043	3,741
Other non-current securities	21	2,869	203
Other non-current receivables	22	206	213
Deferred tax asset	11	1,394	1,478
Total financial assets		**9,571**	**7,597**
Total non-current assets		**43,059**	**40,717**
Current assets			
Inventories	23	3,471	4,077
Current receivables			
Accounts receivable	3, 24	3,013	1,920
Receivables from subsidiaries	38	264	219
Other current receivables	3, 22	1,439	1,423
Prepaid expenses and accrued income	25	114	220
Total current receivables		**4,830**	**3,782**
Current investments	41	17,398	21,066
Cash and bank balances	41	3,083	1,803
Total current assets		**28,782**	**30,728**
Total assets		**71,841**	**71,446**

BALANCE SHEET – PARENT COMPANY

MSEK	Note	31 Dec 2020	31 Dec 2019
Equity and liabilities	1, 33, 34, 35		
Equity	26, 44		
Restricted equity			
Share capital (700,000 shares)		700	700
Statutory reserve		697	697
Non-restricted equity	40		
Profit/loss brought forward		25,573	21,896
Profit/loss for the year		10,114	9,781
Total equity		**37,084**	**33,074**
Untaxed reserves	40	12,202	12,552
Provisions			
Provisions, urban transformation	30, 31	11,081	13,198
Other provisions	29, 30	1,537	1,480
Total provisions		**12,618**	**14,678**
Non-current liabilities			
Bond loans	28	2,241	3,241
Liabilities to credit institutions		10	10
Total non-current liabilities		**2,251**	**3,251**
Current liabilities			
Bonds and commercial papers	28	1,000	350
Liabilities to credit institutions		-	173
Trade payables		1,243	1,166
Liabilities to subsidiaries	38	409	1,137
Current tax liabilities		184	34
Other current liabilities		222	168
Accrued expenses and deferred income	32	1,116	1,062
Provisions, urban transformation	30, 31	3,191	3,675
Other provisions	30	320	126
Total current liabilities		**7,685**	**7,891**
Total equity and liabilities		**71,841**	**71,446**

STATEMENT OF CHANGES IN EQUITY – PARENT COMPANY

2019 MSEK	Restricted equity Share capital	 Statutory reserve	Non-restricted equity Retained earnings	 Profit/loss for the year	 Total equity
Opening equity 1 Jan 2019	700	697	25,060	–	26,457
Profit/loss for the year	–	–	–	9,781	9,781
Dividend	–	–	-3,164	–	-3,164
Closing equity 31 Dec 2019	**700**	**697**	**21,896**	**9,781**	**33,074**

See Note 26.

2020 MSEK	Restricted equity Share capital	 Statutory reserve	Non-restricted equity Retained earnings	 Profit/loss for the year	 Total equity
Opening equity 1 Jan 2020	700	697	31,677	–	33,074
Profit/loss for the year	–	–	–	10,114	10,114
Dividend	–	–	-6,104	–	-6,104
Closing equity 31 Dec 2020	**700**	**697**	**25,573**	**10,114**	**37,084**

See Note 26.

CASH FLOW STATEMENT – PARENT COMPANY

1 January – 31 December

MSEK	Note	2020	2019
	1, 41		
Operating activities			
Profit/loss after financial items		11,874	11,028
Adjustment for items not included in cash flow		4,017	4,005
Income tax paid		-2,303	-2,852
Expenditures, urban transformation	30, 31	-4,191	-2,624
Expenditures, other provisions	30	-9	-32
Cash flow from operating activities before changes in working capital		**9,388**	**9,525**
Cash flow from changes in working capital			
Increase (+)/Decrease (-) in inventories		607	-1,455
Increase (+)/Decrease (-) in operating receivables		-1,596	521
Increase (+)/Decrease (-) in operating liabilities		-540	-300
Change in working capital		**-1,529**	**-1,234**
Cash flow from operating activities		**7,859**	**8,291**
Investing activities			
Acquisition of property, plant and equipment		-2,481	-2,090
Government investment grants		5	14
Disposal of property, plant and equipment		60	167
Change in financial assets		-2,345	-63
Disposals/acquisitions (net) in current investments		4,356	-2,476
Cash flow from investing activities		**-405**	**-4,448**
Financing activities			
Repurchase agreements		-173	-1,388
Borrowing, other interest-bearing liabilities		-350	160
Group contributions received		472	480
Dividends paid to Parent Company shareholders		-6,104	-3,164
Cash flow from financing activities		**-6,155**	**-3,912**
Cash flow for the year		**1,299**	**-68**
Cash and cash equivalents at start of year		1,803	1,867
Exchange difference in cash and cash equivalents		-19	4
Cash and cash equivalents at end of year		**3,083**	**1,803**

NOTES
TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

1 Compliance with standards and laws
The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements was also applied.

The Parent Company applies the same accounting policies as the Group, except where stated below in the section "Parent Company accounting policies".

The Annual Report and consolidated financial statements were approved for issue by the Board of Directors and President on 26 March 2021. The consolidated income statement, consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet are subject to approval at the Annual General Meeting on 22 April 2021.

2 Measurement bases applied in preparing the financial statements
Assets and liabilities are recognised at historical cost, apart from certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives, financial instruments with mandatory measurement at fair value through profit or loss, as well as debt and equity instruments at fair value through other comprehensive income.

A defined-benefit pension liability/asset is recognised as the net of the fair value of plan assets and the present value of the defined-benefit liability, adjusted for any asset restrictions.

3 Functional currency and presentation currency
The functional currency of the Parent Company is the Swedish krona (SEK), which is also the presentation currency for both the Parent Company and the Group. This means that the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded off to the nearest million SEK.

4 Assessments and estimates in the financial statements
Preparing the financial statements in accordance with IFRS requires company management to make assessments, estimates and assumptions that affect the application of accounting policies and the recognised amounts of assets, liabilities, income and expenses. Actual outcomes may diverge from these estimates and assessments.

These estimates and assumptions are reviewed regularly. Changes in estimates are recognised in the period in which the change is made if the change only affects that period, or the period in which the change is made and future periods if the change affects both current and future periods.

Assessments made by company management when applying IFRS that have a significant effect on the financial statements and estimates made that may lead to significant adjustments in the following year's financial statements are described in more detail in section 28, Significant estimates and assessments.

5 Significant accounting policies applied
The following consolidated accounting policies were applied consistently to all periods that are presented in the consolidated financial statements, unless otherwise stated. The consolidated accounting policies were applied consistently in the presentation and consolidation of the Parent Company, subsidiaries and joint ventures.

6 Changes for 2020
6.1 Accounting policies changed due to new or amended IFRS
Changed accounting policies applied by the Group with effect from 1 January 2020 are described below. IFRS changes that are effective as of 1 January 2020 have had no material effect on the consolidated financial statements.

6.1.1 Amendment of IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
The amendment was adopted by the EU in January 2020 and is effective from the start of the 2020 financial year. The amendment provides relief for companies that apply hedge accounting. In brief, the amendment means that the uncertainty that exists surrounding benchmark interest rates does not mean that hedge accounting has to be discontinued. This amendment has had no effect on the financial statements. The hedging relationships identified expire on 31 December 2020 and relate to purchases of energy.

7 New standards and interpretations effective from or after calendar year 2021
New and amended standards and interpretations that enter into force for financial years starting on or after 1 January 2021 are not expected to have any material impact on the consolidated financial statements.

8 Classification etc.
Non-current assets and liabilities consist essentially of amounts that are expected to be recovered or paid more than 12 months after the end of the reporting period. Current assets and liabilities essentially consist of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

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 independent financial information is available. An operating segment's earnings are also monitored by the company's chief operating decision-maker, which is Group management, to assess its performance and to allocate resources to the operating segment. See Note 2 for a more detailed description of the classification and presentation of operating segments.

10 Principles of consolidation and business combinations
10.1 Subsidiaries
Subsidiaries are companies that operate under the control of the Parent Company. Control exists if the Parent Company has influence over the object of investment, is exposed to or has rights to variable returns from its involvement and can use its influence over the investment to affect returns. In assessing whether control exists, potential voting shares and whether de facto control exists should be taken into account.

Subsidiaries are recognised according to the acquisition method. This method means that acquisition of a subsidiary is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The purchase price allocation determines the fair value on the date of acquisition of acquired identifiable assets and assumed liabilities and any non-controlling interest. Transaction costs incurred are recognised in profit or loss for the year.

In the case of business combinations where the transferred consideration, any non-controlling interest and the fair value of a previously owned participating interest (in the case of incremental acquisitions) exceed the fair value of the assets acquired and liabilities assumed, the difference is recognised as goodwill. When the difference is negative – a so-called low-cost acquisition – this is recognised directly in profit or loss for the year.

10.2 Associates
Associates are companies in which the Group has a significant but not controlling influence over operating and financial governance, normally by means of a shareholding of between 20 and 50 percent of votes. Interests in associates are accounted for using the equity method, which means that the carrying amount of the Group's interests in associates corresponds to the Group's share of the associates' equity. The Group's share of associates' profit or loss after the acquisition is recognised in operating profit.

10.3 Joint ventures
Joint ventures are companies where the Group has a shared controlling interest through cooperation agreements with one or more parties and where the Group has rights to the net assets, rather than having direct rights to assets and obligations for liabilities. Interests in joint ventures are recognised according to the equity method; see above regarding associates.

10.4 Joint operations
Joint operations are cooperation arrangements where the Group and one or more partners have rights to all the economic benefits related to the operations' assets. The settlement of the operations' liabilities depends on the parties' purchase of output from the operations or capital contributions to the operations. Joint operations are accounted for using the proportionate consolidation method, which means that each party in the joint operations reports their share of assets, liabilities, revenues and expenses.

10.5 Transactions that are eliminated on consolidation
Intra-group receivables and liabilities, income or expenses, and unrealised gains or losses arising from intra-group transactions between Group companies are eliminated entirely when preparing the consolidated financial statements.

11 Foreign currency

11.1 Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate in effect on the transaction date. The functional currency is the currency of the primary economic environment where the companies conduct their operations. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the exchange rate in effect at the end of the reporting period. Exchange rate differences that arise on translation are recognised in profit or loss for the year. Non-monetary assets and liabilities that are recognised at historical cost are translated at the exchange rate in effect on the transaction date. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect on the date of measurement at fair value.

11.2 Financial statements of foreign entities

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 in effect at the end of the reporting period. Income and expenses in a foreign operation are translated to SEK at an average exchange rate that constitutes an approximation of the exchange rates that applied when the transactions occurred. Translation differences that arise from currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component in equity called the translation reserve.

When control of a foreign operation ceases, the accumulated translation differences attributable to the operation are realised, at which point they are reclassified from the translation reserve in equity to profit or loss for the year.

11.3 Net investment in a foreign subsidiary

Monetary non-current receivables from and liabilities to a foreign operation for which settlement is not planned or is unlikely to take place within the foreseeable future are in practice part of the company's net investment in the foreign operation. An exchange rate difference that arises on the monetary non-current receivable or liability is recognised in other comprehensive income and accumulated in a separate component in equity called the translation reserve.

12 Revenue

12.1 Performance obligations and revenue recognition policies

Revenue is measured based on the compensation specified in the contract with the customer. The Group recognises revenue when control over goods or services transfers to the customer. Information on how and when performance obligations in contracts with customers are fulfilled and the associated policies for revenue recognition are summarised below.

12.1.1 Sales of iron ore

Iron ore trading is conducted in US dollars. LKAB prices iron ore mainly according to a variable pricing model, with an index-linked price based on the spot price.

The variable pricing model mainly uses quarterly prices, which means that the price is determined subsequently after the end of the quarter. The price is substantially affected by the current quarter's average for 62%/65% sinter fines CFR in China. During the quarter, income is based on a preliminary price. At the end of the quarter a price adjustment is recognised based on the established quarterly prices. There are also other pricing models with the same structure where the final price is determined and adjusted subsequently. The variable pricing model also uses monthly prices, determined as the previous month's price.

In the case of fixed price sales, negotiated prices apply.

The customer gains control over the goods when the goods have been delivered in accordance with the terms of sale. Invoices are issued and recognised on this date. Translation is at the current exchange rate. If sales are hedged by forward exchange contracts translation is at the hedged rate.

Ongoing reservations are made for discounts granted and these decrease net sales.

Costs relating to delayed loading of vessels, known as demurrage, also affect the transaction price and are recognised within net sales.

12.1.2 Sales of industrial minerals

The Minerals group trades in a number of different minerals, both minerals in its own possession such as magnetite, huntite and mica, and external minerals that are either further processed within the Group or sold on in unchanged form to the end customer. Trade in industrial minerals occurs either in the country's local currency or in a major currency like USD or EUR.

The customer gains control over the goods when the goods have been delivered in accordance with the agreed terms of sale. Invoicing usually takes place upon delivery and the revenue is recognised on this date.

Where applicable, ongoing reservations are made for discounts granted and these decrease net sales.

12.2 Government grants

Government grants are recognised in the statement of financial position as deferred income when there is reasonable assurance that the grant will be received and the Group will comply with the terms associated with the grant. Grants are recognised in profit or loss for the year on a systematic basis in the same way and over the same periods as the costs which the grants are intended to compensate. Government grants related to assets are recognised as a reduction in the asset's carrying amount. In 2020 temporary rent discounts amounting to MSEK 2 were provided to commercial tenants. Government assistance received for the discounts given amounts to MSEK 0.5.

13 Leases

When an agreement is entered into the Group assesses whether the agreement is, or includes, a lease. An agreement is, or includes, a lease if the agreement conveys a right to use an identified asset for a period of time in exchange for consideration.

At the start of the lease or on reassessment of a lease containing various components – lease and non-lease components – the Group allocates the consideration set out in the agreement to each component based on the standalone price. In the case of leases for buildings and land, fixed amounts paid are mainly reported as a single lease component.

Leases where the Group is the lessee

The Group reports a lease liability and a right-of-use asset when the lease begins.

The lease liability is initially measured at the present value of remaining lease payments during the assessed term of the lease. The term of the lease is the non-cancellable period plus additional periods in the lease if, at the time the lease commences, it is considered reasonably certain that such options will be exercised.

The lease payments are discounted using the Group's incremental borrowing rate, which refers to the Group's borrowing cost based on a reference interest rate for interest rate swaps. In addition to the Group's credit risk, the rate reflects the term of each lease and the currency of the underlying asset.

The lease liability mainly consists of the present value of fixed payments over the term of the lease. Where applicable, it also includes variable lease payments, residual value guarantees that are expected to be paid, the redemption price for purchase options that are expected to be exercised and penalties for termination of the lease.

The value of the liability is increased by the interest expense for the period concerned and reduced by the lease payments made. The interest expense is calculated as the value of the liability multiplied by the discount rate.

The right-of-use asset is measured initially at cost, consisting of the initial value of the lease liability plus lease payments that were made on or before the start date as well as any initial direct expenses. The right-of-use asset is depreciated on a straight-line basis from the start date to the end of the lease term.

If rent for premises is index-linked, the liability is adjusted by a corresponding adjustment of the carrying amount of the right-of-use asset. Similarly, the values of the liability and asset are adjusted in conjunction with reassessment of the lease term.

The Group includes right-of-use assets in property, plant and equipment for operations in the statement of financial position, which is the same line in which the assets would have been recognised had they been owned. Lease liabilities are included in interest-bearing liabilities in the statement of financial position.

No right-of-use asset or lease liability is recognised for leases with a term of 12 months or less, or where the underlying asset is of low value. Lease payments for these leases are expensed on a straight line basis over the term of the lease.

Leases where the Group is the lessor

Where the Group is the lessor, it is established at the start date of each lease whether the lease is to be classified as a finance lease or an operating lease. The leases where the Group is the lessor are recognised as operating leases.

The Group recognises lease payments from operating leases as revenue on a straight-line basis over the term of the lease on the line for Other operating income.

14 Financial income and expense

Financial income includes interest income on invested funds, dividends, gains on financial assets measured at fair value through profit or loss, the return on plan assets and gains on hedging instruments that are recognised in net financial income/expense.

Financial expense includes interest expense on borrowings, provisions, lease liabilities and defined-benefit pension obligations, losses on financial assets measured at fair value through profit or loss, impairment of financial assets and losses on hedging instruments that are recognised in net financial income/expense.

Exchange gains/losses on financial assets and financial liabilities including currency derivatives are recognised net.

Interest income and interest expense are recognised using the effective interest method. Dividends are recognised when the right to payment is established.

The effective interest rate is the rate that discounts estimated future cash flows over the expected fixed interest term to the carrying amount of the financial asset or amortised cost of the financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

15 Taxes
Income tax consists of current tax and deferred tax. Income tax is recognised in profit or loss for the year except when the underlying transaction is recognised in other comprehensive income or equity, in which case the associated tax effect is recognised in other comprehensive income or equity.

Current tax is tax to be paid or received for the current year, applying the tax rates that were set or for all practical purposes were set at the end of the reporting period, as well as adjustment of current tax attributable to prior periods.

Deferred tax is calculated according to the balance sheet method, based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes. Temporary differences are not taken into consideration in Group goodwill. Temporary differences attributable to interests in subsidiaries and associates that are not expected to be reversed in the foreseeable future are also not taken into consideration.

The measurement 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 by applying the tax rates and tax regulations enacted or substantively enacted at the end of the reporting period.

Deferred tax assets relating to deductible temporary differences and loss carryforwards are only recognised to the extent that it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

16 Financial instruments
16.1 Financial assets
Financial assets include financial investments, current investments, cash and cash equivalents, loans receivable, accounts receivable and derivatives.

Accounts receivable and debt instruments issued are recognised upon being issued. Other financial assets are recognised when the Group becomes a party to the contractual terms of the instrument.

On initial recognition a financial asset is measured at fair value. In the case of financial instruments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are included. Receivables are measured at the transaction price. How they are reported subsequently depends on how the asset is classified.

A financial asset is derecognised in the statement of financial position when the contractual rights to the cash flows from the financial asset cease.

On initial recognition a financial asset is classified as measured at fair value through profit or loss, at amortised cost or at fair value through other comprehensive income – equity investment.

Financial assets are not reclassified after initial recognition unless the Group changes its business model for managing financial assets, in which case all the financial assets affected are reclassified as at the first day of the first reporting period after the change in business model.

For debt instruments the classification is based on two criteria: the company's business model for managing the financial asset and the instrument's contractual cash flows.

16.1.1 Financial assets measured at fair value through profit or loss
Holdings in this category are current investments and derivatives.

Debt instruments held for trading or managed and where the result will be assessed based on fair value are measured at fair value through profit or loss. This is determined at portfolio level, since this best reflects how such business is managed and how information is given to management. The information taken into consideration includes established policies and objectives of the portfolio, and how the business model's results are assessed and reported to Group management.

In the case of equity instruments (shares) the general rule is that these are measured at fair value through profit or loss. This category is used for all holdings except for holdings were the Group has irrevocably elected to present changes in value through other comprehensive income; see section 16.1.3 below. This decision is made on an investment-by-investment basis.

Net gains and losses, including interest and dividend income, are recognised in profit or loss. Derivatives contracted for operating items are recognised in operating profit, while derivatives of a financial nature are recognised in net financial income/expense. However, see also Note 34 regarding derivatives identified as hedging instruments.

16.1.2 Financial assets measured at amortised cost
Holdings in this category are accounts receivable, loans receivable, and cash and cash equivalents.

A financial asset is measured at amortised cost if it fulfils both of the following conditions and has not been identified as measured at fair value through profit or loss:
- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on

the principal amount outstanding.

Amortised cost is determined using the effective interest rate calculated on the date of acquisition. The amortised cost is reduced by impairment losses. Interest income, exchange gains and losses, impairment losses and gains or losses on derecognition are recognised in profit or loss.

16.1.3 Equity instruments measured at fair value through other comprehensive income
Holdings in this category are equity instruments (shares) classified in this category on initial recognition.

The Group may irrevocably elect to recognise subsequent changes in the fair value of an investment in an equity instrument that is not held for trading through other comprehensive income. This decision is made on an investment-by-investment basis.

Changes in value, both realised and unrealised, are recognised in other comprehensive income and accumulated in the fair value reserve, and are never reclassified to profit or loss. Dividends are recognised as income in profit or loss.

16.2 Financial liabilities
Financial liabilities include loan liabilities, accounts payable and derivatives. Financial liabilities are reported when the Group becomes a party to the contractual terms of the instrument.

On initial recognition a financial liability is measured at fair value. In the case of financial instruments not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are included. How they are reported subsequently depends on how the liability is classified.

When the obligations stated in the contract are satisfied, cancelled or expire, the financial liability is derecognised in the statement of financial position.

On initial recognition a financial liability is measured at fair value through profit or loss or at amortised cost.

16.2.1 Financial liabilities measured at fair value via profit or loss
A financial liability is classified at fair value through profit or loss if it is held for trading purposes, is a derivative or was identified as such on initial recognition.

Financial liabilities in this category are derivatives. Net gains and losses, including interest expense, are recognised in profit or loss. However, see also Note 34 regarding derivatives identified as hedging instruments.

16.2.2 Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost are loan liabilities and accounts payable.

Loan liabilities are measured initially at fair value, net after transaction costs, and subsequently at amortised cost. Amortised cost is determined using the effective interest rate calculated on the date the liability was assumed. This means that surpluses and deficits, as well as direct issue costs, are allocated across the term of the liability.

Accounts payable are measured initially at fair value and subsequently at amortised cost.

Interest expense and exchange gains and losses are recognised in profit or loss. Gains or losses on derecognition are also recognised in profit or loss.

16.3 Offsetting
Financial assets and financial liabilities are offset and recognised as a net amount in the statement of financial position only when the Group has a legally enforceable right to offset the recognised amounts and intends to settle the items on a net basis or to realise the asset and settle the liability at the same time.

17 Derivatives and hedge accounting
The Group holds financial derivatives in order to financially hedge a portion of the cash flow risks to which the Group is exposed: exchange rate exposure and changes in energy prices.

Derivatives are measured at fair value on initial recognition. Thereafter they are measured at fair value and changes in value are recognised as described below.

When the Group initially identifies hedging relationships, the risk management objectives and the strategy are documented with the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether changes in the cash flow of the hedged item and the hedging instrument are expected to cancel each other out.

17.1 Receivables and liabilities in foreign currency
Hedge accounting is not applied to hedging of foreign currency risk since financial hedging is reflected in the accounts by the fact that both the underlying receivable or liability and the hedging instrument are recognised at the exchange rate on the closing date and the translation differences are recognised in profit for the year.

Exchange rate changes related to operating receivables and liabilities are recognised in operating profit, while exchange rate changes related to financial receivables and liabilities are recognised in net financial income/expense.

17.2 Cash flow hedging
When a derivative is identified as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve.

In the case of forward foreign exchange contracts, the Group only identifies changes in fair value in the spot element as hedging instruments in the cash flow hedging relationship. Fair value changes in the forward component of the forward foreign exchange contract (forward points) are reported as a hedging cost reserve and recognised in the hedging reserve in equity.

When the hedged expected cash flow affects earnings, the hedging instrument's cumulative change in value in the hedging reserve and hedging cost reserve is reclassified to profit or loss. This means that gains and losses relating to hedges are recognised in profit or loss for the year at the same time as gains and losses for the items hedged.

18 Property, plant and equipment

18.1 Owned assets

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to the asset to put it in place in working order for use in accordance with the intended purpose. The cost of self-constructed non-current assets includes expenditures for materials, expenditures for employee benefits, and other fabrication costs directly attributable to the asset where applicable.

Property, plant and equipment that consists of parts with different useful lives are treated as separate components.

The carrying amount of a property, plant and equipment item is derecognised from the statement of financial position when the asset is disposed of or retired. The 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 less direct selling expenses. Gains and losses are recognised as other operating income/expense.

18.2 Exploration and evaluation expenditures

Greater knowledge of the extent of the iron ore deposits is necessary to secure access to more ore and ensure the future development of operations. The orebody is surveyed and defined by means of exploration drilling, mainly via drifts adjacent to it. Ore deposit exploration in both existing and future mining areas is expensed. This principle is also applied in the exploration of areas outside existing mines.

18.3 Underground facilities

Underground facilities from which iron ore is extracted can be divided into waste rock mining (development phase) and iron ore mining (production phase).

Waste rock mining consists of work done to expose the orebody in conjunction with the construction of a new main haulage level, facilities pertaining to transport and maintenance functions such as railways, roads, drifts, 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. Expenditures for facilities intended for use over a period of more than one year are capitalised in the statement of financial position. Depreciation occurs systematically over the useful life of the main haulage level concerned.

Iron ore mining mainly consists of development, cave drilling and loading, haulage and hoisting of the ore. Expenditures for these activities have a useful life of at most one year, which is why they are expensed as they are incurred.

18.4 Open-pit mines

Iron ore mining above ground takes place in what are known as open-pit mines. Stripping is carried out to expose the orebody, and such things as moraine and barren rock are removed. This is called barren rock mining.

During the development phase expenditures are capitalised as part of the cost of the mine and depreciation occurs systematically over the useful life of the mine.

Expenditure on barren rock mining during the production phase that provides improved access to ore for future mining is recognised under assets and depreciated according to the production-based method.

18.5 Remediation

Future expenditure on dismantling and removing assets and restoring sites or areas where they are located (remediation costs) as relates to ongoing operations are capitalised. Capitalised amounts consist of the present value of estimated expenditures that are simultaneously recognised as provisions.

18.6 Subsequent expenditures

Subsequent expenditures are added to the cost only when it is probable that future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent expenditures are recognised as expenses in the period in which they arise.

A subsequent expenditure is added to the cost if the expenditure relates to the replacement of identified components or parts thereof. In cases where a new component is created, the expenditure is also added to the cost. Any undepreciated carrying amounts for replaced components, or parts thereof, are retired and expensed in conjunction with the replacement. Repairs are expensed as incurred.

18.7 Amortisation principles

Depreciation is on a straight-line basis over the asset's estimated useful life; land is not depreciated. Leased assets are depreciated over their estimated useful life or, if shorter, over the contractually agreed lease term. The Group applies component depreciation, which means that the estimated useful life of the components is used as the basis for depreciation. Facilities and equipment used in open-pit mines are normally depreciated over the lesser of the expected useful life and the useful life of the mine to which they relate.

The following periods of use are applied to property, plant and equipment including future remediation costs:

Properties used in operations, rental properties	15–100 years
Plant and machinery, open-pit mining	Production-based
Other plant and machinery	5–20 years
Equipment, tools, fixtures and fittings	5–20 years
Underground installations	12–20 years
Surface mining facilities	As ore is extracted
Capitalised remediation costs	Estimated useful life of present production structure.

Properties used in operations are mainly classified as buildings, land improvements and land. Buildings and land improvements consist of several components that are classified on the basis of function, such as roads, surfacing, service facilities, processing plants etc.

Rental properties consist of several components with varying useful lives. The main classifications are buildings and land. Buildings are divided into several components whose useful lives vary.

The following main groups of components have been identified and form the basis for depreciation of rental properties.

Frames, foundations and interior walls	100 years
Water, sewage, electrical and heating systems	50 years
Exterior facades	40 years
Windows	30 years
Interior finishing and appliances	15 years

Depreciation methods, residual values and useful life are assessed annually and adjusted as necessary.

18.8 Urban transformation

18.8.1 Acquisition of properties

When property is acquired as part of urban transformation, the cost is divided into a building component and a mine component. The distinction is based on the assumption that the building can be used for temporary rental for a limited period from acquisition until evacuation. The building component is calculated as the present value of the net cash flows from the rental. The mine component is defined as the property's total cost less the building component.

The building component is expensed in the period in which the building is expected to be utilised.

The mine component is expensed using the production-based method, which means that the cost is calculated on the basis of ore extracted relative to the estimated total volume for the current main haulage level.

For a further description of urban transformation accounting policies, see policy 28.1.1.

18.8.2 Mine assets

For provisions that relate to commitments outside the existing impact boundary (the boundary of the impact of mining to date for which compensation is payable), a mine asset relating to future mining is recognised. The mine asset is expensed using the production-based method, which means that the cost is calculated on the basis of ore extracted relative to the estimated total volume for the current main haulage level.

Mine assets related to future mining are recognised for Kiruna.

For a further description of urban transformation accounting policies, see policy 28.1.1.

18.8.3 Replacement properties

Two compensation options are offered to owners of rental properties and small houses: a replacement property equivalent to the existing property or financial compensation. For those choosing the replacement property option, all the costs of building the replacement property are recognised under property, plant and equipment. When the property is handed over the amount is deducted from provisions for the commitment – see also Note 31. Where the option of financial compensation has been chosen, the compensation paid is deducted from provisions for the commitment.

19 Intangible assets

19.1 Goodwill

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment; see accounting policies in section 21.1.

19.2 Research and development

Expenditures on research aimed at gaining new scientific or technical knowledge are expensed as incurred.

Expenditures on development, where research findings or other knowledge are applied to produce new or improved products or processes, are recognised as an asset in the statement of financial position, provided that the product or process is technically and commercially feasible and the company has sufficient resources to complete development and then use or sell the intangible asset The value includes directly attributable expenditures such as goods and services and employee benefits. If the above criteria are not met, the expenditures are reported as a cost. Because no such development expenditures have met these criteria thus far, LKAB expenses all expenditures for development as incurred.

19.3 Other intangible assets

Other intangible assets acquired by the Group consist mainly of mining rights, favourable purchasing contracts, customer relationships and software; see Note 13 for a more detailed breakdown. The assets are reported at cost less accumulated amortisation and any impairment losses.

Also included are emission allowances, which are recognised as described below.

19.3.1 Emission allowances

LKAB participates in the EU's system for trade in emission allowances, which grants the right to emit carbon dioxide. Allowances are allocated across the European market. The emission allowances are recognised as intangible assets and deferred income on allocation, since the company has not qualified for any allowances at the time of issue. They are measured at cost, which in the case of allocated allowances corresponds to the market price on allocation.

Qualification is at the same rate as actual emissions, when a liability to surrender emission allowances also arises. A cost of emissions and a provision for emission allowances are recorded. At the same time, a corresponding amount is transferred from deferred income to income for emission allowances. Measurement is at the average cost of allocated emission allowances.

When emission allowances are reported the corresponding number of emission allowances must be surrendered. Thus the intangible non-current asset is exhausted and the provision for discharged emissions is settled. Where a liability to supply emission allowances exceeds the remaining allocation of emission allowances, the surplus amounts are carried as a liability measured at the current market value of the number of emission allowances necessary to settle the commitment. For information on amounts see Note 30.

19.4 Subsequent expenditures

Subsequent expenditures on capitalised intangible assets are recognised as assets in the statement of financial position only when they increase the future economic benefits of the specific asset to which they relate. All other expenditures are expensed as incurred.

19.5 Amortisation principles

Amortisation is recognised in profit or loss for the year on a straight-line basis over the estimated useful life of intangible assets. Useful life is reviewed annually. Intangible assets that can be amortised are amortised from the date they are available for use. The estimated useful lives are:

Mining rights	30–50 years
Purchasing contracts	11 years
Customer relationships	15 years
Software	5 years

20 Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories is calculated using the first-in, first-out (FIFO) principle and includes expenditures incurred in acquiring the inventory items and bringing them to their existing location and condition. For finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

21 Impairments

The Group's recognised assets are assessed at the end of each reporting period to determine whether there is any indication of impairment. IAS 36 is applied to the impairment of assets that are not dealt with by any other IFRS standard.

21.1 Impairment of property, plant and equipment, intangible assets and interests in associates and joint ventures

If impairment is indicated, the recoverable amount of the asset is calculated.

The recoverable amount for goodwill is also calculated annually. If it is not possible to ascertain essentially independent cash flows for an individual asset, the assets are grouped at the lowest level at which it is possible to identify essentially independent cash flows (a so-called cash-generating unit).

The recoverable amount is the higher of fair value less selling expenses or value in use. When calculating value in use, future cash flows are discounted using a discounting factor that reflects risk-free interest and the risks associated with the specific asset.

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are charged to profit for the year. Once impairment has been identified for a cash-generating unit, the impairment loss is initially allocated to goodwill, after which other assets in the unit are proportionally impaired.

21.2 Reversal of impairment

An impairment of assets included in the scope of IAS 36 is reversed if there is an indication that the impairment no longer exists and there has been a change in the assumptions underlying the calculation of the recoverable value when the asset was impaired. However, impairment of goodwill is never reversed. Impairment is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, less amortisation if appropriate, if no impairment had been recognised.

21.3 Impairment of financial assets

Impairment testing of financial assets largely relates to accounts receivable. A simplified method is applied in which the loss allowance is calculated based on lifetime expected credit losses.

When calculating expected credit losses consideration is given to historical, current and forward-looking factors. The loss allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Impairment of accounts receivable is recognised as a decrease in the asset's carrying amount and in operating costs.

22 Capital payments to shareholders

Dividends are recognised as liabilities once they have been approved at the Annual General Meeting.

23 Earnings per share

The calculation of earnings per share is based on consolidated profit for the year attributable to the Parent Company shareholders and on the weighted average number of shares outstanding during the year.

24 Employee benefits

24.1 Defined-contribution pension plans

Defined-contribution pension plans are those for which the company's obligation is limited to the amount that it agrees to pay. In such cases the size of the employee's pension depends on the contributions the company pays to the plan or to an insurance company and the return on capital generated by the contributions. Consequently it is the employee who bears the actuarial risk (that benefits will be lower than expected) and investment risk (that the invested assets will be insufficient to meet expected benefits). The company's obligations for defined-contribution plans are recognised as an expense in profit or loss for the year as they are earned by the employees performing services for the company over a given period.

24.2 Defined-benefit pension plans

Defined-benefit plans are plans for post-employment benefits other than defined-contribution plans. The Group's net obligation in respect of defined-benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned through their service in current and prior periods. This benefit is discounted to a present value. The discount rate is the rate at the end of the reporting period on a high-quality corporate bond, including mortgage bonds, with a maturity corresponding to the Group's pension obligations. When there is no viable market for such corporate bonds, the market rate for government bonds with a similar maturity is used instead. The calculation is performed by a qualified actuary using the Projected Unit Credit Method. The fair value of any plan assets are also calculated at the reporting date.

The Group's net obligation is the present value of the obligation, less the fair value of plan assets adjusted for any asset restrictions.

Net interest expense/income on the defined-benefit obligation/asset is recognised in profit or loss for the year under net financial income/expense. Net interest income is based on the interest that arises when discounting the net obligation; that is, interest on the obligation, plan assets and the effect of any asset restrictions. Other components are recognised in operating profit.

Revaluation effects consist of actuarial gains and losses, the difference between the actual return on plan assets and the amount included in net interest income and any changes in the effects of asset restrictions (excluding interest included in net interest income). Actuarial gains and losses arise either because the actual outcome deviates from previous assumptions or the assumptions change. Revaluation effects are recognised in other comprehensive income.

When the calculation leads to an asset for the Group, the carrying amount of the asset is restricted to the lower of the surplus in the plan or the asset restriction calculated using the discount rate. The asset restriction is the present value of the future economic benefits in the form of reduced future contributions or a cash refund. In calculating the present value of future reimbursements or payments, any minimum funding requirement is taken into account.

Changes to or reductions in a defined-benefit plan are recognised on the earliest of the following dates: a) when the change in the plan or reduction occurs, or b) when the company recognises related restructuring costs and termination benefits. The changes/reductions are recognised directly in profit or loss for the year.

The special employer's contribution is part of the actuarial assumptions. Special employer's contributions related to the difference between how the pension obligation is determined in a legal entity and in the Group are recognised as part of the net obligation. Provisions and receivables are not calculated to present value. In a legal entity, the part of the special employer's contribution that is calculated based on the Pension Obligations Vesting Act is recognised for simplicity's sake as an accrued expense rather than as part of the net obligation/asset.

24.3 Short-term benefits

Short-term employee benefits are calculated without discounting and recognised as an expense when the related services are received.

A current liability is recognised for the expected cost of profit-sharing and bonus payments when the Group has a present legal or constructive obligation to make such payments as a result of services rendered by employees and the obligation can be estimated reliably.

24.4 Termination benefits

Benefits associated with the termination of employment are expensed at the earlier of the date that the company can no longer withdraw the offer to the employee or the date that the company recognises restructuring costs.

25 Provisions

A provision differs from other liabilities because there is uncertainty about the date of payment or the amount required to settle the provision. A provision is recognised in the statement of financial position when there is a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of payment timing is important, provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and, if appropriate, the risks specific to the liability.

25.1 Provisions for urban transformation

See section 28.1.1 below.

25.2 Provisions for remediation

See section 28.1.2 below.

26 Contingent liabilities

A disclosure concerning a contingent liability is made when there is a possible commitment arising from past events whose existence is confirmed only by one or more uncertain future events beyond the company's control, or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required or this cannot be measured with sufficient reliability.

27 Parent Company accounting policies

The Parent Company has prepared its annual report according to the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's recommendations for listed companies are also applied. RFR 2 states that in the annual report for the legal entity, the Parent Company shall apply all IFRS and interpretations adopted by the EU as far as possible within the framework of the Annual Accounts Act, Pension Obligations Vesting Act and considering the relationship between accounting and taxation. The recommendation states the exceptions from and additions to IFRS that must be made.

27.1 Differences between Group and Parent Company accounting policies

The differences between Group and Parent Company accounting policies are detailed below. The specified accounting policies for the Parent Company were applied consistently to all periods presented in the Parent Company's financial statements.

27.2 Changed accounting policies in 2020

Unless otherwise stated below, the Parent Company's accounting policies in 2020 changed in accordance with what is stated above for the Group. The amendments have had no impact on the Parent Company's financial statements.

27.3 Upcoming changes in accounting policies

Upcoming changes to RFR 2 are expected to have no material impact on the Parent Company's financial statements on initial application.

27.4 Classification and presentation

The Parent Company uses the terms income statement, balance sheet and cash flow statement for the reports that in the Group are called consolidated income statement, statement of financial position and statement of cash flows respectively. The income statement and balance sheet for the Parent Company are presented in accordance with the Annual Accounts Act, while the corresponding Group reports are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows. The most significant differences from the consolidated statements relate primarily to recognition of financial income and expense, financial assets and equity, and the fact that provisions are recognised under a separate heading in the balance sheet.

27.5 Subsidiaries and associates

Shares in subsidiaries, associates and jointly controlled entities are recognised in the Parent Company using the cost method. This means that transaction costs are included in the carrying amount of interests in subsidiaries, associates and jointly controlled entities.

27.6 Expanded investment

Exchange rate differences on monetary items that form part of the Parent Company's net investment in a foreign operation are recognised in profit or loss.

27.7 Financial instruments and hedge accounting

The Parent Company has chosen not to apply IFRS 9 to financial instruments. However, some of the principles of IFRS 9 are still applicable – such as those relating to impairment losses, recognition/derecognition, criteria for applying hedge accounting and the effective interest method for interest income and interest expense.

In the Parent Company non-current financial assets are measured at cost less any impairment losses.

Current financial assets are measured at the lower of cost or market. Interest-bearing securities, shares and alternative investments or commodity derivatives are measured at portfolio level. This means that for instruments in the same portfolio, unrealised gains are offset against unrealised losses. Excess losses are recognised as a reduction in interest income under other interest income and similar items. Excess gains are not recognised.

Financial liabilities are measured at amortised cost.

Derivatives used for hedging forecast cash flows to which hedge accounting is applied are not carried in the balance sheet. Changes in the value of derivatives are recognised in the same period as the hedged cash flows.

Derivatives with a negative value that are not part of a securities portfolio or to which hedge accounting is not applied are recognised as financial liabilities (other current liabilities) and measured at the amount most favourable to the company upon settlement or transfer of the obligation at the end of the reporting period.

When currency-hedging receivables in foreign currency relating to iron ore sales using forward contracts, the forward exchange rate is used to measure the hedged receivable. The forward points in the forward foreign exchange contract are recognised in net sales.

27.8 Financial guarantees

The Parent Company's financial guarantees mainly consist of security provided for subsidiaries. Financial guarantees mean that the company is committed to reimbursing the holder of a debt instrument for losses it incurs because a specified debtor fails to make payment when due according to the contractual terms. The Parent Company applies one of the reliefs permitted by the Swedish Financial Reporting Board compared with the rules of IFRS 9 in its recognition of financial guarantee agreements issued on behalf of subsidiaries. The Parent Company recognises financial guarantees as provisions in the balance sheet when the company has a commitment for which payment will probably be required to settle the commitment.

27.9 Anticipated dividends

Anticipated dividends from subsidiaries are recognised in cases where the Parent Company is solely entitled to decide on the size of the dividend and has decided on the size of the dividend before publishing its financial statements.

27.10 Operating segments

The Parent Company does not report segments with the same breakdown and to the same extent as the Group, but instead discloses the breakdown of net sales by the Parent Company's business streams.

27.11 Property, plant and equipment
With reference to RFR 2, IAS 16 (4), estimated future expenditures for dismantling and removing assets and restoring sites or areas where they are located (remediation costs) in legal entities are not capitalised. Instead, the provision for these expenditures is made gradually over the useful life.

27.12 Leased assets
The Parent Company does not apply IFRS 16, in accordance with the exemption in RFR 2. As lessee, lease payments are expensed on a straight-line basis over the term of the lease and therefore right-of-use assets and lease liabilities are not reported in the balance sheet. Leases where the Parent Company is the lessor are reported as operating leases.

27.13 Intangible non-current assets

27.13.1 Research and development
All research and development expenditures are recognised as expenses in the Parent Company income statement.

27.14 Employee benefits – defined-benefit pension plans
Where a pension premium is paid to an insurance company, the Parent Company recognises a defined-benefit plan as a defined-contribution plan.

The Parent Company applies policies other than those described in IAS 19 when estimating defined-benefit plans. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations issued by Finansinspektionen, Sweden's financial supervisory authority, since this is a prerequisite for tax deductibility. The most significant differences from IAS 19 are how the discount rate is determined, that estimation of the defined-benefit obligation is based on current salary levels without consideration of future salary increases and that all actuarial gains and losses are recognised in the income statement.

Pension obligations secured by transfer of funds to a pension fund are recognised as a provision in the Parent Company only if the fair value of the fund assets is less than the amount of the obligations. No asset is recognised if the fund assets are greater than the obligations. The value of the company's obligations in respect of future pension payments is to be calculated in accordance with the second paragraph above.

27.15 Taxes
In the Parent Company balance sheet, untaxed reserves are recognised without dividing these into equity and deferred tax liabilities, in contrast to the Group. Similarly, the Parent Company does not allocate any part of appropriations to deferred tax in the income statement.

27.16 Group and shareholder contributions
Group contributions are recognised as appropriations.

Shareholder contributions paid are reported by the giver as an increase in Interests in Group companies and in Interests in associates and jointly controlled entities respectively.

28 Significant estimates and assessments
The preparation of financial statements requires management and the Board of Directors to make assessments and assumptions that affect recognised assets, liabilities, income and expenses and other information provided, such as contingent liabilities.

Listed below are the estimates and assessments that are considered most important for an understanding of the financial statements. Conditions for LKAB's operations change gradually, which means that these assessments also change.

28.1 Provisions resulting from mining operations

28.1.1 Provisions for urban transformation
The techniques used in ore mining in underground mines lead to deformations in the form of fissures in the ground where mining is conducted. The deformations are already or will become so extensive that it is necessary to gradually move parts of Kiruna and Malmberget.

Although there are many similarities between conditions in Kiruna and Malmberget, the geological conditions differ. In Kiruna there is a gradual spread of deformations with continuous fissuring, while in Malmberget there is widespread undermining of the ground in the city centre. The deformations are a direct result of mining operations.

LKAB has already had, and will continue to have, significant expenses related to these urban transformations. For instance, LKAB will incur expenses for the acquisition of properties and municipal infrastructure such as electricity, water and sewage systems in the affected areas. The expenditures arise from LKAB's mandatory obligation to compensate damage resulting from its mining activities.

Provisions for the damage caused by the deformations are made for damage already confirmed and damage not yet confirmed but that will occur a year or so later as a result of mining.

LKAB recognises a provision:
1. where there is an agreement or a clear constructive obligation to an external party that defines a commitment relating to future impact areas,
2. as a result of past events,
3. which is expected to result in an outflow of economic resources from the company at settlement, and
4. a reliable estimate of the amount can be made.

For those provisions that relate to commitments outside the existing impact boundary (the boundary of the impact of mining to date for which compensation is payable), a mine asset relating to future mining is recognised.

The amount of the provision is calculated on the basis of objective valuation methods for each asset class (residential properties, land, infrastructure etc.) and a present value is assigned.

For Kiruna, provisions are recognised for all assessed commitments within the impact area of the current main haulage level according to the current deformation forecast.

Where Malmberget is concerned, environmental conditions were laid down in a ruling by the Land and Environment Court. The impact area from the mining of several different orebodies has essentially encircled central Malmberget, which means that it is no longer able to function as a normal city centre. Provisions have been made and costs expensed for the entire area that will be phased out, in accordance with the current deformation forecast.

All damage/compensation claims that are within the area impacted by mining to date are calculated and recognised as an expense in the income statement, in light of the fact that LKAB consumed the economic benefits that the mining generated.

The mine component and mine asset relating to future mining are expensed using a production-based method. This means that the cost is calculated on the basis of ore actually extracted relative to the estimated total volume for the current main haulage level. Expensing for the year is usually based on the mine asset/mine component at the start of the year. Significant events may result in the basis being adjusted during the current year.

The impact will continue for many years ahead and there will be uncertainty regarding geological consequences, assumptions about market values, demolition and waste disposal costs etc. The uncertainty in the estimates made so far will decrease as the experience gained is taken into account in future estimates.

Provisions for urban transformation at year-end amounted to MSEK 14,272 (16,873).

28.1.2 Provisions for remediation
Obligations for remediation, dismantling and decontamination as a result of mining operations arise mainly as a result of legal environmental requirements. The Group recognises provisions for remediation costs for all legal and constructive obligations.

Future expenditures for remediation are those resulting from closed operations and ongoing operations. The company collaborates with regulatory authorities to devise long-term plans for remediation of the mining areas. Provisions for ongoing operations are based on these remediation plans.

The amount of the provision is calculated based on acreage and an assessment of future expenditures based on present day technology and other circumstances. The provision is assigned a present value. Future expenditures for ongoing operations are capitalised and depreciated over their useful life. For discontinued operations the costs have been expensed.

Provisions are reviewed and updated as needed when the mine assets' estimated useful life, costs, technical conditions, regulations or other conditions change.

The uncertainty in the estimates made so far will decrease as the experience gained is taken into account in future estimates.

Provisions for remediation amounted to MSEK 1,736 (1,351) at year-end.

28.2 Impairment testing of property, plant and equipment
The Group reports significant values in the balance sheet in respect of property, plant and equipment. Property, plant and equipment are tested for impairment in accordance with the accounting policies described in section 21.1 above.

The recoverable amounts of cash-generating units are established by calculating value in use. Value in use is based on estimates of expected future cash flows from the mining of the mineral reserves, and thus on assumptions concerning factors such as long-term iron ore prices, the USD/SEK exchange rate and levels of capital expenditure. The calculation of value in use is very sensitive to changes in the assumptions.

The Group has reported no impairment losses for 2020 or 2019.

28.3 Useful life and depreciation method for property, plant and equipment
Depreciation periods for main haulage levels, facilities and equipment in mines is dependent on future ore extraction and the mine's useful life. It is essential that changes in production and the ore base are reflected in the applied depreciation method and useful life, which is of particular importance when deciding on new main haulage levels. To achieve this, the useful lives and depreciation methods must be continuously reassessed. Changes in assessments could have a material impact on consolidated earnings and financial position.

The carrying amount of property, plant and equipment at year-end amounted to MSEK 30,515 (30,822). Depreciation for the year amounts to MSEK 2,984 (2,748).

28.4 Retirement benefits
Several assumptions are important components in the actuarial methods used to calculate pension provisions, which may have a significant impact on the recognised net obligation and annual pension cost. The discount rate and expected return on plan assets are two critical assumptions used in the calculation of pension cost for the year and the present value of pension obligations.
These assumptions are assessed annually for each pension plan in each country.

The discount rate enables the measurement of future cash flows at present value on the measurement date. This rate must correspond to the yield on either high-quality corporate bonds including mortgage bonds or, if there is no viable market for such bonds, government bonds. A lower discount rate increases the present value of the pension provision and the annual cost.

To determine the expected return on plan assets, LKAB considers the current and anticipated categories of the assets as well as historical and expected returns on the various categories of assets.

Certain 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.

Provisions for pensions at year-end amounted to MSEK 1,741 (1,830).

28.5 Taxes
Significant assessments are made to determine current tax assets and liabilities as well as deferred tax assets and liabilities. LKAB must assess the likelihood that deferred tax assets will be utilised to offset future taxable profits. Actual outcomes may differ from the estimates, for instance due to changed tax legislation or the outcome of final reviews of tax returns by tax authorities and tax courts.

A deferred net tax liability of MSEK -1,548 (-1,544) was recognised at year-end. The corresponding amount for current tax is a net tax liability of MSEK -202 (-8).

28.6 Disputes
LKAB is occasionally involved in disputes and legal proceedings in the ordinary course of business. Management consults with legal counsel on matters related to litigation and other experts both within and outside the company on matters concerning the ordinary course of business. Management's considered opinion is that neither the Parent Company nor any subsidiary is currently involved in any legal or arbitration proceedings that are expected to have a material effect on the business, its financial position or earnings.

NOTE 2 SEGMENT REPORTING

Segment information
The Group's business is divided into operating segments based on the parts of the business monitored by the Group's chief operating decision maker. This is known as a management approach. Group management follows up on the results of the operations and decides how resources are to be allocated based on the products that the Group produces and sells, and these operations form the Group's operating segments. Each operating segment is headed by a person with day-to-day responsibility for the operations who regularly reports to Group management on the results of the operating segment's performance and the resources needed. The Group's internal reporting is structured so as to allow Group management to follow up on the operating segments' performance and results. An operating segment's results, assets and liabilities include items directly attributable to that segment and items which can be allocated to that segment in a reasonable and reliable way. Intra-group prices between segments are based on the arm's length principle; that is, between parties that are independent of each other, well-informed and with an interest in completing transactions. In the income statement, all items other than net financial income/expense and tax expense have been allocated to operating segments. Assets that have been allocated are property, plant and equipment; other assets have not been allocated. As regards liabilities, provisions for urban transformation and remediation and for lease liabilities have been allocated and other liabilities have not been allocated. All tangible investments are included in the segments' capital expenditures on property, plant and equipment.

The Group comprises the following operating segments:

Iron Ore business area
The Iron Ore business area mines and processes iron ore products in Kiruna, Malmberget and Svappavaara. The business area produces both blast furnace pellets and pellets for steelmaking via direct reduction, known as DR pellets. The business area also produces fines. Included in the business area are logistics activities for the iron ore operations.

Special Products business area
The Special Products business area covers LKAB Minerals, LKAB Wassara, LKAB Berg & Betong, LKAB Kimit and LKAB Mekaniska. The business area develops and markets industrial minerals, drilling technology and full service solutions for the mining and construction industries.

Other Segments
Other Segments covers group-wide functions such as HR, communication, finance, strategic R&D and exploration. Other Segments also covers financial operations, including transactions and gains/losses relating to financial hedging of iron ore prices, foreign currency effects and purchases of electricity.

Note 2 continued

Operating segment Group	Iron Ore business area		Special Products business area		Other Segments		Total		Group-related adjustments and eliminations[1]		Group	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External income	31,123	28,099	2,818	3,250	-26	-89	33,915	31,260	–	–	33,914	31,260
Internal income	604	626	1,544	1,482	73	42	2,221	3,576	-2,221	-2,150	–	–
Total income	**31,727**	**28,725**	**4,362**	**4,732**	**47**	**-48**	**36,136**	**34,836**	**-2,221**	**-2,150**	**33,914**	**31,260**
Operating profit/loss	**12,756**	**12,439**	**261**	**343**	**-1,291**	**-951**	**11,726**	**11,831**	**-72**	**-43**	**11,654**	**11,788**
Net financial income/expense											797	1,136
Profit/loss before tax											**12,452**	**12,924**
Tax											-2,695	-2,751
Profit/loss for the year											**9,757**	**10,173**
Significant non-cash items												
Depreciation of property, plant and equipment	-2,864	-2,647	-192	-185	-78	-57	-3,134	-2,889	-2	-18	-3,136	-2,907
Costs for urban transformation provisions	-1,396	-1,441	–	–	–	–	-1,396	-1,441	–	–	-1,396	-1,441
Assets	36,262	36,469	843	884	1,364	1,226	38,469	38,579	–	–	38,469	38,579
Unallocated assets											36,800	36,102
Total assets											**75,269**	**74,681**
Investments in property, plant and equipment	2,472	2,208	145	127	147	39	2,763	2,374	–	–	2,763	2,374
Liabilities	16,206	18,472	128	163	29	15	16,363	18,650	–	–	16,363	18,650
Unallocated liabilities											10,494	10,503
Total liabilities											**26,857**	**29,153**

[1] Refers to intra-group transactions and group-related adjustments, including those based on adjustment of the consolidated pension liability under IAS 19 and internal gains.

Geographic areas
The vast majority of Group sales are made essentially from Sweden and, therefore, from Swedish companies. Nearly all of the Group's products are made exclusively in Sweden. Capital expenditures have mainly been made in Sweden. The carrying amount of assets by country/region is based on where the assets are located, and the income for the Group is recognised based on where the customers are located.

Group	Sweden		Rest of Europe		Middle East & North Africa		Rest of World		Group	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
External income	4,944	5,845	14,180	13,569	7,040	7,579	7,750	4,267	33,914	31,260
Property, plant and equipment	35,479	35,189	2,968	3,371	–	–	22	19	38,469	38,579

Information about major customers
Under IFRS 8, the company must disclose information about major customers. The LKAB Group has three major customers which each represent more than 10 percent of Group sales. Sales to these customers accounted for 20 (26) percent, 10 (11) percent and 10 (10) percent of sales and are recognised in the Iron Ore business area.

Parent Company	Iron Ore business area		Other Segments		Parent Company total	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales	31,669	28,629	74	29	31,743	28,658

Parent Company	Europe		Middle East & North Africa		Rest of World		Parent Company	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net sales by geographic market	17,904	17,880	7,035	7,497	6,804	3,281	31,743	28,658

NOTE 3 REVENUE

Breakdown of revenue from contracts with customers
The breakdown of revenue from contracts with customers into major product and service areas and into main geographic markets is summarised below.

The table also includes a reconciliation between the revenue breakdown and the Group's total external income for operating segments according to Note 2.

	Iron Ore business area		Special Products business area		Other Segments		Group	
MSEK	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Product/service area								
Pellets	27,185	24,778	–	–	–	–	27,185	24,778
Fines	3,491	2,692	–	–	–	–	3,491	2,692
Magnetite	–	–	822	980	–	–	822	980
Mineral sands	–	–	526	599	–	–	526	599
Other industrial minerals	–	–	1,227	1,428	–	–	1,227	1,428
Mining and construction services	–	–	242	242	–	–	242	242
Other	447	632	–		10	17	457	649
Total	**31,123**	**28,102**	**2,818**	**3,250**	**10**	**17**	**33,950**	**31,369**
Region								
Europe	17,284	17,326	1,865	2,179	10	17	19,159	19,523
MENA	7,035	7,496	5	82	–	–	7,040	7,579
Rest of World	6,804	3,279	947	989	–	–	7,751	4,267
Total	**31,123**	**28,102**	**2,818**	**3,250**	**10**	**17**	**33,950**	**31,369**
Revenue from contracts with customers	31,123	28,102	2,818	3,250	10	17	33,950	31,369
Other income – financing activities	–	–	–	–	-36	-109	-36	-109
Total external income	**31,123**	**28,102**	**2,818**	**3,250**	**-26**	**-92**	**33,914**	**31,260**

Contract balances
Disclosures concerning contract liabilities from contracts with customers are summarised below.

Group **MSEK**	**31 Dec 2020**	**31 Dec 2019**
Contract liabilities included in Other current liabilities	117	3

The contract liability balance of MSEK 3 that was reported at the beginning of the period was recognised as revenue in 2020.

NOTE 4 OTHER OPERATING INCOME

	Group		Parent Company	
MSEK	**2020**	**2019**	**2020**	**2019**
Rental income, properties	248	253	–	–
Gain on sale of non-current assets	23	30	21	29
Exchange gain on receivables/liabilities related to operations	58	28	22	10
Government grants	29	2	26	–
Environmental compensation for transport of goods by rail	–	40	–	–
Damages	26	–	35	–
Other	29	22	8	4
Total	**413**	**375**	**112**	**43**

NOTE 5 OTHER OPERATING EXPENSES

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Property costs	231	244	–	–
Loss on sale of non-current assets	11	21	–	20
Exchange loss on receivables/liabilities related to operations	53	41	19	10
Insurance costs	–	90	–	–
Other	6	19	2	–
Total	**301**	**415**	**21**	**30**

NOTE 6 EMPLOYEES, EMPLOYEE BENEFIT EXPENSES AND REMUNERATION OF SENIOR EXECUTIVES

Average number of employees

Parent Company	2020	Of whom women	Of whom men	2019	Of whom women	Of whom men
Sweden	3,352	25%	75%	3,238	23%	77%
Total Parent Company	**3,352**	**25%**	**75%**	**3,238**	**23%**	**77%**
Subsidiaries						
Sweden	635	22%	78%	567	22%	78%
China	21	24%	76%	21	52%	48%
Netherlands	21	33%	67%	21	29%	71%
Norway	195	14%	86%	185	15%	85%
United Kingdom	261	23%	77%	267	23%	77%
Germany	12	50%	50%	13	38%	62%
Other countries	38	38%	62%	36	24%	76%
Total subsidiaries	**1,183**	**22%**	**78%**	**1,110**	**22%**	**78%**
Total Group	**4,535**	**24%**	**76%**	**4,348**	**23%**	**77%**

Gender distribution in company management as at 31 December

Parent Company	31 Dec 2020 Percentage women	31 Dec 2020 Percentage men	31 Dec 2019 Percentage women	31 Dec 2019 Percentage men
Board of Directors	27%	73%	27%	73%
Other senior executives	13%	87%	13%	87%

Salaries and other remuneration of senior executives and other employees along with social security costs in the Parent Company

	2020			2019		
Parent Company MSEK	Senior executives (19 persons)	Other employees	Total	Senior executives (19 persons)	Other employees	Total
Salaries and other remuneration						
Sweden	31	2,105	2,136	27	1,961	1,988
Total Parent Company	**31**	**2,105**	**2,136**	**27**	**1,961**	**1,988**
Social security costs			1,043			984
of which pension costs			392			347

Note 6 continued

Remuneration of senior executives
Senior executives refers to Board members, the President and the other members of Group management.

Guidelines for the remuneration of senior executives
The remuneration of the Chairman of the Board and Board members is decided at the AGM. The 2020 AGM approved remuneration of SEK 650,000 to the Chairman of the Board and SEK 290,000 to the other Board members elected by the AGM. Serving on the Audit Committee is remunerated with a fee of SEK 75,000 for the chair and SEK 50,000 for other committee members. Serving on the Strategy and Urban Transformations Committee is remunerated with a fee of SEK 65,000 for the chair and SEK 45,000 for other committee members. Serving on the Remuneration Committee is remunerated with a fee of SEK 30,000 for the chair and SEK 20,000 for other committee members. Remuneration is not paid to Board members who are employed at the Government Offices, nor to employee representatives.

The 2020 AGM adopted guidelines for remuneration and other terms of employment for senior executives. The guidelines were prepared in accordance with the government's principles for compensation and other employment terms for senior executives at state-owned companies dated 27 February 2020. The guidelines are applicable to contracts signed after the 2020 AGM.

Preparation and decision-making processes for determining the remuneration of senior executives
Remuneration and other employment terms for the President and salary-setting principles for Group management are prepared by a remuneration committee appointed by the Board of Directors. Four board members make up the committee. The committee is chaired by the Chairman of the Board. The Board takes decisions based on committee proposals. The Chairman of the Board approves the annual salary reviews of other Group management executives.

Principles for the remuneration of senior executives
The President and other Group management executives are paid fixed salaries. The salaries are pensionable.

President Jan Moström's monthly salary in 2020 was SEK 620,000. Retirement age for the President is 65. The President's pension plan is a defined-contribution plan whereby LKAB makes a yearly provision of 30 percent of the President's current fixed annual salary for a pension plan chosen by the President, which may include the ITP plan. The portion of the premium allowance that is not used to cover premiums for the ITP plan can be used by the President for a complementary pension plan. The retirement age for other senior executives is 65. They have a defined-contribution pension plan to which LKAB allocates 30 percent of annual fixed salary.

The mutual notice period for termination of employment in the case of senior executives with contracts signed prior to the 2017 AGM is six months. Severance pay equivalent to 18 monthly salaries is paid when notice of termination is given by the company. For contracts signed since the 2017 AGM a mutual notice period of six months applies. Severance pay equivalent to 12 monthly salaries is paid when notice of termination is given by the company.

Remuneration and other benefits to the Board, accrued

SEK thousand	2020 Board fees	2019 Board fees
Chairman of the Board Göran Persson[1,4]	735	712
Board member Gunnar Axheim[1]	335	332
Board member Eva Hamilton[1]	335	333
Board member Lotta Mellström[2]	–	–
Board member Bjarne Moltke Hansen[1]	335	332
Board member Ola Salmén[3]	365	361
Board member Gunilla Saltin[4]	303	302
Board member Per-Olof Wedin[3]	340	320
Total	**2,748**	**2,692**

[1] The fee also includes remuneration for work on the Strategy and Urban Transformations Committee.
[2] No board fees are paid to representatives of the Ministry of Enterprise and Innovation.
[3] The fee also includes remuneration for work on the Board's Audit Committee.
[4] The fee also includes remuneration for work on the Board's Remuneration Committee.

Remuneration and other benefits to members of Group management in 2020

SEK thousand		Basic salary	Other benefits[1]	Pension cost	Total
President	Jan Moström	7,564	307	2,269	10,140
SVP	Leif Boström	2,866	113	834	3,813
SVP	Peter Hansson	2,804	170	825	3,799
SVP	Pierre Heeroma	2,677	243	787	3,707
SVP	Niklas Johansson[2]	2,047	47	656	2,750
SVP	Michael Palo	3,197	175	952	4,324
SVP	Markus Petäjäniemi	3,118	133	931	4,182
SVP	Grete Solvang Stoltz	2,354	97	703	3,154
SVP	Magnus Arnkvist[3]	3,053	80	909	4,042
Total		**29,680**	**1,365**	**8,866**	**39,911**

[1] Other benefits include a company car, subsistence allowances, life insurance and medical insurance.
[2] From March 2020.
[3] 1 January 2020–30 June 2020: reported to SVP Michael Palo. During the period 1 July 2020 up to and including 31 December 2020 severance pay was paid monthly in the form of the salary and benefits effective when employed. Any salary or other remuneration received from parties other than LKAB during the period is to be deducted. No deduction was applicable.

Note 6 continued

Remuneration and other benefits to members of Group management in 2019

SEK thousand		Basic salary	Other benefits[1]	Pension cost	Total
President	Jan Moström	6,789	307	2,049	9,145
SVP	Magnus Arnkvist	3,117	97	919	4,133
SVP	Leif Boström	2,732	113	833	3,677
SVP	Peter Hansson[2]	2,759	161	821	3,741
SVP	Pierre Heeroma	2,357	160	710	3,227
SVP	Michael Palo	2,735	167	829	3,731
SVP	Markus Petäjäniemi	3,082	151	918	4,152
SVP	Grete Solvang Stoltz	2,306	96	703	3,104
Total		**25,877**	**1,252**	**7,782**	**34,911**

[1] Other benefits include a company car, subsistence allowances, life insurance and medical insurance.
[2] Accommodation paid for or subsidised by the company.

For additional information including post-employment benefits see Note 29 Pensions.

NOTE 7 AUDITORS' FEES AND REIMBURSEMENTS

	Group		Parent Company	
MSEK	**2020**	**2019**	**2020**	**2019**
KPMG				
Audit engagements	6	7	3	3
Other auditing	1	1	1	0
Tax consulting	0	1	0	0
Other services	0	0	0	1
Other auditors				
Audit engagements	0	0	–	–

Audit engagements refers to statutory auditing of annual and consolidated financial statements and bookkeeping as well as the Board's and President's administration of the company, along with audits and other reviews performed as agreed upon or contracted.

This includes other tasks that are incumbent on the company's auditor to perform, as well as consultancy or other assistance occasioned by observations during such reviews or the performance of such other tasks.

NOTE 8 OPERATING EXPENSES BY TYPE

	Group		Parent Company	
MSEK	**2020**	**2019**	**2020**	**2019**
Employee benefit expenses	4,247	4,034	3,257	3,054
Materials etc.	2,848	2,578	3,235	3,093
Energy	1,791	2,037	1,563	1,781
Transport	1,018	824	2,488	2,181
Provisions for urban transformation	1,396	1,441	1,396	1,441
Depreciation, amortisation and impairment	3,136	2,908	2,384	2,195
Other operating expenses	8,238	6,026	6,335	3,751
Total	**22,674**	**19,848**	**20,658**	**17,496**

NOTE 9 NET FINANCIAL INCOME/EXPENSE

Group **MSEK**	**2020**	**2019**
Financial income		
Assets at fair value through profit or loss		
- Interest-bearing securities – net gain	258	–
- Shares and alternative investments – net gain	807	1,106
- Commodities portfolio – net gain	–	27
- Derivatives	–	123
Dividends on shares at fair value through other comprehensive income	–	35
Other interest income, financial assets at amortised cost	6	10
Return on plan assets	50	66
Exchange rate fluctuations including foreign exchange derivatives (net)	–	24
Other financial income	76	16
Total financial income	**1,197**	**1,407**
Financial expense		
Assets at fair value through profit or loss		
- Interest-bearing securities – net loss	–	-11
- Shares and alternative investments – net loss	–	–
- Commodities portfolio – net loss	-17	–
- Gain/loss on disposal of shares	–	-24
Interest expense, financial liabilities at amortised cost		
- Interest-bearing liabilities	-36	-44
- Provision for remediation costs	-39	-39
- Other interest expense	-4	-2
Interest expense, defined-benefit pension obligations	-73	-93
Exchange rate fluctuations including foreign exchange derivatives (net)	-124	
Interest expense, lease liabilities	-12	-20
Fees for loan facility	-12	-8
Other financial expense	-82	-30
Impairment of interests in associates	–	–
Total financial expense	**-399**	**-271**
Net financial income/expense	**797**	**1,136**

Exchange rate differences refer mainly to the remeasurement of receivables in foreign currency as well as shares and alternative investments including related foreign exchange derivatives.

Other financial expense refers primarily to transaction costs for derivatives and to banking and administration expenses.

Note 9 continued

Parent Company	Income from interests in Group companies		Income from interests in associates	
MSEK	**2020**	**2019**	**2020**	**2019**
Dividend	302	25	–	–
Income from divestment of interests	312	–	–	–
Impairment	–	-575	–	–
Total	**614**	**-550**	**–**	**–**

Gain/loss on disposal of shares refers to the proceeds of the liquidation of LKAB Försäkring AB.

Parent Company	Income from other securities and receivables held as non-current assets		Other interest income and similar profit/loss items	
MSEK	**2020**	**2019**	**2020**	**2019**
Dividend, shares	–	35	–	–
Gain/loss on disposal of shares	–	-24	–	–
Interest income, Group companies	113	125	8	10
Interest income, other	–	–	3	-5
Return on shares and alternative investments	–	–	215	226
Return on commodities portfolio	–	–	–	3
Exchange rate fluctuations including foreign exchange derivatives (net)	–	–	–	100
Other financial income	–	–	199	16
Total	**113**	**136**	**425**	**350**

Interest income and similar profit/loss items includes return on interest-bearing securities of MSEK 211 (-11).

Exchange rate differences refer mainly to the remeasurement of receivables in foreign currency as well as shares and alternative investments including related foreign exchange derivatives.

Parent Company	Interest expense and similar profit/loss items	
MSEK	**2020**	**2019**
Interest expense, Group companies	-2	-1
Interest expense, interest-bearing liabilities	-37	-44
Interest expense, remediation costs	-29	-28
Interest expense, other	-2	-2
Exchange rate fluctuations including foreign exchange derivatives (net)	-311	–
Fees for loan facility	-12	-8
Other financial expense	-82	-30
Total	**-475**	**-113**

Other financial expense refers primarily to transaction costs for derivatives and to banking and administration expenses.

NOTE 10 APPROPRIATIONS

Parent Company **MSEK**	**2020**	**2019**
Difference between recognised depreciation/amortisation and depreciation/amortisation according to plan:		
Land and buildings	–	–
Plant and equipment	-300	-760
Tax allocation reserve, reversal for the year	650	1,858
Group contributions received	488	472
Group contributions paid	–	–
Total	**838**	**1,570**

NOTE 11 TAXES

Recognised in the income statement

Group **MSEK**	**2020**	**2019**
Current tax expense (-)		
Tax expense for the year	-2,689	-2,767
Adjustment of tax attributable to prior years	15	26
	-2,674	**-2,741**
Deferred tax expense (-)/tax income (+)		
Deferred tax on temporary differences	-21	-10
	-21	**-10**
Total recognised Group tax	**-2,695**	**-2,751**

Parent Company **MSEK**	**2020**	**2019**
Current tax expense (-)		
Tax expense for the year	-2,529	-2,733
Adjustment of tax attributable to prior years	14	31
	-2,515	**-2,702**
Deferred tax expense (-)		
Deferred tax on temporary differences	-83	-116
	-83	**-116**
Total recognised Parent Company tax	**-2,598**	**-2,818**

Reconciliation of effective tax

Group **MSEK**	**2020 (%)**	**2020**	**2019 (%)**	**2019**
Profit/loss before tax		**12,452**		**12,924**
Tax as per effective tax rate for Parent Company	21.40%	-2,665	21.40%	-2,766
Non-deductible expenses	0.10%	-11	0.10%	-13
Non-taxable income	-0.10%	3	-0.10%	9
Tax attributable to prior years	-0.10%	15	-0.20%	26
Standard interest on tax allocation reserve and investment fund	0.10%	-5	0.10%	-6
Upward adjustment of tax allocation reserve	0.00%	-4	0.10%	-12
Tax effect, reclassification of impairment losses	0.10%	-12	0.00%	-3
Other	0.10%	-16	-0.10%	14
Recognised effective tax	**21.60%**	**-2,695**	**21.30%**	**-2,751**

Parent Company **MSEK**	**2020 (%)**	**2020**	**2019 (%)**	**2019**
Profit/loss before tax		**12,712**		**12,598**
Tax as per effective tax rate for Parent Company	21.40%	-2,720	21.40%	-2,696
Non-deductible expenses	0.00%	-3	1.10%	-134
Non-taxable income	-1.00%	131	-0.10%	13
Tax attributable to prior years	-0.10%	15	-0.20%	31
Standard interest on tax allocation reserve and investment fund	0.00%	-5	0.10%	-6
Upward adjustment of tax allocation reserve	0.00%	-4	0.10%	-12
Tax effect, reclassification of impairment losses	0.10%	-12	0.02%	-3
Other	–	–	0.09%	-11
Recognised effective tax	**20.40%**	**-2,598**	**22.40%**	**-2,818**

Note 11 continued

Tax attributable to other comprehensive income

Group MSEK	2020	2019
Cash flow hedges incl. hedging cost reserve	2	25
Remeasurement of defined-benefit pension plans	4	37
Total	**6**	**62**

Recognised in the statement of financial position and balance sheet
Recognised deferred tax assets and liabilities.
Deferred tax assets and liabilities are attributable to the following:

	Deferred tax asset		Deferred tax liability		Net	
Group MSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Intangible assets	–	–	-103	-125	-103	-125
Property, plant and equipment	499	534	-2,844	-2,847	-2,345	-2,313
Current investments	–	–	-364	-192	-364	-192
Tax allocation reserve	–	–	–	-139	–	-139
Contingency reserve	–	–	–	-80	–	-80
Pension provisions	320	314	–	–	320	314
Provisions, urban transformation	910	932	–	–	910	932
Other provisions	38	65	–	–	37	65
Cash flow hedges	–	–	–	-2	–	-2
Loss carryforwards	1	1	–	–	1	1
Other	0	26	-5	-31	-5	-5
Tax assets/liabilities	**1,768**	**1,872**	**-3,316**	**-3,416**	**-1,548**	**-1,544**
Offset	-1,756	-1,868	1,756	1,868	–	–
Tax assets/liabilities, net	**12**	**4**	**-1,560**	**-1,548**	**-1,548**	**-1,544**

	Deferred tax asset		Deferred tax liability		Net	
Parent Company MSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Property, plant and equipment	342	394	–	–	342	394
Pension provisions	111	117	–	–	111	117
Provisions, urban transformation	910	932	–	–	910	932
Other	31	34	–	–	31	34
Tax assets/liabilities	**1,394**	**1,478**	**–**	**–**	**1,394**	**1,478**

Change in deferred tax on temporary differences and loss carryforward

Note 11 continued

Group MSEK	Opening balance, 1 Jan 2019	Recognised in income statement	Recognised in other comprehensive income	Other changes	Closing balance, 31 Dec 2019
Intangible assets	-148	23	–	–	-125
Property, plant and equipment	-2,118	-197	–	3	-2,312
Current investments	-6	-186	–	–	-192
Tax allocation reserve	-552	413	–	–	-139
Contingency reserve	80	–	–	–	-80
Pension provisions	281	-4	37	–	314
Provisions, urban transformation	979	-47	–	–	932
Other provisions	67	-3	–	–	64
Cash flow hedges	-27	–	25	–	-2
Loss carryforwards	1	–	–	–	1
Other	11	-9	–	-7	-5
Total	**-1,592**	**-10**	**62**	**-4**	**-1,544**

Group MSEK	Opening balance, 1 Jan 2020	Recognised in income statement	Recognised in other comprehensive income	Other changes	Closing balance, 31 Dec 2020
Intangible assets	-125	22	–	–	-103
Property, plant and equipment	-2,312	-43	–	10	-2,345
Current investments	-192	-172	–	–	-364
Tax allocation reserve	-139	139	–	–	0
Contingency reserve	-80	80	–	–	0
Pension provisions	314	2	4	–	320
Provisions, urban transformation	932	-22	–	–	910
Other provisions	64	-27	–	–	37
Cash flow hedges	-2	–	2	–	0
Loss carryforwards	1	–	–	–	1
Other	-5	0	–	0	-5
Total	**-1,544**	**-21**	**6**	**10**	**-1,548**

Parent Company MSEK	Opening balance, 1 Jan 2019	Recognised in income statement	Closing balance, 31 Dec 2019
Property, plant and equipment	448	-54	394
Pension provisions	129	-12	117
Provisions, urban transformation	979	-47	932
Other	38	-4	34
Total	**1,594**	**-116**	**1,478**

Parent Company MSEK	Opening balance, 1 Jan 2020	Recognised in income statement	Closing balance, 31 Dec 2020
Property, plant and equipment	394	-53	342
Pension provisions	117	-6	111
Provisions, urban transformation	932	-21	911
Other	34	-3	31
Total	**1,478**	**-83**	**1,394**

Changed tax rate

Effective from 1 January 2019 the corporate tax rate in Sweden is 21.4 percent for companies with financial years beginning on or after 1 January 2019. The tax rate is being lowered to 20.6 percent for financial years beginning on or after 1 January 2021.

NOTE 12 EARNINGS PER SHARE

The number of shares amounted to 700,000 in both 2020 and 2019. Earnings attributable to Parent Company shareholders are MSEK 9,757 (10,173) Earnings per share are thus SEK 13,938 (14,533). There are no options or potential ordinary shares, so there is no dilution.

NOTE 13 INTANGIBLE ASSETS

All of the Group's intangible assets are acquired.

Group MSEK	Goodwill	Mining rights	Purchasing contracts	Customer relationships	Other	Total
Cost of acquisition						
Opening balance, 1 Jan 2019	579	281	392	424	90	1,766
Change in emission allowances	–	–	–	–	-3	-3
Disposals and retirements	-13	–	–	–	–	-13
Exchange rate differences	40	–	29	33	-4	98
Closing balance, 31 Dec 2019	**606**	**281**	**421**	**457**	**83**	**1,848**
Opening balance, 1 Jan 2020	606	281	421	457	83	1,848
Change in emission allowances	–	–	–	–	125	125
Disposals and retirements	–	–	–	–	–	0
Exchange rate differences	-49	–	-38	-42	-7	-136
Closing balance, 31 Dec 2020	**557**	**281**	**383**	**415**	**201**	**1,837**
Depreciation						
Opening balance, 1 Jan 2019	-10	-180	-3	-2	-16	-211
Amortisation for the year	–	–	-39	-30	–	-69
Exchange rate differences	-1	-1	–	–	1	-1
Closing balance, 31 Dec 2019	**-11**	**-181**	**-42**	**-32**	**-15**	**-281**
Opening balance, 1 Jan 2020	-11	-181	-42	-32	-15	-281
Amortisation for the year	–	–	-37	-30	–	-67
Exchange rate differences	–	-2	7	4	6	15
Closing balance, 31 Dec 2020	**-11**	**-183**	**-72**	**-58**	**-9**	**-333**
Impairment						
Opening balance, 1 Jan 2019	-72	-93	–	–	–	-165
Disposals and retirements	13	–	–	–	–	13
Exchange rate differences	-3	–	–	–	–	-3
Closing balance, 31 Dec 2019	**-62**	**-93**	**–**	**–**	**–**	**-155**
Opening balance, 1 Jan 2020	-62	-93	–	–	–	-155
Disposals and retirements	–	–	–	–	–	0
Exchange rate differences	–	–	–	–	–	0
Closing balance, 31 Dec 2020	**-62**	**-93**	**–**	**–**	**–**	**-155**
Carrying amount						
At 1 Jan 2019	497	8	389	422	74	1,390
At 31 Dec 2019	**533**	**7**	**379**	**425**	**68**	**1,412**
At 1 Jan 2020	533	7	379	425	68	1,412
At 31 Dec 2020	**484**	**5**	**311**	**357**	**192**	**1,349**

Note 13 continued

Amortisation is included in the following lines of the income statement

Group MSEK	2020	2019
Cost of goods sold	-67	-69

Parent Company MSEK	Mining rights	Other	Total
Cost of acquisition			
Opening balance, 1 Jan 2019	161	81	242
Change in emission allowances	–	-3	-3
Closing balance, 31 Dec 2019	**161**	**78**	**239**
Opening balance, 1 Jan 2020	161	78	239
Change in emission allowances		125	125
Closing balance, 31 Dec 2020	**161**	**203**	**364**
Depreciation			
Opening balance, 1 Jan 2019	-161	-9	-170
Closing balance, 31 Dec 2019	**-161**	**-9**	**-170**
Opening balance, 1 Jan 2020	-161	-9	-170
Closing balance, 31 Dec 2020	**-161**	**-9**	**-170**
Carrying amount			
At 1 Jan 2019	–	72	72
At 31 Dec 2019	**–**	**69**	**69**
At 1 Jan 2020	–	69	69
At 31 Dec 2020	**–**	**194**	**194**

Goodwill specification

MSEK	31 Dec 2020	31 Dec 2019
LKAB Minerals Ltd	465	512
Units without significant goodwill value, combined	19	21
Total	**484**	**533**

Impairment testing of cash-generating units containing goodwill

Impairment testing is performed annually, or on an ongoing basis during the year if there is any indication of impairment, and is based on estimated value in use. This value is derived from cash flow forecasts using an annual budget and five-year strategic plan established by executive management for the Special Products business area. The cash flow forecast beyond the planning horizon includes the assumption of perpetual 1 percent growth. The expected cash flows were calculated to present value using an individual discount rate in line with the market (WACC). Important assumptions in the five-year business plan are expected growth in the market and assessment of future margins.

The value in use of the LKAB Minerals Ltd cash-generating unit exceeds the carrying amount by MSEK 152 and consequently there is judged to be no impairment loss. The discount rate before tax is 7.47 percent.

The value in use of the cash-generating unit would equal the carrying amount if the perpetual growth rate were to change from 1 percent to 0.3 percent or the discount rate from 7.47 percent to 8.01 percent.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT FOR OPERATIONS

Group MSEK	Buildings and land	Underground installations	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost of acquisition						
Opening balance, 1 Jan 2019	12,233	7,978	43,198	7,408	5,899	76,716
Acquisitions	249	3	222	40	1,859	2,373
Capitalisation of remediation	3	–	–	–	–	3
Reclassifications	385	144	1,211	143	-1,883	0
Disposals and retirements	-145	–	-164	-31	-205	-545
Exchange rate differences	96	–	89	5	3	193
Closing balance, 31 Dec 2019	**12,821**	**8,125**	**44,556**	**7,565**	**5,673**	**78,740**
Opening balance, 1 Jan 2020	12,821	8,125	44,556	7,565	5,673	78,740
Acquisitions	96	45	247	53	2,322	2,763
Capitalisation of remediation	245	–	–	–	–	245
Reclassifications	184	163	1,037	113	-1,497	0
Disposals and retirements	-12	-11	-138	-83	-127	-371
Exchange rate differences	-253	–	-134	-13	-21	-421
Closing balance, 31 Dec 2020	**13,081**	**8,322**	**45,568**	**7,635**	**6,350**	**80,956**
Depreciation						
Opening balance, 1 Jan 2019	-4,700	-4,869	-22,193	-4,878		-36,640
Depreciation for the year	-367	-245	-1,803	-333		-2,748
Disposals and retirements	3	–	142	29		174
Exchange rate differences	-26	–	-43	-5		-74
Closing balance, 31 Dec 2019	**-5,090**	**-5,114**	**-23,897**	**-5,187**		**-39,288**
Opening balance, 1 Jan 2020	-5,090	-5,114	-23,897	-5,187		-39,288
Depreciation for the year	-455	-266	-1,919	-344		-2,984
Disposals and retirements	11	11	131	72		225
Exchange rate differences	89	–	126	12		227
Closing balance, 31 Dec 2020	**-5,445**	**-5,369**	**-25,559**	**-5,447**		**-41,820**
Impairment						
Opening balance, 1 Jan 2019	-1,808	-864	-4,409	-576	-1,594	-9,251
Impairment for the year	-1	–	–	–	–	-1
Reclassifications	15	–	-15	–	–	0
Disposals and retirements	118	–	1	–	98	217
Closing balance, 31 Dec 2019	**-1,676**	**-864**	**-4,423**	**-576**	**-1,496**	**-9,035**
Opening balance, 1 Jan 2020	-1,676	-864	-4,423	-576	-1,496	-9,035
Impairment for the year	–	–	–	–	–	0
Reclassifications	–	–	-55	-2	57	0
Disposals and retirements	–	–	–	–	78	78
Closing balance, 31 Dec 2020	**-1,676**	**-864**	**-4,478**	**-578**	**-1,361**	**-8,957**
Carrying amount						
At 1 Jan 2019	5,725	2,245	16,596	1,954	4,305	30,825
At 31 Dec 2019	**6,055**	**2,147**	**16,236**	**1,802**	**4,177**	**30,417**
At 1 Jan 2020	6,055	2,147	16,236	1,802	4,177	30,417
At 31 Dec 2020	**5,960**	**2,089**	**15,531**	**1,610**	**4,989**	**30,179**

Group MSEK	2020	2019
Owned assets including favourable leases from business combinations	30,179	30,417
Leased assets	336	405
Total	**30,515**	**30,822**

Capitalised remediation costs amount to MSEK 1,205 (849), while accumulated depreciation and impairment losses amount to MSEK -752 (-637).

Of the net amount of MSEK 453 (212), MSEK 329 (191) is recognised as land and buildings and MSEK 125 (21) as plant and machinery.

Note 14 continued

Disclosures concerning government grants in the Group
Government grants of MSEK 5 (43) have been received and further reduced the value of the assets amounting to MSEK 193 acquired in the previous year.

Depreciation and impairment are included in the following lines of the income statement

Group MSEK	2020	2019
Cost of goods sold	-2,963	-2,725
Selling expenses	-2	-3
Administrative expenses	-4	-5
Of which impairment	–	-1
Research and development	-6	-7
Other operating expenses	-9	-9
Total	**-2,984**	**-2,749**

Parent Company MSEK	Buildings and land	Underground installations	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
Cost of acquisition						
Opening balance, 1 Jan 2019	7,947	7,978	40,625	1,433	5,715	63,698
Acquisitions	247	3	174	28	1,638	2,090
Reclassifications	328	144	1,180	79	-1,731	0
Disposals and retirements	-134	–	-165	-14	-280	-593
Closing balance, 31 Dec 2019	**8,388**	**8,125**	**41,814**	**1,526**	**5,342**	**65,195**
Opening balance, 1 Jan 2020	8,388	8,125	41,814	1,526	5,342	65,195
Acquisitions	87	45	204	24	2,116	2,476
Reclassifications	131	163	939	29	-1,262	0
Disposals and retirements	-1	-11	-118	-28	-123	-281
Closing balance, 31 Dec 2020	**8,605**	**8,322**	**42,839**	**1,551**	**6,073**	**67,390**
Depreciation						
Opening balance, 1 Jan 2019	-3,133	-4,869	-20,815	-1,064		-29,881
Depreciation for the year	-241	-245	-1,625	-84		-2,195
Disposals and retirements	1	–	141	13		155
Closing balance, 31 Dec 2019	**-3,373**	**-5,114**	**-22,299**	**-1,135**		**-31,921**
Opening balance, 1 Jan 2020	-3,373	-5,114	-22,299	-1,135		-31,921
Depreciation for the year	-246	-266	-1,779	-93		-2,384
Disposals and retirements	1	11	117	28		157
Closing balance, 31 Dec 2020	**-3,618**	**-5,369**	**-23,961**	**-1,200**		**-34,148**
Impairment						
Opening balance, 1 Jan 2019	-1,374	-864	-4,272	-89	-1,594	-8,193
Reclassifications	16	–	-15	-1	–	0
Disposals and retirements	116	–	–	–	98	214
Closing balance, 31 Dec 2019	**-1,242**	**-864**	**-4,287**	**-90**	**-1,496**	**-7,979**
Opening balance, 1 Jan 2020	-1,242	-864	-4,287	-90	-1,496	-7,979
Reclassifications	-1	–	-55	-2	58	0
Disposals and retirements	–	–	–	–	78	78
Closing balance, 31 Dec 2020	**-1,243**	**-864**	**-4,342**	**-92**	**-1,360**	**-7,901**
Carrying amount						
At 1 Jan 2019	3,440	2,245	15,539	279	4,120	25,624
At 31 Dec 2019	**3,773**	**2,147**	**15,228**	**301**	**3,846**	**25,295**
At 1 Jan 2020	3,773	2,147	15,228	301	3,846	25,295
At 31 Dec 2020	**3,744**	**2,089**	**14,536**	**259**	**4,713**	**25,341**

Disclosures concerning government grants in the Parent Company
Government grants of MSEK 5 have reduced the value of the assets acquired in the previous year. In the previous year MSEK 43 was received in government grants for assets with a total cost of MSEK 193.

Depreciation and impairment are included in the following lines of the income statement

Parent Company MSEK	2020	2019
Cost of goods sold	-2,377	-2,187
Administrative expenses	-1	-2
Research and development	-6	-6
Total	**-2,384**	**-2,195**

NOTE 15 PROPERTY, PLANT AND EQUIPMENT FOR URBAN TRANSFORMATION

Group and Parent Company MSEK	Buildings and land	Construction in progress	Total
Cost of acquisition			
Opening balance, 1 Jan 2019	9,558	698	10,256
Capitalisation	761	–	761
Acquisitions	–	746	746
Reassessment upon acquisition	-1	–	-1
Sales	–	-4	-4
Investment grants	–	-49	-49
Adjustments, replacement properties	–	-767	-767
Closing balance, 31 Dec 2019	**10,318**	**624**	**10,942**
Opening balance, 1 Jan 2020	10,318	624	10,942
Capitalisation	530	–	530
Acquisitions	–	926	926
Reassessment upon acquisition	–	–	–
Sales	–	–	–
Retirements	-903	–	-903
Investment grants	–	2	2
Adjustments, replacement properties	–	-130	-130
Closing balance, 31 Dec 2020	**9,945**	**1,422**	**11,367**
Expensing			
Opening balance, 1 Jan 2019	-2,496	–	-2,496
Expensing of mine asset and mine component	-305	–	-305
Closing balance, 31 Dec 2019	**-2,801**	**–**	**-2,801**
Opening balance, 1 Jan 2020	-2,801	–	-2,801
Expensing of mine asset and mine component	-229	–	-229
Closing balance, 31 Dec 2020	**-3,030**	**–**	**-3,030**
Impairment			
Opening balance, 1 Jan 2019	-384	–	-384
Closing balance, 31 Dec 2019	**-384**	**–**	**-384**
Opening balance, 1 Jan 2020	-384	–	-384
Closing balance, 31 Dec 2020	**-384**	**–**	**-384**
Carrying amount			
At 1 Jan 2019	6,678	698	7,376
At 31 Dec 2019	**7,133**	**624**	**7,757**
At 1 Jan 2020	7,133	624	7,757
At 31 Dec 2020	**6,531**	**1,422**	**7,954**

Expensing is included in the following lines of the income statement

Group and Parent Company MSEK	2020	2019
Cost of goods sold	-229	-305
Total	**-229**	**-305**

The balance sheet item includes the following assets:

Group and Parent Company MSEK	31 Dec 2020	31 Dec 2019
Mine asset	6,256	6,837
Replacement properties	1,422	624
Other property acquisitions	275	296
Total	**7,954**	**7,757**

Regarding reporting of replacement properties refer to Note 1 section 18.8.3.
See also Note 31 for an overall picture of items associated with urban transformation.

NOTE 16 INTERESTS IN ASSOCIATES AND JOINT VENTURES

Group
Summary financial information for holdings in joint ventures is detailed below. The Group has a stake in the Swedish unlisted joint venture company HYBRIT Development AB, which is mainly engaged in research and development of methods for making iron and steel. The Group has rights to the net assets of the company and reports its holding according to the equity method.

MSEK	31 Dec 2020	31 Dec 2019
Share of assets	343	184
Share of liabilities	-67	-67
Carrying amount (share of net assets)	**277**	**117**
Group's share of profit/loss after tax	-72	-11
Total comprehensive income	**-72**	**-11**

Summary financial information for holdings in associates is detailed below.

MSEK	31 Dec 2020	31 Dec 2019
Carrying amount	**20**	**19**
Group's share of profit/loss after tax	–	–
Total comprehensive income	**–**	**–**

NOTE 17 HOLDINGS IN JOINT OPERATIONS

Group
The Group has a 50 percent co-ownership in the company Likya Minerals and its subsidiary Likya Minerals Export, whose main products are minerals with flame retardant properties (UltraCarb). Likya operates out of Turkey.

Likya is a separate company but co-ownership is still considered to be a joint operation. The assessment is based on the fact that the co-owners have a commitment to buy all services that Likya provides and consequently finances Likya's entire operation in order to settle its liabilities.

75 percent of Likya's sales relate to companies within the LKAB Group.

NOTE 18 PARENT COMPANY'S INTERESTS IN ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Parent Company MSEK	Associates 31 Dec 2020	Associates 31 Dec 2019	Jointly controlled entities 31 Dec 2020	Jointly controlled entities 31 Dec 2019
Accumulated acquisition value				
Opening balance	45	45	128	12
Capital contributions	–	–	232	116
Closing balance	**45**	**45**	**360**	**128**
Accumulated impairment				
Opening balance	-25	-25	–	–
Impairment for the year	–	–	–	–
Closing balance	**-25**	**-25**	**–**	**–**
Carrying amount	**20**	**20**	**360**	**128**

Specification of Parent Company's directly owned interests in associates and jointly controlled entities

Company / reg. no. / domicile	Number of shares	% of votes and capital	Carrying amount
2020			
Associates			
Norrskenet AB / 556537-7065 / Gällivare	2,500	33.3%	20
Jointly controlled entities			
HYBRIT Development AB / 559121-9760 / Stockholm	500,000	33.3%	360
Total			**380**
2019			
Associates			
Norrskenet AB / 556537-7065 / Gällivare	2,500	33.3%	20
Jointly controlled entities			
HYBRIT Development AB / 559121-9760 / Stockholm	500,000	33.3%	128
Total			**148**

NOTE 19 RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Accumulated acquisition value		
Opening balance	3,741	3,874
Lending	8	–
Repayments	-399	-315
Exchange rate fluctuation	-307	182
Closing balance	**3,043**	**3,741**

NOTE 20 FINANCIAL INVESTMENTS

Group MSEK	31 Dec 2020	31 Dec 2019
Financial investments held as non-current assets		
Shares and interests at fair value through other comprehensive income	2,931	735
Shares and interests at fair value through profit or loss	7	7
Financial assets for funded pension obligations	347	355
Total	**3,285**	**1,097**
Financial investments held as current assets		
Interest-bearing securities at fair value through profit or loss – held for trading	11,219	14,816
Shares and alternative investments at fair value through profit or loss	7,845	7,129
Derivatives used for hedging	–	26
Other derivatives	8	26
Total	**19,073**	**21,997**

NOTE 21 OTHER NON-CURRENT SECURITIES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Accumulated acquisition value		
Opening balance	203	248
Acquisitions	2,665	1
Disposal	–	-46
Closing balance	**2,869**	**203**

Parent Company MSEK	31 Dec 2020		31 Dec 2019	
Specification of other non-current securities	Fair value	Carrying amount	Fair value	Carrying amount
SSAB	2,931	2,861	735	196
Other holdings	7	7	7	7
Total	**2,938**	**2,869**	**742**	**203**

NOTE 22 NON-CURRENT RECEIVABLES AND OTHER RECEIVABLES

Group MSEK	31 Dec 2020	31 Dec 2019
Non-current receivables that are non-current assets		
Advance payments	100	100
Other	2	2
Total	**102**	**102**
Other receivables that are current assets		
Receivables, credit institutions	1,011	1,057
Recoverable VAT	251	261
Tax assets	5	–
Derivatives	79	178
PRI balance	22	21
Receivables from clients	17	16
Tax account	103	42
Receivables, collateral for derivatives	59	–
Other	36	49
Total	**1,583**	**1,624**

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Non-current receivables		
Company-owned endowment insurance	104	111
Advance payments	100	100
Other	2	2
Total	**206**	**213**
Other current receivables		
Receivables, credit institutions	1,011	1,057
Recoverable VAT	234	239
PRI balance	21	21
Tax assets	–	61
Tax account	93	35
Receivables, collateral for derivatives	59	–
Other	21	10
Total	**1,439**	**1,423**

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Non-current receivables		
Accumulated acquisition value		
Opening balance	213	115
Advance payments	–	100
Other	-7	-2
Closing balance	**206**	**213**

NOTE 23 INVENTORIES

Group MSEK	31 Dec 2020	31 Dec 2019
Raw materials and consumables	3,017	2,874
Work in progress	3	3
Finished goods and goods for resale	1,206	1,914
Total	**4,226**	**4,791**

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Raw materials and consumables	2,442	2,325
Finished goods	1,029	1,752
Total	**3,471**	**4,077**

NOTE 24 ACCOUNTS RECEIVABLE

Accounts receivable are recognised after taking into consideration expected credit losses. Credit losses that have arisen in the Group amount to MSEK 5 (5). Regarding credit risks in accounts receivable see Note 34 Financial risks and risk management.

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
MSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Prepaid insurance premiums	32	34	28	26
Prepaid expenses, fair value of derivatives	5	3	5	3
Accrued income, iron ore derivatives	4	–	4	–
Other prepaid expenses	91	121	68	97
Other accrued income	23	119	9	94
Total	**155**	**277**	**114**	**220**

NOTE 26 EQUITY

Specification of equity reserves

MSEK	31 Dec 2020	31 Dec 2019
Translation reserve		
Opening balance	-54	-162
Translations differences for the year	-273	108
Closing balance	**-327**	**-54**
Fair value reserve		
Opening balance	540	450
Available-for-sale financial assets:		
Changes in fair value	-472	90
Closing balance	**68**	**540**
Hedging reserve including hedging cost reserve		
Opening balance	7	98
Cash flow hedges and hedging costs		
Changes in fair value	0	-30
Changes in fair value, transferred to profit for the year	-10	-86
Tax attributable to revaluations for the year	3	25
Closing balance	**0**	**7**
Total reserves		
Opening balance	493	386
Change in reserves for the year:		
Translation reserve	-273	108
Fair value reserve	-472	90
Hedging reserve	-7	-91
Closing balance	**-259**	**493**

Note 26 continued

Share capital
As at 31 December 2020, the registered share capital comprised 700,000 (700,000) ordinary shares. The share capital consists of only one type of share and all shares have equal rights. The shares are 100 percent owned by the Swedish state.
The shareholder is entitled to a dividend in accordance with the Group's dividend policy. Each share entitles the holder to one vote at the AGM. The quota value is SEK 1,000 per share.

Translation reserve
The translation reserve covers all exchange rate differences that arise in translating the financial statements of foreign entities whose financial statements were prepared in currencies other than the Group's reporting currency. The Parent Company and Group present their financial statements in SEK.
Also included in the translation reserve are exchange rate differences that arise when translating monetary non-current receivables and liabilities of foreign operations for which settlement is not planned. These form part of the company's net investment in the foreign operation.

Fair value reserve
The fair value reserve includes the accumulated net change in the fair value of equity instruments measured at fair value through other comprehensive income until such time as the assets are derecognised from the statement of financial position.

Hedging reserve
The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred.

Hedging cost reserve
The hedging cost reserve reflects gains or losses attributable to the forward element of forward contracts. It is recognised initially in other comprehensive income and is reported in the same way as gains or losses in the hedging reserve.

Dividend
The Board proposes to the AGM that a dividend is paid to the owner as shown below. The AGM will be held on 22 April 2021.

MSEK	2020	2019
Ordinary dividend, SEK 8,357 per share	5,850	6,104
	5,850	**6,104**

The dividend proposed by the Board is in line with the decisions made at the AGM for the past two years.

PARENT COMPANY

Restricted equity
Statutory reserve
The purpose of the statutory reserve is to save a portion of net profit that is not used to cover losses brought forward.

Non-restricted equity
Profit/loss brought forward
Profit/loss brought forward comprises retained earnings and profit/loss after deducting any dividend paid during the year.

NOTE 27 INTEREST-BEARING LIABILITIES

Group MSEK	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Issued corporate bonds	1,991	2,991
Other bond financing	250	250
Bank loans	12	10
Lease liabilities	291	349
Total	**2,544**	**3,600**
Current liabilities		
Issued corporate bonds	1,000	–
Issued commercial papers	–	350
Liability, repurchase agreements	–	173
Current portion of lease liabilities	64	72
Total	**1,064**	**595**

Terms and payback periods

MSEK			31 Dec 2020		31 Dec 2019	
	Maturity	Interest rate %	Nom. value	Recog. value	Nom. value	Recog. value
Bonds – fixed interest	2021	1.6000	1,000	999	1,000	999
Bonds – fixed interest	2022	1.4525	250	250	250	250
Bonds – fixed interest	2025	0.875	1,450	1,442	1,450	1,442
Bonds – variable interest	2025	3m STIBOR +0.65	550	550	550	550
Commercial papers	2020	-0.27	–	–	350	350
Liability, repurchase agreements	2020		–	–	173	173
Bank loans	2022	3m STIBOR +0.91	12	12	10	10
Lease liabilities			355	355	421	421
Total interest-bearing liabilities			**3,617**	**3,608**	**4,204**	**4,195**

For more information about the company's exposure to interest rate risk see Note 34. The note also contains information on the maturity profile of lease liabilities.

NOTE 28 NON-CURRENT LIABILITIES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Non-current liabilities		
Issued corporate bonds	1,991	2,991
Other bond financing	250	250
Bank loans	10	10
Total	**2,251**	**3,251**
Current liabilities		
Issued corporate bonds	1,000	–
Issued commercial papers	–	350
Liability, repurchase agreements	–	173
Total	**1,000**	**523**

Issued corporate bonds of MSEK 0 (1,992) mature more than five years after the closing date.

NOTE 29 PENSIONS

Defined-benefit pension plans

Group MSEK	31 Dec 2020	31 Dec 2019
Present value of unfunded obligations	714	764
Present value of wholly or partially funded obligations	3,605	3,653
Present value of obligations	**4,319**	**4,417**
Fair value of plan assets	-2,926	-2,942
Net amount in statement of financial position	**1,393**	**1,475**
The net amount is recognised in the following items in the statement of financial position:		
Financial investments	-348	-355
Provisions for pensions, non-current liabilities	1,741	1,830
Net amount in statement of financial position	**1,393**	**1,475**

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 percentage of salary. Pension provisions in Sweden are secured by the company via accrued provisions, of which most are secured through credit insurance from FPG (Försäkringsbolaget PRI Pensionsgaranti). In 2013 an internal company pension fund was started for vested defined-benefit pension plans. Promises of future retirement before the age of 65 are to a certain degree contingent upon working underground and are secured by internal accrued provisions without credit insurance.

Commitments for retirement pensions and survivor benefits for salaried employees in Sweden are secured through insurance policies from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a defined-benefit plan that involves several employers. The company has not had access to such information as is necessary for recognising this commitment as a defined-benefit plan. The ITP2 pension plan insured via Alecta is therefore recognised as a defined-contribution plan. The premium for the defined-benefit retirement and survivors' pension is individually calculated and depends on factors such as salary, previously earned pension and expected remaining years of service. Alecta's surplus can be distributed to the policyholders and/or the insured parties. At the end of 2020 Alecta's surplus in the form of its collective funding ratio was 148 (148) percent, which is within the normal range of 125–155 percent stated in Alecta's consolidation policy for these insurance policies.

The premium to Alecta is determined by assumptions about interest rates, longevity, operating expenses and yield tax, and is calculated so that constant payment of premiums until the retirement date is sufficient for the entire target benefit, which is based on the insured's current pensionable salary, once it is earned.

There is no set of fixed rules for how deficits that may arise should be handled, but losses should primarily be covered by Alecta's collective solvency capital and thus will not lead to increased expenses through higher contractual premiums. There are also no rules for how any surplus or deficit should be distributed when plans are terminated or a company withdraws from the plan.

In Norway, the UK and Germany, LKAB has defined-benefit pension plans as a complement to local social insurance. In the UK pensions are secured via a company-managed pension fund and in Germany via internal accrued provisions combined with credit insurance. In Norway pensions are secured via a combination of a company-managed pension fund, internal accrued provisions and credit insurance.

Changes in the present value of obligations for defined benefit plans

Group MSEK	31 Dec 2020	31 Dec 2019
Obligation for defined-benefit plans as at 1 January	4,417	4,032
Benefits paid	-209	-212
Cost of service, current period	92	80
Past service cost	–	-4
Interest expense	73	93
Remeasurements:		
- Actuarial gains and losses on changed demographic assumptions	-32	–
- Actuarial gains and losses on changed financial assumptions	104	313
- Actuarial gains and losses on experience-based adjustments	74	53
Other changes	-23	44
Exchange rate differences	-177	18
Obligation for defined-benefit plans as at 31 December	**4,319**	**4,417**

The present value of the obligations for the Swedish, Norwegian and UK companies, which makes up 98 percent, breaks down as follows:

Group	Sweden		Norway		UK	
%	2020	2019	2020	2019	2020	2019
Active members	54	50	32	29	23	23
Paid-up policy holders	13	14	17	18	27	29
Retirees	33	36	51	53	50	48

Changes in fair value of plan assets

Group MSEK	31 Dec 2020	31 Dec 2019
Fair value of plan assets at 1 January	2,942	2,713
Contributions	36	33
Benefits paid	-65	-62
Return	50	66
Other changes	-20	–
Actuarial gain (+)/loss (-)	125	182
Exchange rate differences	-142	10
Fair value of plan assets at 31 December	**2,926**	**2,942**

Plan assets consist of the following:

Group MSEK	31 Dec 2020	31 Dec 2019
Shares	795	894
Interest-bearing assets including bonds	1,475	1,236
Alternative investments	656	812
Total	**2,926**	**2,942**

Cost recognised in profit or loss for the year:

Group MSEK	2020	2019
Current service cost	92	80
Past service cost	0	-4
Interest expense on obligation	73	93
Return on plan assets	-50	-66
Total net cost in profit or loss for the year	**115**	**103**

Note 29 continued

The cost is recognised on the following lines in profit or loss for the year:

Group MSEK	2020	2019
Cost of goods sold	92	76
Financial income	73	-66
Financial expense	-50	93
Total	**115**	**103**

Cost recognised in other comprehensive income:

Group MSEK	2020	2019
Remeasurements:		
Actuarial gains (-) and losses (+)	146	366
Difference between actual return and return according to discount rate on plan assets	-125	-182
Net recognised in other comprehensive income	**21**	**184**

Assumptions for defined-benefit obligations The most significant actuarial assumptions at the end of the reporting period assessed for each country but expressed as weighted averages are given below.

Group %	2020	2019
Discount rate as at 31 December	1.2	1.6
Return on plan assets as at 31 December	1.2	1.6
Future salary increase	2.1	2.3
Employee turnover	3.5	3.5
Future pension increase	2.1	2.4

Assumptions concerning future mortality are based on the standard DUS 14. The average life expectancy of an individual retiring at age 65 is 22 years for men and 24 years for women.

The actual return on plan assets for 2020 was 5.3 (8.4) percent.

Sensitivity analysis
The following table presents possible changes in actuarial assumptions at year-end, other assumptions being unchanged, and how these would affect the defined-benefit obligation. The calculation of the change in pension commitments includes the Swedish, Norwegian and UK commitments, which represent around 98 percent of Group commitments.

Group MSEK	Increase in assumption	Decrease in assumption
+ (decrease)/- (increase) in debt		
Discount rate (0.5% change)	270	-314
Expected mortality (1-year change)	-132	130
Future salary increase (0.5% change)	-133	116
Future pension increase (0.5% change)	-205	193

At 31 December 2020 the weighted average duration of the obligation was 16 (16) years.

Historical information

Group MSEK	2020	2019	2018	2017	2016
Present value of defined-benefit obligations	4,319	4,417	4,032	3,957	4,126
Fair value of plan assets	-2,926	-2,942	-2,713	-2,618	-2,557
Net obligations	1,393	1,475	1,319	1,339	1,569

The Group estimates that MSEK 44 will be paid in 2020 to funded and unfunded defined-benefit plans and MSEK 42 is expected to be paid in 2020 to the defined-benefit plans that are recognised as defined-contribution plans.

Net liability recognised in balance sheet

Parent Company MSEK	31 Dec 2020	31 Dec 2019
+ Present value of obligation (calculated according to Swedish principles) for wholly or partially funded pension plans	1,082	1,088
- Fair value at end of period for specifically separated assets (in pension funds and the like)	-1,379	-1,304
= Surplus in pension fund or the like (-)/net obligation (+)	**-297**	**-216**
+ Present value of obligations (calculated according to Swedish principles) for unfunded pension plans	435	457
= Net recognised for pension obligations	**435**	**457**

Changes in net liability

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Net liabilities at start of year for pension provisions	457	513
+ Cost of company-managed pension scheme excluding taxes as recognised in the income statement	92	60
- Pension payments	-113	-116
Net liabilities at year-end for pension obligations	**435**	**457**

Fair value of assets in trust by main category

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Shares	430	393
Bonds	520	409
Other interest-bearing assets	429	502
Total	**1,379**	**1,304**

Costs relating to pensions

Parent Company MSEK	2020	2019
Company-managed pension schemes		
Cost	92	60
Cost of company-managed pension schemes	**92**	**60**
Pension through insurance policy		
Insurance premiums	217	206
Subtotal	**309**	**266**
Special employer's contribution on pension costs	82	79
Cost of credit insurance, administrative expenses, other	1	1
Recognised net cost attributable to pensions	**392**	**346**

Net pension cost is recognised on the following lines of the income statement:

Parent Company MSEK	2020	2019
Cost of goods sold	392	346
Total	**392**	**346**

Assumptions for defined-benefit obligations The most significant actuarial assumptions at the end of the reporting period (expressed as weighted averages)

Parent Company %	2020	2019
Discount rate as at 31 December	3.8	3.8

Defined-contribution pension plans
In Sweden, the Group has defined-contribution pension plans for employees that are fully paid by the companies.

Outside of Sweden, there are defined-contribution plans that are financed partly by the subsidiaries and partly by employee contributions.

Payments into these plans are made regularly in accordance with the terms of each plan.

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Costs for defined-contribution pension plans	265	251	217	206

No retirement solutions were paid out through insurance plans in 2020 or 2019.

NOTE 30 PROVISIONS

Group MSEK	31 Dec 2020	31 Dec 2019
Provisions		
Urban transformation	14,272	16,873
Emission allowances for carbon dioxide	164	53
Remediation costs	1,736	1,350
Other	39	17
Total	**16,212**	**18,293**

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Provisions		
Urban transformation	14,272	16,873
Emission allowances for carbon dioxide	164	53
Remediation costs	1,116	985
Total	**15,552**	**17,911**

Group MSEK	Urban transformation	Emission allowances	Remediation costs	Other provisions	Total
Opening balance, 1 Jan 2019	17,625	54	1,346	18	19,043
Provisions for the year	474	–	2	-1	475
Reassessment of previous years' provisions	1,414	–	-5	–	1,409
Utilised provisions	-2,640	–	-32	–	2,672
Interest adjustment on liabilities for the year	–	–	39	–	39
Emissions for the year	–	53	–	–	53
Settlement of previous years' emissions	–	-54	–	–	-54
Closing balance, 31 Dec 2019	**16,873**	**53**	**1,350**	**17**	**18,293**
Less: expenditures for replacement properties	-625				-625
Closing balance, 31 Dec 2019 (net)	**16,248**	**53**	**1,350**	**17**	**17,668**
Of which to be paid out in 2020	*3,675*	*53*	*75*	–	*3,803*
Of which to be paid out 2021–2026	*10,916*	–	*273*	*16*	*11,204*
Of which to be paid out after 2026	*1,658*	–	*1,002*	*1*	*2,661*
Opening balance, 1 Jan 2020	16,873	53	1,350	17	18,293
Provisions for the year	704	–	–	38	742
Reassessment of previous years' provisions	90	–	356	-16	430
Utilised provisions	-3,395	–	-9	–	-3,404
Interest adjustment on liabilities for the year	–	–	39	–	39
Emissions for the year	–	164	–	–	164
Settlement of previous years' emissions	–	-53	–	–	-53
Closing balance, 31 Dec 2020	**14,272**	**164**	**1,736**	**39**	**16,212**
Less: expenditures for replacement properties	-1,423	–	–	–	-1,423
Closing balance, 31 Dec 2020 (net)	**12,849**	**164**	**1,736**	**39**	**14,789**
Of which to be paid out in 2021	*3,191*	*164*	*118*	*37*	
Of which to be paid out 2022–2027	*7,498*	–	*278*	*1*	
Of which to be paid out after 2027	*2,160*	–	*1,340*	*1*	

Expenditures for replacement properties refers to expenses incurred which are reported as property, plant and equipment; see Note 15. The provisions and the property, plant and equipment are offset when the replacement property is handed over. For an overall picture of items related to urban transformation refer to Note 31.

Note 30 continued

Parent Company MSEK	Urban transformation	Emission allowances	Remediation costs	Total
Opening balance, 1 Jan 2019	17,625	54	973	18,652
Provisions for the year	474	–	16	490
Reassessment of previous years' provisions	1,414	–	–	1,414
Utilised provisions	-2,640	–	-32	-2,672
Emissions for the year	–	53	–	53
Settlement of previous years' emissions	–	-54	–	-54
Closing balance, 31 Dec 2019	**16,873**	**53**	**985**	**17,911**
Less: expenditures for replacement properties	-625			-625
Closing balance, 31 Dec 2019 (net)	**16,248**	**53**	**985**	**17,286**
Of which to be paid out in 2020	*3,675*	*53*	*73*	*3,801*
Of which to be paid out 2021–2026	*10,915*	–	*273*	*11,188*
Of which to be paid out after 2026	*1,658*	–	*639*	*2,297*
Opening balance, 1 Jan 2020	16,873	53	985	17,911
Provisions for the year	704	–	111	815
Reassessment of previous years' provisions	90	–	–	90
Utilised provisions	-3,395	–	-9	-3,404
Interest adjustment on liabilities for the year	–	–	29	29
Emissions for the year	–	164	–	164
Settlement of previous years' emissions	–	-53	–	-53
Closing balance, 31 Dec 2020	**14,272**	**164**	**1,116**	**15,552**
Less: expenditures for replacement properties	-1,423	–	–	-1,423
Closing balance, 31 Dec 2020 (net)	**12,849**	**164**	**1,116**	**14,129**
Of which to be paid out in 2021	*3,191*	*164*	*118*	*3,473*
Of which to be paid out 2022–2027	*7,498*	–	*278*	*7,776*
Of which to be paid out after 2027	*2,160*	–	*720*	*2,880*

NOTE 31 URBAN TRANSFORMATION

Net cost of urban transformation

The company's net cost consists of the following components:

Group and Parent Company MSEK	2020	2019
Costs for urban transformation, current period	-230	-514
Effect of changed assumptions and assessments	-1,166	-927
Total	**-1,396**	**-1,441**

Due to the current level of interest rates, provisions for urban transformation are not discounted and hence no interest expense is recognised.

The net cost of urban transformation is recognised on the following line of the income statement:

Group and Parent Company MSEK	2020	2019
Cost of goods sold	-1,396	-1,441
Total	**-1,396**	**-1,441**

Provisions for urban transformation

Provisions are recognised on the following lines of the balance sheet:

Group and Parent Company MSEK	31 Dec 2020	31 Dec 2019
Current liabilities	3,191	3,675
Non-current liabilities	11,081	13,198
Total	**14,272**	**16,873**

LKAB's accounting policies for provisions state that a provision for urban transformation is reported where there is an agreement or a clear constructive obligation that defines a commitment relating to future impact areas.

Provisions are therefore recognised for all estimated remaining commitments in respect of the impact areas for the main haulage levels decided on. The parts of the provision that relate to commitments for areas that have not been impacted by mining to date are reported as a mine asset relating to future mining. The mine asset is expensed using a production-based method; see description in Note 1 section 18.8.

Since 2006 LKAB has paid out MSEK 14,558 relating to previous years' provisions. Pay-outs in 2020 amounted to MSEK 3,265.

The recognised provision for urban transformation does not include LKAB's own need to replace properties affected by urban transformation. New capital expenditure of MSEK 2,409 has been approved for replacement of the company's own properties and relocation of existing properties, of which MSEK 146 relates to decisions in 2020.

To finance future urban transformation pay-outs funds are allocated in accordance with the finance policy approved by the Board from time to time. The purpose of such asset management is to ensure LKAB's ability to pay and that the return on allocated funds will cover inflation over time.

Property, plant and equipment for urban transformation

The balance sheet item includes the following assets:

Group and Parent Company MSEK	31 Dec 2020	31 Dec 2019
Mine asset	6,256	6,837
Replacement properties	1,423	624
Other property acquisitions	276	296
Total	**7,954**	**7,757**

Replacement properties refers to expenditures for the construction of replacement properties for those property owners who have chosen this option. Commitments for replacement properties are recognised as a provision until handover of the replacement property. At this point, the provision is offset against expenditures for the replacement property.

NOTE 32 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
MSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Electric power	16	16	4	1
Payroll and employee benefit expenses	907	764	739	619
Accrued trade payables	349	510	225	364
Accrued expenses, iron ore derivatives	28	–	28	–
Other	158	130	120	78
Total	**1,458**	**1,420**	**1,116**	**1,062**

NOTE 33 FAIR VALUE AND CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Classification and fair value and level of measurement hierarchy
The following is a summary of the fair values of consolidated financial assets and liabilities with a breakdown by measurement category. Information is also provided about to which fair value level the respective financial assets and liabilities belong.

		Carrying amount						Fair value		
Group, 31 Dec 2020 MSEK	Note	Fair value – hedging instruments	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other liabilities	Total	Level 1	Level 2	Total
Financial assets measured at fair value										
Shares, financial assets	20	–	7	2,931	–	–	2,938	2,938	–	2,938
Shares and alternative investments, short-term holdings	20	–	7,845	–	–	–	7,845	–	7,845	7,845
Interest-bearing, short-term holdings	20	–	11,219	–	–	–	11,219	–	11,219	11,219
Interest-bearing, cash and cash equivalents	41	–	90	–	–	–	90	–	90	90
Derivatives for hedging	22	–	–	–	–	–	0	–	–	0
Other derivatives	20	87	–	–	–	–	87	8	79	87
Total		**87**	**19,161**	**2,931**	**–**	**–**	**22,179**			
Financial assets not measured at fair value										
Non-current receivables	22	–	–	–	102	–	102	–	–	–
Accounts receivable		–	–	–	3,313	–	3,313	–	–	–
Other receivables	22	–	–	–	1,033	–	1,033	–	–	–
Accrued income	25	–	–	–	23	–	23	–	–	–
Cash and bank balances (cash and cash equivalents)	41	–	–	–	3,316	–	3,316	–	–	–
Total		**–**	**–**	**–**	**7,787**	–	**7,787**			
Financial liabilities not measured at fair value										
Issued bond loans	27	–	–	–	–	2,991	2,991	–	3,036	3,036
Other bond financing	27	–	–	–	–	250	250	–	256	256
Bank loans	27	–	–	–	–	12	12	–	–	–
Trade payables		–	–	–	–	1,746	1,746	–	–	–
Other liabilities		–	–	–	–	196	196	–	–	–
Accrued expenses	32	–	–	–	–	1,430	1,430	–	–	–
Total		**–**	**–**	**–**	**–**	**6,625**	**6,625**			

Note 33 continued

Group, 31 Dec 2019 MSEK	Note	Carrying amount Fair value – hedging instruments	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Other liabilities	Total	Fair value Level 1	Level 2	Total
Financial assets measured at fair value										
Shares, financial assets	20	–	7	735	–	–	742	735	7	742
Shares and alternative investments, short-term holdings	20	26	7,129	–	–	–	7,155	–	7,155	7,155
Interest-bearing, short-term holdings	20	–	14,816	–	–	–	14,816	–	14,816	14,816
Derivatives for hedging	22	55	–	–	–	–	55	–	55	55
Other derivatives	20	149	–	–	–	–	149	21	128	149
Total		**230**	**21,952**	**735**	**–**	**–**	**22,917**			
Financial assets not measured at fair value										
Non-current receivables	22	–	–	–	102	–	102	–	–	–
Accounts receivable		–	–	–	2,348	–	2,348	–	–	–
Other receivables	22	–	–	–	1,143	–	1,143	–	–	–
Accrued income	25	–	–	–	122	–	122	–	–	–
Cash and bank balances (cash and cash equivalents)	41	–	–	–	2,312	–	2,312	–	–	–
Total		**–**	**–**	**–**	**6,027**	**–**	**6,027**			
Financial liabilities not measured at fair value										
Issued commercial papers	27	–	–	–	–	350	350	–	–	–
Liability, repurchase agreements	27	–	–	–	–	173	173	–	–	–
Issued bond loans	27	–	–	–	–	2,991	2,991	–	3,015	3,015
Other bond financing	27	–	–	–	–	250	250	–	253	253
Bank loans	27	–	–	–	–	10	10	–	–	–
Trade payables		–	–	–	–	1,582	1,582	–	–	–
Other liabilities		–	–	–	–	179	179	–	–	–
Accrued expenses	32	–	–	–	–	1,317	1,317	–	–	–
Total		**–**	**–**	**–**	**–**	**6,852**	**6,852**			

Disclosures concerning financial assets and liabilities measured at fair value are based on a fair value hierarchy with three levels. Level 1 means quoted prices in an active market, such as stock market listings. Level 2 means observable market data other than quoted prices, either direct (such as quoted prices) or indirect (derived from quoted prices). Level 3 means the fair value is determined using inputs that are not based on directly observable market data.

The measurement of fair value for current investments is based mainly on Level 2 inputs. The value of interest-bearing instruments is calculated using data from the interest-bearing securities market, obtained from Bloomberg. Shares and alternative investments are measured using inputs from the stock market or received directly from brokers.

Fair values for derivatives are calculated based on official listings from Bloomberg, with the exception of derivatives relating to the commodities portfolio which are based on quoted market prices.

For shares and non-current financial assets recognised at fair value through profit or loss the cost is considered to be an appropriate estimate of fair value.

For issued commercial papers and repurchase agreement liabilities the carrying amount is a reasonable approximation of fair value because of the short time to maturity.

The fair value of interest-bearing non-current liabilities has been calculated based on the interest rate that applied on the closing date for remaining terms.

The carrying amount of accounts receivable, other receivables, accrued income, cash and cash equivalents, trade payables, other liabilities and accrued expenses is a reasonable approximation of their fair value.

Parent Company

Measurement categories for assets and liabilities as shown below follow the above measurement categories for the Group's financial instruments.

Presented below are the assets and liabilities for which the carrying amount differs from their fair value.

Parent Company MSEK	31 Dec 2020 Carrying amount	Fair value	31 Dec 2019 Carrying amount	Fair value
Financial assets at amortised cost				
Shares, financial assets	2,869	2,938	203	742
Current investments	17,398	19,163	21,066	21,997
Derivatives	47	79	30	178
Total	**20,314**	**22,180**	**21,299**	**22,917**
Financial liabilities at amortised cost				
Issued bond loans	-2,991	-3,036	-2,991	-3,015
Other bond financing	-250	-256	-250	-253
Total	**-3,241**	**-3,292**	**-3,241**	**-3,268**

NOTE 34 FINANCIAL RISKS AND RISK MANAGEMENT

Framework for financial risk management
The Group's activities expose it to a variety of financial risks. LKAB's financial risk management is regulated by a finance policy established by the Board which provides a framework for financial activities within the LKAB Group. The LKAB Treasury Centre is the company's central treasury function, which manages the Group's overall financial risk and is also the Group treasury. Reporting takes place on an ongoing basis to the Board's Audit Committee, which is responsible for ongoing monitoring of compliance with the finance policy and with guidelines passed.

The Group's aim is that financing activities will at all times support the business plan adopted and ensure that financial risks are identified, quantified and managed.

The current finance policy was established in February 2017. The finance policy was last reviewed in August 2019.

Cash flow risk in SEK
The LKAB Group's biggest financial risk is cash flow risk in SEK, which is mainly linked to fluctuations in the global iron ore price and exchange rates between USD and SEK. Together these factors could have a major negative impact on the company's income statement, balance sheet and cash flow. Another significant cash flow risk is energy price risk.

The finance policy provides guidelines for identifying and reporting the Group's total risk exposure as regards cash flow risk. Risk reporting is based on the cash flow forecast in the current business plan.

The finance policy also sets out frameworks for hedging activities. The basic rule is that the Group does not normally hedge future forecast cash flows other than confirmed flows relating to accounts receivable and trade payables. Some exceptions may be made; for example, prices may be hedged for individual commercial flows where a binding contract provides certainty. Also laid down in the finance policy are frameworks for hedging the transaction exposure of forecast net currency flows, the price components of iron ore deliveries and the price components of energy prices. The President or Chief Financial Officer decides the hedging strategy within these frameworks. In 2020 deliveries to the spot price market were occasionally hedged in respect of iron ore prices.

When carrying out hedging, the hedging strategy and effectiveness of the strategy are to be documented and the requirements of hedge accounting must be met; see also Note 1 Significant accounting policies, section 17 Derivatives and hedge accounting. At 31 December 2020 there were no hedges meeting the requirement for hedge accounting. The only hedging that remained at 31 December 2019 related to forecast cash flows for purchases of energy.

For sensitivity analyses in respect of cash flow risks please refer to the Administration Report.

Price risk for iron ore products
Price volatility in the global iron ore market impacts LKAB's earnings and cash flows. The price of LKAB's products is affected both by the global price of iron ore and by the quality premiums added to high-quality iron ore products. The price of iron ore is established daily, while the premiums are a combined result of market price and negotiations with LKAB's customers.

As shown above, the basic rule in the Group's finance policy is that LKAB does not normally hedge forecast cash flows. In 2020 deliveries to the spot price market were occasionally hedged in respect of iron ore prices. Price hedging relating to iron ore sales is included in net sales in the total amount of MSEK -299 (0). Just as at 31 December 2019, at 31 December 2020 there was no outstanding hedging relating to price risk for iron ore sales.

Currency risk in iron ore sales
Currency risk exposure stems mainly from Group sales of iron ore where market pricing is in USD. The currency risk consists partly of the risk of fluctuations in the value of accounts receivable and partly of the currency risk in expected and contracted payment flows. These risks are known as transaction exposure.

As shown above, the basic rule in the Group's finance policy is that LKAB does not normally hedge forecast cash flows. Outstanding accounts receivable relating to iron ore sales are normally 100 percent hedged, however. At 31 December 2020 a total of 100 (100) percent of accounts receivable in USD were hedged.

The fair value of the forward contracts as at 31 December 2020 amounted to MSEK 46 (31), of which MSEK 46 (30) relates to currency hedging of accounts receivable recognised in profit for the current year. Transaction exposure in USD relating to sales of iron ore amounted to MUSD 3,494 (2,999) in 2020.

Exchange differences relating to iron ore sales are included in net sales in the total amount of MSEK -80 (16), of which MSEK 265 (-109) relates to hedges.

Energy price risk
Changes in energy prices form part of the Group's cash flow risk in SEK. The Group's energy costs correspond to 8 (10) percent of operating expenses. Financial hedging took place in 2020 to reduce this exposure.

Hedging instrument and hedged item have the same underlying risk, i.e. the total price including the area price. At 31 December 2020 there was no outstanding financial hedging relating to energy price risk.

Other currency risks
Currency risks also arise in the translation of foreign subsidiaries' assets and liabilities to the Parent Company's functional currency, known as translation exposure. LKAB does not normally hedge its translation exposure. Consolidated net foreign assets are divided into the following currencies (millions of local currency):

Currency	2020	2019
EUR	9	7
GBP	62	58
USD	7	6
DKK	224	223
NOK	1,108	1,045
CNY	27	23
HKD	48	44
TRL	24	34

Other companies in the Group may also have price or currency exposure through purchases and sales in foreign currencies. The finance policy contains rules on the subsidiaries' reporting of currency risks to the LKAB Treasury Centre, which is responsible for the Group's overall management of currency exposure.

The Group also has currency risks in respect of current investments in foreign currency. Under the finance policy, currency derivatives may be used in the management of financial asset portfolios provided the currency exposure remains within specified limits.

Exchange rate differences for other currency risks are included in operating profit at MSEK 5 (-13) and in net financial income/expense at MSEK -124 (24).

Interest rate risk and share price risk
Interest rate risk refers to the risk of how the return on interest-bearing assets or interest expense on interest-bearing liabilities is impacted by a change in the interest rate. The level of interest rate risk is affected by changes in interest rates and by the amount of interest rate-sensitive capital. LKAB is mainly exposed to interest rate risk with regard to current investments and cash and cash equivalents. Exposure to interest rate risk among liabilities relates to bonds with variable interest rates; see Note 27 Interest-bearing liabilities for the Group.

Share price risk refers to the risk of a reduction in value due to changes in prices on the stock market.

LKAB's current investments and cash and cash equivalents are allocated to four portfolios: the liquidity portfolio, the urban transformation portfolio, the pension portfolio and the commodities portfolio. The liquidity portfolio is included in current investments and cash and cash equivalents, while the other portfolios are included in current investments.

For interest-bearing current investments the finance policy governs the maximum average duration in each asset portfolio. The frameworks are set in relation to each portfolio's commitment or purpose and in relation to a range of risk measures and restrictions. At 31 December 2020 interest-bearing current investments amounted to MSEK 11,309 (14,816). The remaining term was 1,225 (1,196) days.

For shares and alternative investments the finance policy contains a number of guidelines and restrictions, including what current investments are permitted and the percentage of portfolio value.

Credit risk
Credit risk is the risk that a customer or counterparty in a financial instrument is unable to fulfil its commitments, thereby causing the Group a financial loss, and arises mainly from the Group's accounts receivable, derivatives and current investments.

Maximum credit risk exposure

MSEK	2020	2019
Derivatives	87	229
Interest-bearing instruments, short-term holding	11,219	14,816
Interest-bearing instruments, short-term holding (portion of cash and cash equivalents)	90	–
Accounts receivable and other current receivables	4,325	3,491
Accrued income	23	122
Total	**15,744**	**18,658**

No impairment of financial assets is recognised in profit or loss for the year – see comments under each section below.

Note 34 continued

Credit risks in financial activities
The financial activities of the Group entail exposure to credit risks. This is primarily counterparty risks in conjunction with receivables from banks and other counterparties involved in the purchase of financial investments. The finance policy contains special counterparty rules stating the maximum credit exposure for various counterparties and for each designated asset portfolio. The Master Netting Agreement from the International Swaps and Derivatives Association (ISDA) is used for all counterparties in derivatives transactions.

The Group has no assets that have fallen due or have been impaired that resulted in credit losses. LKAB has not experienced any credit losses in current investments over the past five years.

Credit risks in accounts receivable
Commercial credit exposure arises in the ordinary course of LKAB's business primarily in the form of customer credit. Commercial credit risks are related to the customer's or counterparty's solvency; that is, their credit standing, the amount of credit granted and the credit period.

The Group's credit risk exposure is affected mainly by each customer's individual characteristics, but factors relating to the industry and the country where the customers operate are also taken into consideration. Information on concentration of revenue is given in Note 3.

The Group's finance policy contains a regulatory framework for credit rating that defines the criteria for evaluating new and existing customers from a credit risk perspective. The framework includes approval processes, credit limits and monitoring procedures. Monitoring is carried out on a quarterly basis by the Board's Audit Committee.

Based on historical customer losses and forward-looking information, LKAB assesses that no impairment of accounts receivable is necessary as at the closing date. The majority of the Group's customers have done business with the Group for many years and none of these customers' accounts had been written down or deemed to be credit-impaired as at the closing date.

The average collection period on accounts receivable was 33 days (37) in 2020.

Offsetting and similar contracts
Counterparty risk in derivative contracts is reduced through netting agreements; that is, netting of positive and negative values in all derivative contracts with one and the same counterparty. For exchange-traded derivatives there are clearing agreements that include netting. For all other counterparties in derivative transactions the Group enters into derivatives contracts under the International Swaps and Derivatives Association (ISDA) Master Netting Agreement, supplemented by an agreement on collateral for net exposures (Credit Support Annex, CSA).

These agreements give the Group a legal right to offset recognised amounts both in the ordinary course of business and in the case of a serious credit event. The items are also settled net in operating activities. Netting is applied to payments of obligations that are due at the same time, in the same currency, with the same counterparty and for the same type of instrument. Only the excess amount per instrument and currency is paid by the party that owes the most.

The table below presents disclosures about financial instruments that are covered by a legally binding framework agreement on netting or a similar agreement, along with details of any collateral provided.

				Related amounts that are not offset		
Group 2020 MSEK	Financial assets/ liabilities, gross	Offset amounts	Net amount in statement of financial position	Financial instruments that are not offset	Collateral provided	Net amount
Financial assets						
Derivatives	79	-1	78	–	–	78
Financial liabilities						
Derivatives	-1	1	0	–	–	–
Total	**78**	**0**	**78**	–	–	**78**

				Related amounts that are not offset		
Group 2019 MSEK	Financial assets/ liabilities, gross	Offset amounts	Net amount in statement of financial position	Financial instruments that are not offset	Collateral provided	Net amount
Financial assets						
Derivatives	224	-117	107	–	56	163
Financial liabilities						
Derivatives	-117	117	0	–	–	–
Total	**107**	**0**	**107**	–	**56**	**163**

Financing risk
Financing risk is the risk that the LKAB Group cannot meet its commitments due to lack of liquidity or the inability to raise external loans for operating activities.

The Group's finance policy defines the Group's financing needs, in the form of operating capital, needs caused by fluctuations in cash flow and planned expenditure for commitments within urban transformation, pensions and remediation. The Group's cash flow forecast is updated quarterly. Long-term financing is to cover these financing needs, as a minimum.

Guidelines on debt management in the Group's policy include target durations for external financing related to the requirement regarding net debt. Consolidated borrowing as at 31 December 2020 amounted to MSEK 3,250 (3,601). The remaining term for financial liabilities is 903 (1,260) days.

Credit facilities as at 31 December 2020 are shown below. All credit facilities are subject to 100 percent retention of title.

Credit facilities MSEK	Nominal	Utilised (nominal)	Available
Commercial paper programme, maturing within one year	5,000		5,000
Bond programme	7,000		4,000
Maturing June 2021		1,000	
Maturing March 2025, green bonds		2,000	
Other bond financing, maturing 2022	250	250	
Credit facility	6,004		6,004
Total	**18,254**	**3,250**	**15,004**

Maturity profile of financial liabilities – undiscounted cash flows

	2020						2019					
Group MSEK	Total	<1 month	1–3 months	3 months–1 year	1–5 years	>5 years	Total	<1 month	1–3 months	3 months–1 year	1–5 years	>5 years
Certificates	–	–	–	–	–	–	350	100	250	–	–	–
Liability, repurchase agreements	–	–	–	–	–	–	173	173	–	–	–	–
Bond loans	3,241	–	–	1,000	2,241	–	3,241	–	–	–	1,249	1,992
Bank loans	12	–	–	12	–	–	10	–	–	–	10	–
Derivatives	–	–	–	–	–	–	–	–	–	–	–	–
Lease liabilities	413	8	13	58	188	146	492	8	14	62	218	190
Trade payables	1,242	1,223	18	1	–	–	1,201	1,185	15	1	–	–
Other liabilities and accrued expenses	981	353	135	493	–	–	997	273	65	659	–	–
Total	**5,889**	**1,584**	**166**	**1,564**	**2,429**	**146**	**6,464**	**1,739**	**344**	**722**	**1,477**	**2,182**

The Group's maturity profile for trade payables, other liabilities and accrued expenses is considered to be similar to that of the Parent Company in all material respects. The above information is taken from the Parent Company.

Note 34 continued

Maturity profile of financial assets – undiscounted cash flows

Group MSEK	2020 Total	<1 month	1–3 months	3 months –1 year	1–5 years	>5 years	2019 Total	<1 month	1–3 months	3 months –1 year	1–5 years	>5 years
Interest-bearing securities	11,309	442	89	1,526	6,255	2,996	14,816	451	861	1,012	7,832	4,660
Derivatives	87	77	10	–	–	–	230	62	19	149	–	–
Accounts receivable	3,629	2,872	757	–	–	–	2,413	1,727	686	–	–	–
Total	**15,025**	**3,391**	**856**	**1,526**	**6,255**	**2,996**	**17,459**	**2,240**	**1,566**	**1,161**	**7,832**	**4,660**

The Group's maturity profile for accounts receivable is considered to be similar to that of the Parent Company in all material respects. The information above refers to the Parent Company.

Asset management
LKAB's financial risk management is regulated by a finance policy approved by the Board. The Board's finance committee is responsible for ongoing monitoring of compliance with the finance policy and with guidelines passed.

LKAB defines its managed assets as equity in the Group excluding unrealised changes in the value of derivatives that are recognised directly in equity. Assets under management amounted to SEK 48.4 (45.5) billion at the end of the reporting period.

The Group's aim as regards economic sustainability is to be financially strong in order to be an innovative and responsible company that contributes to prosperity. The financial targets relate to capital structure, profitability and dividend.

The capital structure target is a net debt/equity ratio of 0–30 percent. The net debt/equity ratio is defined as the net of interest-bearing liabilities and provisions as well as interest-bearing assets, divided by equity. The net debt/equity ratio was -3 (-0.9) percent at the end of the reporting period. A disclosure concerning adjusted calculation of net financial indebtedness can be found in Note 42.

The profitability target for the Group is a return on equity of 12 percent over a business cycle. For 2020 the return was 20.8 (24.2) percent.

The Group's dividend policy states that the ordinary dividend to the shareholder is to be 40–60 percent of profit for the year. The proposed dividend of MSEK 5,850 represents 60 percent of the Group's profit.

NOTE 35 LEASES

Lessee
The Group's property, plant and equipment consists of both owned and leased assets.

Group MSEK	Note	2020	2019
Property, plant and equipment owned, including favourable leases from business combinations	14	30,178	30,417
Right-of-use assets	14	337	405
Total		**30,515**	**30,822**

Significant assets leased are tugboats, production premises and land, office premises and IT equipment.

Right-of-use assets

Group MSEK	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Depreciation during the year	34	4	47	85
Additions to right-of-use assets during the year	21	11	-18	14
Closing balance, 31 Dec 2020	156	8	173	337

Group MSEK	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Total
Depreciation during the year	39	2	46	87
Additions to right-of-use assets during the year	14	–	32	46
Closing balance, 31 Dec 2019	168	5	232	405

Additions to right-of-use assets include the cost of rights of use acquired during the year, additional amounts following review of the lease term and exchange rate changes.

Lease liabilities

Group SEK thousand	2020	2019
Current	64	72
Non-current	291	349
Lease liabilities included in the statement of financial position	**355**	**421**

For a maturity analysis of the lease liabilities see Note 34 Financial risks and risk management.

Amount recognised in profit or loss

Group MSEK	2020	2019
Depreciation of right-of-use assets	85	87
Interest on lease liabilities	12	20
Costs of short-term leases	29	25
Costs of low-value leases	17	10
Total	**143**	**142**

Non-cancellable lease payments

Parent Company MSEK	2020	2019
Within one year	21	35
Between one and five years	17	33
Longer than five years	11	8
Total	**49**	**76**

Operating lease payments expensed

Parent Company MSEK	2020	2019
Minimum lease payments	59	56

Note 35 continued

Amounts recognised in the statement of cash flows

Group

MSEK	2020	2019
Total cash outflow attributable to leases	143	148

The above cash outflow includes both amounts for leases recognised as lease liabilities and amounts paid for short-term and low-value leases.

Lessor
Lease income from leases where the Group is the lessor is as follows.

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Operating leases				
Lease income	260	266	46	54

Operating leases
The Group leases out properties; mainly residential properties. The leases are classified as operating leases because the leases do not transfer the significant risks and benefits associated with ownership of the underlying asset.

Presented below is a maturity analysis of lease payments showing the undiscounted lease payments that will be received after the closing date.

IFRS 16

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Within one year	118	122	21	28
Between one and two years	45	44	–	–
Between two and three years	19	32	–	–
Between three and four years	20	8	–	–
Between four and five years	12	6	–	–
Later than five years	19	11	25	26
Total undiscounted lease payments	**233**	**223**	**46**	**54**

NOTE 36 INVESTMENT COMMITMENTS

At year-end the Group had contractual commitments to acquire property, plant and equipment. The commitments are forecast at MSEK 2,189 (1,759), of which MSEK 1,810 (1,195) is expected to be settled in the following financial year. The commitments relate mainly to assured future production capacity within the Iron Ore business area and to the construction of new homes associated with the urban transformations in Kiruna and Malmberget/Gällivare. The Parent Company's commitments are forecast at MSEK 2,117 (1,726), of which MSEK 1,764 (1,176) is expected to be settled in 2020.

NOTE 37 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
MSEK	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Pledged assets				
As pledged assets for own liabilities and provisions				
Company-owned endowment insurance	104	111	104	111
Deposit of cash and cash equivalents	112	121	112	121
Collateral provided, derivatives	212	56	212	56
Pledged assets, bonds – repurchase agreements	–	173	–	173
Total	**428**	**452**	**428**	**452**
Contingent liabilities				
Guarantees, FPG/PRI	16	16	16	16
Guarantees, GP plan	4	4	4	4
Guarantee commitments, Swedish Tax Agency	63	63	63	63
Surety given for subsidiaries	–	–	111	27
Collateral, remediation	47	49	59	62
Other	–	–	–	–
Total	**130**	**132**	**255**	**172**

Company-owned endowment insurance is intended to cover pension commitments for the President, former President and members of Group management under the old defined-benefit pension scheme.

Deposits of cash and cash equivalents are intended to cover future expenditures for remediation measures and other restoration measures at mines after mining activities cease.

Guarantees for PRI Pensionstjänst and Gruvplanen pensions corresponded to 2 percent of commitments on the closing date.

NOTE 38 RELATED PARTIES

Relationships with related parties
The Group is under the controlling influence of the Swedish state. The Parent Company has a related party relationship with its subsidiaries (see Note 40 Group companies). In addition, the Parent Company has a related party relationship with the jointly controlled company HYBRIT Development AB as well as with Vattenfall AB and the Swedish Transport Administration (Trafikverket).

Summary of related party transactions

Parent Company MSEK	Year	Sales of goods/services to related parties	Interest and dividends (net)	Purchases of goods/services from related parties	Related party receivables at 31 December	Related party liabilities at 31 December
Subsidiaries	2020	720	421	3,713	3,307	409
Subsidiaries	2019	704	159	3,595	3,960	1,137
Jointly controlled entities	2020	9	–	16	9	–
Jointly controlled entities	2019	13	–	19	42	–
Other related parties	2020	–	–	526	–	32
Other related parties	2019	–	–	622	–	35

Transactions with related parties are priced on market terms.
For remuneration paid to the Board of Directors and senior executives see Note 6.

NOTE 39 GROUP COMPANIES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Accumulated acquisition value		
Opening balance	2,389	2,396
Disposal	-161	-8
Capital contributions	27	1
Closing balance	**2,255**	**2,389**
Accumulated impairment		
Opening balance	-575	-8
Impairment losses reversed	–	8
Impairment for the year	–	-575
Closing balance	**-575**	**-575**
Carrying amount	**1,680**	**1,814**

Specification of the Parent Company's and Group's holdings of shares in Group companies.
The following table does not include dormant Group companies.

Subsidiary/registration number/domicile	Number of shares	Share in % 2020	Share in % 2019	31 Dec 2020 Carrying amount	31 Dec 2019 Carrying amount
Swedish subsidiaries					
LKAB Fastigheter AB / 556009-8849 / Kiruna	5,000	100	100	94	76
LKAB Wassara AB / 556331-8566 / Stockholm	20,000	100	100	32	32
LKAB Berg & Betong AB / 556074-8237 / Kiruna	24,000	100	100	316	316
LKAB Nät AB / 556059-9796 / Kiruna	10	100	100	1	1
LKAB Minerals AB / 556223-1786 / Luleå	1,600,000	100	100	207	203
LKAB Försäkring AB / 516406-0187 / Luleå	10,000	–	100	–	161
LKAB Malmtrafik AB / 556031-4808 / Kiruna	208,000	100	100	257	252
LKAB EAF 1 AB / 559252-4879 / Kiruna	25	100	–	0	–
Foreign subsidiaries					
LKAB Norge AS / 918 400 184 / Narvik, Norway	300,000	100	100	763	763
LKAB Trading (Shanghai) Co., Ltd. / Shanghai, China		100	100	10	10
Indirect holdings via the subsidiary LKAB Minerals AB					
LKAB Minerals B.V. / 24236591 / Breda, Netherlands		100	100	–	–
LKAB Minerals Inc / 02-0551509 / Cincinnati, Ohio, USA		100	100	–	–
LKAB Minerals GmbH / HRB 16692 / Essen, Germany		100	100	–	–
LKAB Minerals Asia Pacific Ltd / 876455 / Hong Kong, China		100	100	–	–
LKAB Minerals OY / 1934671-4 / Helsinki, Finland		100	100	–	–
LKAB Minerals AS / A/S277716 / Nuuk, Greenland		100	100	–	–
LKAB Minerals Tianjin Minerals Co / 70051551-5 / Dongli District Tianjin, China		100	100	–	–
LKAB Holdings Ltd (LKAB Minerals Limited) / 04621769 / Derby, UK		100	100	–	–
LKAB Minerals Ltd (Francis Flower (Northern) Ltd) / 03799817 / Derby, UK		100	100	–	–
Gurney Slade Lime & Stone Co Ltd / 00515604 / Derby, UK		100	100	–	–
Wicken Lime and Stone Ltd / 03428877 / Derby, UK		100	100	–	–
The Fertilizer Co Ltd / 03727061 / Derby, UK		100	100	–	–
Indirect holdings via the subsidiary LKAB Berg & Betong AB					
LKAB Mekaniska AB / 556013-3059 / Kiruna		100	100	–	–
LKAB Kimit AB / 556190-6115 / Kiruna		100	100	–	–
Indirect holdings via the subsidiary LKAB Malmtrafik AB					
LKAB Malmtrafikk AS / 974 644 991 / Narvik, Norway		100	100	–	–
Total Parent Company				**1,680**	**1,814**

NOTE 40 UNTAXED RESERVES

Parent Company MSEK	31 Dec 2020	31 Dec 2019
Accumulated depreciation in excess of plan:		
Land and buildings		
Opening balance	–	–
Excess depreciation reversed	–	–
Closing balance	**–**	**–**
Plant and equipment		
Opening balance	11,902	11,142
Dissolution/depreciation in excess of plan for the year	300	760
Closing balance	**12,202**	**11,902**
Tax allocation reserve		
Provision for taxation 2015	–	650
Closing balance	**–**	**650**
Carrying amount	**12,202**	**12,552**

NOTE 41 SPECIFICATIONS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents – Group MSEK	31 Dec 2020	31 Dec 2019
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	3,316	2,312
Current investments, on a par with cash and cash equivalents[1]	90	–
In statement of financial position and statement of cash flows	**3,406**	**2,312**

Cash and cash equivalents – Parent Company MSEK	31 Dec 2020	31 Dec 2019
The following subcomponents are included in cash and cash equivalents:		
Cash and bank balances	3,083	1,803
Current investments, on a par with cash and cash equivalents[1]	–	–
In balance sheet and statement of cash flows	**3,083**	**1,803**

[1] Cash and cash equivalents include current investments (interest-bearing investments) that were classified as cash and cash equivalents based on the following:
- They have an insignificant risk of fluctuations in value
- They can be easily converted to cash
- They have a maximum maturity of three months from date of acquisition

Interest paid and dividend received

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Dividend received	–	–	302	26
Interest received	6	10	144	173
Interest paid	-52	-66	-88	-136
Total	**-46**	**-56**	**358**	**63**

Adjustments for items not included in cash flow

	Group		Parent Company	
MSEK	2020	2019	2020	2019
Depreciation	3,136	2,907	2,384	2,195
Impairment	–	1	–	–
Exchange differences	45	-110	326	-4
Write-down of shares in subsidiaries	–	–	–	575
Return on current investments	-1,048	-1,122	-214	-218
Gain on sale/retirement of property, plant and equipment	0	–	-14	1
Change in other receivables/liabilities, derivatives	90	-124	–	–
Provisions for pensions	-99	9	-29	-57
Provision for urban transformation	1,396	1,441	1,396	1,441
Other provisions	176	39	289	42
Other non-cash items	47	9	-121	30
Total	**3,743**	**3,050**	**4,017**	**4,005**

Reconciliation of liabilities from financing activities

Group MSEK	31 Dec 2019	Cash flows	Non-cash changes	31 Dec 2020
Bond loans	3,241	–	–	3,241
Commercial papers	350	-350	–	0
Liability, repurchase agreements	173	-173	–	0
Lease liabilities	421	-66	–	355
Bank loans	10	2	–	12
Liabilities from financing activities	**4,195**	**-587**	**–**	**3,608**

Parent Company MSEK	31 Dec 2019	Cash flows	Non-cash changes	31 Dec 2020
Bond loans	3,241	–	–	3,241
Commercial papers	350	-350	–	0
Liability, repurchase agreements	173	-173	–	0
Bank loans	10	–	–	10
Liabilities from financing activities	**3,774**	**-523**	**–**	**3,251**

Acquisitions of subsidiaries – Group

MSEK	2020	2019
Acquired assets and liabilities		
Intangible assets	–	39
Property, plant and equipment	–	–
Inventories	–	–
Operating receivables	–	–
Cash and cash equivalents	–	–
Total assets	**–**	**39**
Non-current interest-bearing liabilities	–	–
Deferred tax liabilities	–	–
Current operating liabilities	–	–
Total provisions and liabilities	**–**	**–**
Purchase price paid	–	39
Less: Cash and cash equivalents in acquired business	–	–
Effect on cash and cash equivalents	**–**	**39**

NOTE 42 KEY RATIOS – DISCLOSURES

Alternative key ratios
The company also presents certain non-IFRS financial performance measures and key ratios in the annual report. The management considers this supplementary information to be important if readers of the report are to obtain an understanding of the company's financial position and performance. The implementation of IFRS 16 affected the calculation of net financial indebtedness and the net debt/equity ratio for 2019, but not to any material degree.

Definitions

Return on equity	Profit after tax as a percentage of average shareholders' equity.
Operating cash flow	Cash flow from operating activities and investing activities, excluding current investments and non-operating financial assets. A reconciliation of operating cash flow is given in the financial statements on page 75.
Net financial indebtedness	Interest-bearing liabilities less interest-bearing assets.
Net debt/equity ratio	Net financial indebtedness divided by equity.

Net financial indebtedness

During the financial year LKAB made a minor adjustment to the calculation of net financial indebtedness as regards non-interest-bearing assets that previously reduced net debt. The purpose of the adjustment is to provide more relevant information about the Group's net indebtedness. Comparative figures have been restated in accordance with the change. Under the previous calculation method the net debt/equity ratio would be -9.1 (-2.5) percent.

Net financial indebtedness

MSEK	31 Dec 2020	31 Dec 2019
Loans payable	3,608	4,195
Provisions for pensions	1,741	1,830
Provisions, urban transformation	14,272	16,873
Provisions, remediation	1,736	1,351
Less:		
Cash and cash equivalents	-3,406	-2,312
Current investments	-19,073	-21,997
Financial investments	-348	-355
Net financial indebtedness	**-1,470**	**-415**

Net debt/equity ratio

MSEK	31 Dec 2020	31 Dec 2019
Net financial indebtedness	-1,470	-415
Equity	48,412	45,528
Net debt/equity ratio, %	**-3.0**	**-0.9**

Return on equity

MSEK	2,020	2019
Profit/loss after tax	9,757	10,173
Average equity	46,970	42,051
Return on equity, %	**20.8**	**24.2**

NOTE 43 EVENTS AFTER THE CLOSING DATE

There are no significant events after the end of the reporting period to report.

NOTE 44 PROPOSED APPROPRIATION OF EARNINGS

The Board and the President propose that the MSEK 35,687 in unappropriated earnings, of which MSEK 10,114 represents profit for the year, be allocated as follows:

MSEK	
Dividend, 700,000 shares at SEK 8,357 per share	5,850
Carried forward	29,837
Total	**35,687**

The Board's statement in accordance with Chapter 18 § 4 of the Swedish Companies Act to the Annual General Meeting of Luossavaara-Kiirunavaara AB regarding the dividend proposed for the 2020 financial year
The Board has proposed that a sum of MSEK 5,850 is distributed from non-restricted equity to the shareholder. Following this dividend it is proposed that MSEK 29,837 is carried forward. The proposed dividend represents 16 percent of Luossavaara-Kiirunavaara AB's non-restricted equity, which amounts in total to MSEK 35,687. In the Group as a whole retained earnings including profit for the year attributable to owners of the parent amount to MSEK 47,971 before the dividend and MSEK 42,120 after the dividend.

Operations
The company's operations are capital-intensive. Compared with other iron ore companies, which nearly all mine ore in open-pit mines, the company has a greater need for capital since underground mining requires more extensive investment. The business is highly volume-, price- and currency-dependent. LKAB has major commitments relating to urban transformation necessitated by the mining, in both its operating locations Kiruna and Malmberget. Over the past year planning of new levels in the mines and future technology has begun and this will continue for a long time to come. The company requires good financial strength over time to secure the company's commitments and strategy. In accordance with its finance policy, the company has set aside provisions to secure its liquidity needs, the urban transformation and pensions.

Financial position of the company and the Group
The financial position of the company and the Group as at 31 December 2020 is set out in the annual report for the 2020 financial year, where the accounting policies applied to assets, provisions and liabilities are also stated. The Group's equity includes accumulated unrealised losses in the amount of MSEK -259, of which MSEK -752 relates to changes in value during the year.

Consolidation requirements and liquidity
LKAB has a dividend policy stating that the dividend to the owner in the long term is to constitute 40 to 60 percent of the consolidated earnings after tax, adjusted to the average earnings level over a business cycle and taking into account investment plans, consolidation requirements and the Group's liquidity and position in general. The proposed ordinary dividend of MSEK 5,854 amounts to 60 percent of consolidated earnings after tax.

The proposed distribution of earnings does not impact the company's ability to meet existing and foreseen payment obligations on time. The company's liquidity ratio is considered to be clearly sufficient for the requirements that the liquidity forecasts imply, with good readiness to cope with variations in ongoing payment obligations.

Dividend justification
The Board has considered other known circumstances that could be of significance for the company's and the Group's financial position and that have not been taken into account within what is stated above.

In this consideration no circumstances have emerged that might make the proposed dividend appear unwarranted.

Dividend for the 2020 financial year
The Board proposes that a dividend is paid for the 2020 financial year in the amount of MSEK 5,850 in accordance with LKAB's dividend policy.

THE BOARD'S ATTESTATION

The Board of Directors and the President attest that the Annual Report was prepared in accordance with generally accepted accounting principles in Sweden and that the consolidated financial statements were prepared in accordance with international financial reporting standards as referred to in Regulation 1606/2002/EC of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements give a fair presentation of the Parent Company's and the Group's financial position and earnings. The Administration Report for the Parent Company and the Group provides a fair review of developments in the Parent Company's and the Group's operations, financial position and earnings, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Proposed appropriation of earnings

The Board and the President propose that the MSEK 35,687 in unappropriated earnings, of which MSEK 10,114 represents profit for the year, be allocated as follows:

Distributed to the company's owner	MSEK 5,850
Carried forward	MSEK 29,837
Total	MSEK 35,687

Luleå, 26 March 2021

Göran Persson
Chairman of the Board

Gunnar Axheim
Board member

Eva Hamilton
Board member

Bjarne Moltke Hansen
Board member

Lotta Mellström
Board member

Ola Salmén
Board member

Gunilla Saltin
Board member

Per-Olof Wedin
Board member

Anders Elenius
Employee representative

Björn Åström
Employee representative

Tomas Larsson
Employee representative

Jan Moström
President and CEO

As stated above, the Annual Report, consolidated financial statements and the statutory Sustainability Report were approved for publication by the Board of Directors on 26 March 2021. The consolidated income statement, consolidated statement of comprehensive income and statement of financial position and the Parent Company's income statement and balance sheet are subject to approval at the Annual General Meeting on 22 April 2021.

Our audit report was issued on 26 March 2021.

KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

AUDIT REPORT

To the general meeting of the shareholders
of Luossavaara-Kiirunavaara AB, corp. id 556001-5835

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Luossavaara-Kiirunavaara AB for the year 2020, except for the corporate governance statement on pages 57–66 and the sustainability report on pages 10–13, 18–19 and 36–54. The annual accounts and consolidated accounts of the company are included on pages 4–5, 10–13, 18–33 and 36–118 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 57–66 and sustainability report on pages 10–13, 18–19 and 36–54. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report t hat has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Provisions for urban transformation

See disclosure note 30 and 31 and accounting principles on pages 87 in the annual account and consolidated accounts for detailed information and description of the matter.

DESCRIPTION OF KEY AUDIT MATTER

The group has significant obligations due to deformations in the ground caused by the mining operations. As at December 31, 2020, the group and the parent company have recognised provisions related to the urban transformation in the amount of SEK 14,272 million.

The deformations in the ground are already or will become so extensive that it is necessary to move parts of Kiruna and Malmberget. The group has a legal obligation to compensate for damage resulting from its mining activities. The group therefore recognises significant provisions for urban transformation in Kiruna and Malmberget as the obligations arise. Provisions for these obligations are dependent on the extent of the ground deformations, estimates of damage and compensation claims from affected parties, future inflation and discount rates.

The assumptions used as the basis for the provisions are complex and difficult to estimate. Changes in these estimates and assumptions could have a significant impact on the group's and parent company's earnings and financial position.

RESPONSE IN THE AUDIT

We have inspected the group principles and guidelines for compensating affected parties and, through sampling, have tested that they are applied uniformly and consistently over time.

We have examined the group's framework for the approval and payment of compensation to affected parties. We have evaluated the adherence to the framework through sample testing.

Furthermore, we have inspected the group's procedures to identify obligations and assess the extent of the obligations including the assumptions made.

We have examined the group's accounting policies and calculations for recognition of urban transformation provisions and the disclosures that have been included in the annual accounts and the consolidated accounts.

Property, plant and equipment

See disclosure note 14 and 15 and accounting principles on pages 84 and 87 in the annual account and consolidated accounts for detailed information and description of the matter.

DESCRIPTION OF KEY AUDIT MATTER

As at December 31, 2020, the group and the parent company have recognised property, plant and equipment to the amount of SEK 38,469 million and SEK 33,295 million, respectively.

Depreciation periods for main haulage levels, facilities and equipment in mines is dependent on future ore extraction and the useful economic lives of the mines. It is essential that changes in production and in the ore base are reflected in the applied depreciation method and useful economic life.

Changes to the assumptions regarding useful economic lives could have a material impact on the group's and the parent company's earnings and financial position.

RESPONSE IN THE AUDIT

We have gaining an understanding of the planned mining and ore base and evaluated the group's principles and procedures for depreciation of mining related property, plant and equipment.

We have evaluated the group's procedures for following up property, plant and equipment under construction and have agreed expenses for investments to invoices and agreements through sample testing.

We have assessed whether the accounting treatment is in line with the applicable accounting framework.

We have evaluated the disclosures on property, plant and equipment that have been included in the annual accounts and the consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3, 6–9, 14–17, 34–35 and 122–152. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Luossavaara-Kiirunavaara AB for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 57–66 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

THE AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the sustainability report on pages 10-13, 18-19 and 36-54, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Luossavaara-Kiirunavaara AB by the general meeting of the shareholders on the 23 April 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm 26 March 2021

KPMG AB

Helena Arvidsson Älgne
Authorized Public Accountant

LKAB HAS A TRADITION OF SUSTAINABILITY extending far back. Since 1890 we have worked to take responsibility for our impact on the communities in which we operate. Over time, more perspectives have been included and impacts considered have gone from local to global. Sustainability matters are being increasingly integrated into both strategic work and day-to-day operations. LKAB's ambition is to be one of the most resource-efficient, responsible and innovative mining and minerals companies in the world.

CONTENTS

CONTACT

The contact person for LKAB's sustainability reporting is Grete Solvang Stoltz, Senior Vice President HR and Sustainability, grete.solvang.stoltz@lkab.com.

NOTES TO THE SUSTAINABILITY REPORT

LKAB's Annual and Sustainability Report is an integrated report. The sustainability notes allow us to present more detailed information about the company's work on the material sustainability topics.

IN-DEPTH **SUSTAINABILITY INFORMATION**

GENERAL DISCLOSURES

ABOUT LKAB'S REPORTING

LKAB's Annual and Sustainability Report provides an overview of the company's financial statements and administration, and describes how the company has worked on the business's most material sustainability topics over the year. Since 2008 LKAB has prepared its sustainability reports in accordance with the framework for sustainability reporting issued by the Global Reporting Initiative (GRI). For 2020 the report has been prepared in accordance with the GRI Standards: Core option and includes the Mining and Metals Sector Supplement (MM). Where the GRI framework calls for detailed descriptions of specific topics, LKAB has chosen to include supplementary information and clarifications in sustainability notes.

The Annual and Sustainability Report also constitutes LKAB's Communication on Progress (COP) for the UN Global Compact, and the sustainability reporting includes information on how LKAB is contributing to Agenda 2030 and the Sustainable Development Goals. LKAB has also begun the process of aligning its disclosures with TCFD guidelines.

Sustainability information in the Annual Report includes the pages referenced in the GRI/COP Index on pages 142–143. The statutory sustainability report prepared in accordance with Chapter 6 Section 10 of the Swedish Annual Accounts Act has been integrated into LKAB's administration report, its scope being defined in the Annual and Sustainability Report's table of contents.

LKAB's sustainability reporting is assured by an external party in accordance with the government's ownership policy for state-owned companies. The table of contents for the Annual and Sustainability Report specifies which pages are subject to external assurance. The auditing firm KPMG is regarded as independent of LKAB's Board of Directors, which issues and signs the Annual and Sustainability Report as a whole.

OVERALL SUSTAINABILITY MANAGEMENT APPROACH

LKAB's sustainability work is governed by our values "Committed – Innovative – Responsible", our strategy and our Code of Conduct. To ensure best practice, these are supplemented by stakeholder engagement, monitoring of external developments, national legislation and Sweden's environmental quality objectives, as well as international guidelines on the environment, human rights, occupational health and safety and business ethics. In addition, LKAB works actively to contribute to the UN's Sustainable Development Goals, also known as Agenda 2030. LKAB is also working to help achieve the government's climate goal of net zero greenhouse gas emissions in Sweden by 2045.

LKAB's sustainability goals are integrated into our group-wide goals and were established by the Board of Directors with the aim of ensuring that LKAB fulfils the owner's requirement that, as a state-owned company, we set an example in the area of sustainable business. The Group's goals and how these are monitored can be found on pages 10–11. Overall responsibility lies with LKAB's Board of Directors; read more in the corporate governance report on pages 57–63.

Operational responsibility for the sustainability work lies with the President, who is also Chief Executive Officer (CEO) of the LKAB Group. Alongside this, the HR and Sustainability unit is responsible for developing LKAB's position as a sustainable company and supporting the Group's sustainability work. The Senior Vice President of HR and Sustainability is a member of the Group management team.

Monitoring and evaluation

The Board has overall responsibility for ensuring that the sustainability goals are achieved. Reporting to the Board takes place quarterly and in conjunction with dialogue with the owner.

Internal reporting of the results of sustainability work takes place through the system Credit360, with the exception of HR data which is reported in a specific system. Since LKAB conducts operations requiring a permit, many key performance indicators are monitored continuously to ensure compliance with permits and conditions. Results are sent to the competent authorities for external monitoring.

Data collection and the quality of processes are evaluated by internal business auditors as well as in the external assurance of the sustainability reporting.

Certification

For compliance with Swedish legislation and to comply with LKAB's management system and other requirements, and also with a view to identifying risk factors and meeting future demands and expectations, LKAB has certification to ISO 9001 – Quality Management, ISO 14001 – Environmental Management, ISO 50001 – Energy Management and ISO 45001 – Occupational Health and Safety, as well as to SA 8000 – Social Accountability.

ISO CERTIFICATION HELD	ISO 9001	ISO 14001	ISO 50001	ISO 45001	SA 8000
LKAB	•	•	•	•	
LKAB Berg & Betong AB	•	•		•	
LKAB Mekaniska AB	•	•		•	
LKAB Kimit AB	•	•		•	
LKAB Fastigheter AB					
LKAB Nät AB					
LKAB Malmtrafik AB	•	•	•	•	
LKAB Malmtrafikk AS	•	•	•	•	
LKAB Norge AS	•	•	•	•	
LKAB Minerals AB	•	•		•	
LKAB Minerals Ltd	•	•		•	
LKAB Minerals Oy	•	•		•	
LKAB Minerals BV	•	•		•	
LKAB Minerals GmbH	•	•			
LKAB Minerals AP	•	•		•	
LKAB Minerals Tianjin					
LKAB Minerals Inc	•				
Likya Minerals	•	•		•	
LKAB Wassara[1]	•	•			
LKAB Trading					•

[1] LKAB Wassara was certified to ISO 45001 at the beginning of 2021.

STAKEHOLDER ENGAGEMENT

LKAB identifies stakeholders based on impact in the value chain. Dialogue with stakeholders, both internal and external, forms a basis for establishing the topics and areas LKAB is expected to prioritise and for which it is to report on its methods and results. LKAB maintains active and ongoing dialogues with many different stakeholders in order to encourage the cooperation needed to conduct sustainable business, which requires a long-term approach and collaboration on many different levels. LKAB places great importance on being accessible, responsive and transparent. LKAB defines stakeholders as groups of people that, directly or indirectly, may affect or be affected by the decisions made by LKAB and by LKAB's operations. Priority stakeholders are selected based on this definition and on mutual influence. LKAB's stakeholders and forms of dialogue are presented on page 127.

MEMBERSHIP OF ASSOCIATIONS

CSR Sweden
Network for driving sustainability efforts.

Euromines
The European association for the mining industry.

UN Global Compact
Sustainability initiative to promote sustainability topics.

Jernkontoret
The industry association of the Swedish steel sector, where LKAB participates actively in the environmental committee and sustainability network.

Svemin
The industry association of the mining, minerals and metals sector in Sweden. Employer issues are dealt with in the mining employers' association Gruvornas Arbetsgivareförening (GAF).

Swedish Safety Culture Network (SÄKU)
Network for safety culture.

Transparency International Sweden
Anti-corruption network.

EXTERNAL CHARTERS, PRINCIPLES AND INITIATIVES

UN Global Compact
LKAB joined the Global Compact in autumn 2019. Our membership is a further way of showing our responsibilities with regards to human rights, labour rights, the environment and anti-corruption in accordance with its Ten Principles. This is also expressed, for instance, in the Group's Code of Conduct and Supplier Code of Conduct. The Annual and Sustainability Report constitutes LKAB's Communication on Progress (COP).

UN Guiding Principles on Business and Human Rights
LKAB endeavours to comply with these principles. This is reflected in the Group's Code of Conduct, human rights policy and Supplier Code of Conduct.

Global Reporting Initiative (GRI)
Since the 2008 reporting year LKAB has applied the GRI's guidelines on sustainability reporting, in accordance with the state's ownership policy for state-owned enterprises. As of the reporting year 2018 LKAB applies the Standards version, along with the Mining and Metals Sector Supplement.

GruvRIDAS
LKAB works on dam safety in accordance with the guidelines for this area issued by Swedish industry association Svemin, GruvRIDAS, which regulate such matters as the scope and regularity of inspection and control of dams.

GRAMKO
LKAB works for consensus on environmental matters across the industry by actively participating in GRAMKO, Svemin's work environment committee.

OECD Guidelines for Multinational Enterprises
LKAB aims to comply with these international guidelines, which have been incorporated into the Group's Code of Conduct and Supplier Code of Conduct.

REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)
LKAB is covered by the EU regulation on chemical substances. The majority of the chemically modified products that LKAB produces and sells are registered, while other products are naturally occurring minerals that are exempt from registration under REACH.

UNICEF's Children's Rights and Business Principles
LKAB's commitment to these principles on children's rights is reflected in the Group's Code of Conduct and Supplier Code of Conduct.

Agenda 2030
LKAB works actively to contribute to the UN Sustainable Development Goals, also known as Agenda 2030. Information on this is included in the sustainability notes.

MATERIALITY ANALYSIS AND TOPIC BOUNDARIES

The materiality analysis from 2019 provides decision support for strategy work and setting sustainable development goals, and provides the boundaries for the content of the sustainability report.

Process for defining report content

LKAB's sustainability reporting has been prepared in accordance with GRI principles and implementation requirements in the GRI Standards: Core option. LKAB has for a long time worked to integrate sustainability topics into its strategy and business, so as to make a clear contribution to sustainable development. The strategy is detailed on pages 12–17 and the sustainability goals on pages 10–11. See also the model of the materiality analysis on page 40.

The materiality analysis identified eight material topics where LKAB has the greatest obligation and opportunity to minimise negative impact and the greatest opportunity to maximise sustainable development.

Principles of materiality analysis

Material topics are defined based on GRI principles:

- stakeholder inclusiveness
- sustainability context
- materiality
- completeness

Identification of material topics

LKAB's materiality analysis was updated through business intelligence and stakeholder engagement with internal and external participants both nationally and internationally. This method takes into consideration what all the stakeholder groups questioned, including employees, ranked as the priority sustainability topics for LKAB to work on and report on. LKAB also works continually to improve, develop and communicate how the company manages, addresses and follows up on these topics.

Business intelligence

Sustainability topics that are important for stakeholder trust and the company's ability to contribute to a sustainable society are identified through broad and continuous business intelligence. The business intelligence is based on:

- Identification of best practices for sustainable business in general, and for the industry in particular.
- Benchmarks, including topics identified as material by competitors and industry colleagues, in Sweden and globally.
- Standards based on international initiatives such as the UN Sustainable Development Goals (SDGs) and management systems.
- Areas and topics raised by the media that are related to LKAB and the mining industry.

Stakeholder engagement

LKAB maintains continuous dialogue with the Group's stakeholders to identify topics and expectations, as well as to validate the ongoing work and prioritisation. A more in-depth analysis is carried out regularly, most recently in 2019, which included in-depth interviews and four workshops.

Internal identification

LKAB uses the internal risk management process and the regular strategy work to establish, evaluate and monitor goals and corporate strategies. Deeper analysis is carried out on an ongoing basis with a large group of employees to identify areas for development.

Prioritisation of material topics

LKAB applies an external and an internal perspective when prioritising material topics, the external perspective being based on the topics that stakeholders in various dialogue forums highlight as priorities. The stakeholders' priorities then form a common basis for an internal assessment. The internal perspective is further based on the areas where we have opportunity and a responsibility to act for sustainability and to create value within the frameworks of LKAB's business model, customer promise and vision. A topic with a major impact on sustainable development may be given a lower materiality classification if LKAB's procedures and governance are adequate.

Validation of the materiality analysis

LKAB validates the prioritised topics every two to five years with internal and external stakeholders, and also checks them against any surveys conducted such as SIFO surveys and employee surveys. Stakeholders can give feedback on the sustainability reporting at any time during the year.

Boundaries

For each material topic the boundaries of LKAB's reporting are described in the sustainability notes, where it is specified whether the topic is material to the LKAB Group (internally) or for some point in the value chain (externally).

Impact on sustainability reporting

The Annual and Sustainability Report reports on those topics that have been judged to be material based on the dialogue with our stakeholders and validation by LKAB.

Responsibility for the materiality analysis

The unit for HR and Sustainability is responsible for ensuring that there is an up-to-date materiality analysis. A working group on sustainable development participates in the prioritisation of topics and in the validation of the analysis. The analysis is approved by the Senior Vice President of HR and Sustainability and is presented to Group management.

Material topics

LKAB reports on the topics identified as relevant according to the results of the materiality analysis. See the matrix on page 128 and specific disclosures on pages 132–141.

LKAB'S STAKEHOLDERS

LKAB conducts active and ongoing dialogue with many different stakeholders in order to encourage the cooperation required to conduct sustainable mining operations.[1]

FORM OF DIALOGUE WITH STAKEHOLDERS	TOPICS RAISED	HOW LKAB IMPACTS THIS GROUP
CUSTOMERS Continuous dialogue in various forums, collaborations and development projects.	• Product development for more sustainable products and solutions. • Communication to create incentives that promote active sustainability work.	Locally and globally: Sustainability is part of LKAB's brand and demands that we work proactively on social, environmental and economic sustainability both internally and externally in order to keep our customer promise. Several of our customers are active in the global market, and through development projects and long-lasting customer relationships we maximise environmental benefit by developing specific products and processes.
EMPLOYEES Informal and formal in the form of workplace meetings, performance reviews, strategy days, health and safety officer meetings, union negotiations and employee surveys.	• Attractive employer – a broad commitment to recruitment, securing skills supply, careers, further training and rehabilitation, among other things. • Helping to make the locations where we operate more attractive. • Practise what you preach – important to send the right signals.	Locally: Strategic work to achieve good working conditions, greater equality and diversity contributes to health and well-being among employees.
SUPPLIERS AND CONTRACTORS Regular meetings, dialogue, supplier days and partnerships with suppliers.	• Continued development of logistics management to shift more freight from road to rail. • Competition on equal terms. • Requirements relating to sustainability are passed on along the supply chain.	Locally: We secure jobs locally and regionally. Globally: To positively impact human rights, environmental and economic sustainability throughout the value chain LKAB sets requirements of its suppliers in accordance with the Supplier Code of Conduct.
COMMUNITIES – LOCAL RESIDENTS Cooperation agreements with municipalities affected by the operations. Individual and public meetings, information offices, consultation, publications and social media ensure opportunities for dialogue. LKAB also engages in collaborative projects and sponsorship, and is involved with various organisations.	• Including the community in processes and decisions. • More and better information and dialogue to reduce concerns. • Co-existence – helping to make the Swedish orefields more attractive. • Restoring nature, e.g. marshland, water flow etc.	Locally: LKAB's operations have varying degrees of social, environmental and economic impact on local residents, other industries in the local areas and indigenous peoples. Dialogue, e.g. with interest groups in various areas, enables us to understand our impact.
COMMUNITIES – INDIGENOUS PEOPLES Individual meetings, public meetings, consultation and information offices provide opportunities for dialogue. There are also cooperation agreements with the Sami communities affected by the operations.	• Minimising local environmental impact and dust generation. • More and better information and dialogue to reduce concerns. • Co-existence – cooperation.	Locally: LKAB's operations have varying degrees of social, environmental and economic impact on indigenous peoples. Dialogue in various areas enables us to understand our impact.
AUTHORITIES AND LEGISLATORS Public meetings and individual meetings, nationally and internationally, with relevant authorities, county administrative boards and municipalities.	• Good advance planning for all decisions and processes. • Authority and responsibility to satisfy permit requirements. • Setting an example together. • Reduced climate impact.	Locally: Authorities and legislators set requirements of the operations in order to minimise negative impact and ensure that LKAB works to maintain permits. Globally: We contribute specialist expertise – in the EU, for example – in order to have a positive impact on social, environmental and economic standards.
INTEREST GROUPS Dialogue and consultation with interest groups representing the environment and communities. Industry cooperation via membership of organisations such as Euromines and Svemin.	• Human rights, particularly the rights of children and indigenous peoples. • Circular economy, recycling and sustainable consumption. • Legislation and political governance for efficient permit processes, among other things. • Attractive workplaces to ensure skills supply. • Elevating the entire spectrum of sustainability work and creating acceptance for mining operations.	Locally and globally: Dialogue with e.g. interest groups in various areas enables us to understand impacts.
SCHOOLS, UNIVERSITIES AND COLLEGES Individual and public meetings, collaborative projects, sponsorship and involvement on boards.	• Playing a greater role in the political discussion of permit processes relating to minerals. • Attractive workplaces with equal opportunities in "heavy industry". • Digitalisation on human terms, Mining 4.0.	Locally and globally: Ongoing dialogue plus continuous and project-based collaboration with schools, universities and colleges increases knowledge and opportunities for continued operations and positive development.
OWNER LKAB's owner, the Swedish state, is represented on the Board and at the Annual General Meeting. There is continuous dialogue and reporting through Board representation, owner analysis, visits and meetings.	• A safe and healthy work environment, decent work and good working conditions. • Human rights. • Diversity and equal opportunity. • Reduced climate and environmental impact through sustainable, non-toxic use of resources. • Good business ethics and active anti-corruption work. • Contribute to achieving the global Sustainable Development Goals.	Locally and globally: The owner has high requirements that the state's portfolio of companies must set an example as regards sustainable enterprise. This results in greater focus on sustainability both in the company and further along the value chain.

[1] In 2020 LKAB continued its ongoing dialogue with stakeholders, but due to the coronavirus pandemic the number of physical meetings was limited and the majority of the dialogue was conducted digitally. Some regular scheduled forums, such as supplier days, were cancelled.

STRATEGIC PRIORITIES FOR THE SUSTAINABILITY WORK

LKAB works towards a sustainable mining industry both nationally and internationally, including setting requirements in the value chain for social, environmental and economic sustainability. Within each topic LKAB has identified a number of key issues and has linked these to sustainability goals.

MATERIAL TOPICS 2020	MATERIALITY IN THE VALUE CHAIN	MATERIAL RISK[1]	LKAB'S GOALS
ECONOMIC SUSTAINABILITY			
Financial strength	• Economic stability and resilience secure survival • Impacts owner, communities, employees and suppliers	• Structural market risk • Political risk • Environmental permits • Insufficient mineral reserves • High customer dependence • Unplanned production stoppages • Access to land • Financial risk	• Return on equity of at least 12 percent over an economic cycle • Net debt/equity ratio of 0–30 percent • Ordinary dividend of 40–60 percent of profit for the year
Ethical business partner	• High ethical standards lay the foundation for a successful business • Impacts suppliers, customers, employees and communities	• Political risk • Supplier risk • High customer dependence • Accidents and illness	
SOCIAL SUSTAINABILITY			
Safeguard and contribute to human rights	• We respect human rights • Impacts employees, suppliers, customers and communities	• Accidents and illness • Supplier risk	• Reduce accidents leading to absence from work to a frequency of 3.5 per million hours worked by 2021 • Women to make up at least 25 percent of employees in 2021 • Women to make up at least 25 percent of management in 2021 • Compliance with LKAB's Code of Conduct and effective stakeholder engagement
Responsible and attractive employer	• A safe work environment and career paths that allow development will attract and retain talent • Impacts employees and communities	• Skills shortage • Data theft, cyberthreats • Accidents and illness	
Community engagement	• Through dialogue and by taking responsibility we help create attractive communities • Impacts communities and employees	• Access to land • Dam failure	
ENVIRONMENTAL SUSTAINABILITY			
Resource-efficient products and solutions that are sustainable long-term	• High-tech resource-efficient production secures competitiveness • Impacts customers, owner, employees and communities	• Structural market risk • Unplanned production stoppages • Slow pace of development	• Reduce carbon emissions by at least 12 percent per tonne of finished product by 2021 compared with 2015 and at the same time reduce emissions of nitrogen to air (NO_X) • Reduce energy intensity (kWh per tonne of finished product) by at least 17 percent by 2021 compared with 2015 • Reduce emissions of nitrogen to water by at least 20 percent per tonne of finished product by 2021 compared with 2015 • Reduce emissions of dust to air from treatment facilities by at least 40 percent by 2021 compared with 2015, calculated as an average for all facilities
Transition for a sustainable climate	• Being part of the solution, and not just the problem, benefits everyone • Impacts communities, customers and owner	• Energy • Emissions allowances • Slow pace of development	
Responsible and innovative environmental work to help increase nature values	• We accept our responsibility to reduce our own environmental impact and that of our business partners • Impacts communities, suppliers and customers	• Environmental permits • Energy • Dam failure • Unplanned production stoppages • Slow pace of development	

[1] See pages 48–54 for more information on LKAB's risks and risk management.

LKAB'S CONTRIBUTION TO **AGENDA 2030**

LKAB supports Agenda 2030 and conducts activities that contribute to its 17 goals. Our business is more strongly linked to some of the goals than others, those that we have greatest influence on and that our strategy and our own operations are helping to achieve.

The UN Sustainable Development Goals make up the world's shared Agenda 2030. The goals are integrated with each other and balance the three dimensions of sustainable development: economic, social and environmental.

LKAB's strategy is driven by the balance between people, climate and resources. We focus our efforts on the areas where, through our operations, we have the greatest opportunity to contribute to more sustainable development.

Climate change is one of today's most pressing global problems. Iron and steel are important resources for building communities, but our industry has a significant climate impact. LKAB's efforts to reduce this impact permeate the whole of our operations.

As a supplier to global industries, but also as a business partner, purchaser, member of society and significant employer, LKAB has both an opportunity and a duty to exert its influence on all three dimensions of sustainable development – both locally and globally.

AFFORDABLE AND CLEAN ENERGY

The magnetite ore that LKAB mines has an advantage over our competitors' hematite ore. When being processed magnetite gives off heat, and energy consumption is therefore lower. LKAB has set a goal to reduce its use of fossil energy in production.

In partnership with SSAB and Vattenfall, LKAB is researching how to use renewable energy and new processes to achieve a fossil-free value chain for steelmaking. Trials are also under way involving biofuel (tall oil) in the pelletising plant in Malmberget, with good results, and the project is continuing to develop this method.

Surplus heat from pellet production is already being used for district heating in Kiruna. The city's need to use fossil fuel for heating has thus been reduced.

DECENT WORK AND ECONOMIC GROWTH

Safety work has highest priority and LKAB works to develop a culture characterised by participation, in which employees take responsibility for the safety of both themselves and others.

In addition, LKAB makes significant purchases and has more than 4,800 suppliers in 35 countries. This brings risks related to human rights, forced and indebted labour, health, safety and a good environment in which to live and work. LKAB works actively to set an example in acting ethically and with respect for human rights. Issues surrounding anti-corruption and non-discrimination have a high priority. Through LKAB's Supplier Code of Conduct we set requirements of our suppliers and monitor that they are ensuring decent working conditions and safe workplaces.

Gender Equality

To be an attractive employer, improve its recruitment base and retain skills within the company, LKAB must be a secure and inclusive workplace; see pages 36–39.

- LKAB's strategy includes goals relating both to safe and healthy workplaces and to the percentage of women employees and women managers in the operations.
- LKAB needs to recruit more women, more workers with an international background and more young people. Our trainee programme is one opportunity for doing this. We also implement targeted efforts jointly with colleges and universities.

Sustainable Cities and Communities

Efforts aimed at the local communities and at developing the region into an innovation hub for the global mining and minerals industry strengthen LKAB's competitiveness.

- "Development before phase-out" is the basic principle for the urban transformations. New homes, premises and important social functions must be completed or under construction before former settlements are phased out; see pages 28–29.
- To minimise the negative impact of the mining on the Sami communities and reindeer herding, LKAB has established various forms of cooperation with the three Sami communities directly affected by the operations.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

Mining employs many people, directly and indirectly, and is an important driver of economies and development. Through cooperation and dialogue with the stakeholders in our operating locations, as well as with regional, national and global partners, we ensure that LKAB makes the most of opportunities for improvements. The development projects we are carrying out together with customers and suppliers provide examples of this; see page 27. LKAB's focus on new business opportunities associated with increased recycling along the value chain is another; see pages 34–35.

In addition, LKAB's IORE locomotives on the Ore Railway contribute to more sustainable infrastructure through improved energy efficiency. The locomotive has inbuilt regenerative braking, where kinetic energy is converted into electricity when the trains perform engine braking. This electricity corresponds to around 25 percent of the energy used in each journey.

LIFE ON LAND

LKAB's impact takes place in natural areas that are particularly worthy of protection. Biodiversity has therefore long been a priority and LKAB has clear guidelines on how this issue is to be addressed. In recent years there have been increased efforts to create ecological added value and in the long term make a net positive contribution. See pages 44–45. Together with industry organisation Svemin, LKAB has produced a roadmap for increased biodiversity with the aim that by 2030 the mining and minerals industry will contribute to a biodiversity net gain in all locations where mining takes place. In parallel with this we are planning what form our remediation work and landscape design will take in the future.

Climate Action

LKAB will deliver the carbon-free iron that is necessary to build the cars, wind turbines and electric motors required for a global transition to a carbon-free future.

- Our ambition is to develop a process that uses hydrogen instead of coal for fossil-free steelmaking; see the strategy section on pages 12–17.
- Intensive development work is also in progress to create and build an efficient autonomous iron ore production system that is carbon-free and has the highest conceivable level of safety; see page 27.

Partnerships for the Goals

Partnerships with external expertise nationally and internationally create synergies for sustainable development while also enabling LKAB to shift its own competitiveness up a gear.

- Working in partnership with other companies on development projects is one example, as are the partnerships with Svemin on the "Road map for diversity net gain" and with TraceMet (traceability of metals and minerals).
- LKAB is part of the UN's Leadership Group for Industry Transition and is a member of the UN Global Compact, Transparency International, CSR Sweden and other organisations.

SPECIFIC DISCLOSURES – MATERIAL TOPICS

FINANCIAL STRENGTH

Materiality and impact
LKAB has a significant economic impact. By being a profitable business, we create job opportunities for employees, contractors and suppliers. Over the past decade the dividend to our owner, the Swedish state, has been significant – as have taxes paid in Sweden, Norway and other countries. Investments in research and development, infrastructure, the urban transformations, acquisitions and sponsorship are further effects of the economic value we create.

LKAB's economic stability is dependent on two things: mineral reserves and product demand. A mineral resource is an accumulation of minerals in bedrock which may be able to be commercially extracted. A mineral reserve is the part of the resource that can be profitably extracted. Good knowledge of mineral reserves is essential for significant and long-term investment decisions, the size and quality of the minerals being of crucial importance for product quality, production volumes and costs. As the mining moves down to deeper levels, further cost efficiencies need to be made in the way we mine in order to remain competitive. Efficient mining methods on an even greater scale, automation and transport using self-driving vehicles, 24-hour mine operation and production management in real time are important development areas for achieving competitive ore mining and maintaining a high ore yield.

To ensure continued product demand and a stable global customer base, our products must be of consistently high quality and be delivered on schedule. To achieve this we must work constantly to minimise disruptions in production and must conduct ongoing product and process development so that we can continue to be the most competitive supplier in the future.

During the year LKAB presented a strategy for the future involving major investments over a period of 15–20 years as we move towards our goal of zero carbon emissions from our own products and processes by 2045. During the year LKAB also issued its first green bonds, raising SEK 2 billion in total. The bonds mature in 5.25 years and the proceeds will be used by LKAB to invest in transforming itself for the carbon-free, autonomous mining of the future.

Boundary: material both internally and externally.

Governance
LKAB is governed by financial targets and by policies for dividends, currency, credit and finance, among other things. The President and CEO and the Chief Financial Officer (CFO) are responsible for financial performance as reported in the Annual and Sustainability Report and interim reports. The organisation's governance and the Board's overall responsibilities are described in the corporate governance report. In its exploration work LKAB complies with permits, national legislation and with international and Nordic guidelines. This is the responsibility of the Senior Vice Presidents of each business area, along with the Senior Vice President of Exploration, Strategy and Business Development and the Senior Vice President of Market and Technology. The President and CEO has ultimate responsibility for the Group.

ECONOMIC VALUE DISTRIBUTED	2020
Suppliers excl. sponsorship	13,887
Sponsorship activities	11
Employees	4,244
Urban transformation payments	4,191
Shareholders	6,104
Taxes	2,420
Total value distributed	**30,857**

DISTRIBUTED TO SUPPLIERS INCL. SPONSORSHIP	2020
Materials etc.	2,848
Energy	1,791
Transport	1,018
Other operating expenses	8,238
Board fees	3
Total distributed to suppliers	**13,898**

DISTRIBUTED TAXES BY COUNTRY	2020
Sweden	2,296
Norway	1
Rest of World	124
Total distributed to tax	**2,420**

ETHICAL BUSINESS PARTNER

Materiality and impact
LKAB is both a supplier and a customer within various sectors. Certain geographical areas, products and segments have greater sustainability risks, mainly in terms of corruption, environmental impact, working conditions and human rights. LKAB must set an example with regards to sustainability, which requires preventive work within anti-corruption and ethical conduct in order to lay the foundation for a successful business.

Our business must be run with great integrity and on market terms. To get there, we must take a systematic approach to developing both ourselves and our business partners. We do this to promote social factors such as health, safety and labour rights, and to prevent the risk of child labour and forced labour. We also work together to manage environmental factors such as emissions to land, water and air as well as emissions with an impact on climate.

Our aim is to work with business partners that set an example as regards sustainable enterprise, thereby also reducing business risk and contributing to cost savings.

Boundary: material both internally and externally.

Governance
LKAB's risks of corruption and improper conduct are assessed as part of the Group's overall risk management. In 2020 in-depth anti-corruption risk analysis was conducted for the whole Group. This risk analysis will form a basis for an updated anti-corruption programme.

LKAB's values "Committed – Innovative – Responsible", its Code of Conduct, Instructions regarding Entertainment, Gifts and other Benefits, and the Code to Prevent Corruption in Business govern desired behaviour within the organisation. The Code of Conduct is available in Swedish, Norwegian, English, German, Dutch, Chinese and Turkish to meet the needs of the employees. Training in the Code of Conduct is continuous and takes place through interactive training as well as discussion and review at workplace meetings. The number of employees that have completed the training is followed up on a quarterly basis. The training also forms part of the induction process for new employees. For suppliers there is a separate Supplier Code of Conduct. LKAB conducts its work on sustainable sourcing through risk-based assessment, requirements in the form of basic requirements, the Supplier Code of Conduct, dialogue, training and monitoring. All suppliers must fulfil the basic requirements in order to be included in LKAB's supplier base. Suppliers exempted from the basic requirements are those used for occasional transactions such as sponsorship, membership fees, advertising, conferences, restaurant meals, trade fairs, municipal and state levies, vehicle testing, vehicle tax, taxi journeys and subscriptions. High-risk suppliers are requested to complete a self-assessment in respect of the requirements in the Supplier Code of Conduct. These are then monitored jointly by LKAB and the supplier. Responsibility for cooperation with suppliers and subcontractors lies partly with LKAB's purchasing organisation and partly with each subsidiary. SpeakUp is a system for anonymous reporting of deviations from the Code of Conduct. Both internal and external parties can make reports to the system via LKAB's business system or via the external website lkab.com. Matters received are dealt with by LKAB's Ethics Committee, which is responsible for matters relating to ethics and anti-corruption. The Committee includes the General Counsel, the Senior Vice President of HR and Sustainability, and the Chief Financial Officer. Cases of corruption and arbitrary conduct are reported below.

Anti-corruption
Cases where an employee has used their position in the company for personal gain.
• 2020: 0 cases (2019: 0 cases)

Arbitrary conduct
Cases where there were consequences for an employee under labour law because of breach of the contract of employment.
• 2020: 0 cases (2019: 1 case)

2020	LKAB GROUP
Number of suppliers audited in respect of the following impacts:	
308-2 Environmental	17 (10 desktop audits and 7 on-site audits)
414-2 Social	17 (10 desktop audits and 7 on-site audits)
Number of suppliers identified as having significant actual and potential negative impacts:	
308-2 Environmental	2
414-2 Social	3
Significant actual and potential negative impacts identified:	
308-2 Environmental	Failures/shortcomings in the management of hazardous waste, chemicals and emissions. Environmental permits still not updated.
414-2 Social	Failures/shortcomings in employment terms and working conditions, such as working hours, salaries, contracts, employee insurance and safe workplaces. Shortcomings in requirements setting and monitoring by suppliers or failure to do so at all.
Percentage of suppliers identified as having impacts with which improvements were agreed upon as a result of assessment, as a percentage in each area:	
308-2 Environmental	100%
414-2 Social	100%
Percentage of suppliers identified as having impacts with which relationships were terminated as a result of assessment. Information for each area:	
308-2 Environmental	0%
414-2 Social	0%

SAFEGUARD AND CONTRIBUTE TO HUMAN RIGHTS

Materiality and impact

LKAB's social responsibilities extend throughout the value chain – internally, to our local communities, to suppliers and customers. In accordance with our owner's requirement that state-owned companies respect and uphold human rights, LKAB conducts risk analysis to effectively identify and manage risks associated with direct and indirect negative impact on human rights. This risk analysis results in action plans in accordance with LKAB's human rights guidelines. In 2020 LKAB published its second statement on modern slavery and human trafficking, describing the measures taken to ensure that modern slavery and human trafficking do not occur in the company's operations or value chain. As part of implementing the statement, managers and employees in key positions received training in children's rights. In addition, a checklist was produced to assist with how to prevent, discover and take corrective measures if child labour is identified in any part of our value chain. Many of the material topics include various human rights issues such as non-discrimination, equal opportunity, health and safety, labour rights and the rights of indigenous peoples. For further information see all material topics.

Boundary: material both internally and externally.

Governance

The human rights policy is communicated in the Code of Conduct and through associated training. As an employer it is important for LKAB to have a continual dialogue with trade union representatives, since these represent the employees' interests. Employees are represented on the Board by union representatives. Responsibility for cooperation with suppliers and subcontractors lies partly with LKAB's purchasing organisation and partly with the respective subsidiary. The Senior Vice President of Urban Transformation is responsible for implementing the action plan for urban transformation.

Operations that have been subject to human rights reviews or impact assessments

Group-wide training material and documentation for analysis of human rights risks continued to be implemented in 2020. The training and risk analysis are based on international guidelines and LKAB's policy on human rights, and shed light on risks internally and externally throughout the value chain. During the year LKAB also produced a checklist and instructions for systematic management of the risks identified as having a high level of severity.

Operations in or adjacent to indigenous peoples' territories, and agreements with indigenous peoples

The Sami people and Sami communities have a special position as a stakeholder group due to their status as indigenous peoples. To ensure that LKAB does not violate the human rights of indigenous peoples, the Group conducts dialogue and cooperates with the three Sami communities that have reindeer pastures neighbouring LKAB's mining operations. Cooperation agreements have been drawn up, with relevant parts based on the principle of free, prior and informed consent (FPIC) as expressed in international law on the rights of indigenous peoples. The agreements form a framework for the forums and working methods that are needed for sharing information, decision-making and ongoing consultation. They are built on mutual respect and aim to improve the basis for reaching agreement and finding solutions to different issues.

Incidents of violations involving rights of indigenous peoples

No violations of rights of indigenous peoples were reported in 2020.

RESPONSIBLE AND ATTRACTIVE EMPLOYER

Materiality and impact

To be a responsible and attractive employer LKAB must offer professional challenges, broad and clear career paths and personal development through lifelong learning. Essential to this is a good organisational and social work environment that enables people to develop and ensures that diversity, equal opportunity and non-discrimination are a given. Analysis of future requirements that the company will have is needed in order to identify key skills and ensure the right competencies for each position.

LKAB's operations involve work environment risks for employees, contractors and suppliers, and the company has a great responsibility with regards to the work environment, working conditions, and health and safety. Anyone wishing to enter LKAB's industrial areas and mines – both our own employees and external individuals – must complete interactive safety training. Plans and organisation for managing various types of crises are in place, and training activities take place regularly.

Work to prevent and eliminate occupational health and safety risks, to create safe workplaces and to manage work-related injuries and unsafe situations is based on cooperation between employer, employees, trade unions, health and safety officers, support organisations, clients and suppliers. Reducing accidents and long-term sick leave are also included in LKAB's sustainability goals.

Boundary: material internally.

Governance

This work is governed by national legislation and regulations on the work environment along with the Group's work environment policy, work environment goals, work environment management system, Code of Conduct, diversity guidelines, Supplier Code of Conduct, supplier handbook, personnel policy, personnel handbook and communication policy. Other important elements include the "Safety first!" and "the golden rules" programmes, which aim to reinforce the safety culture and reduce the number of accidents through systematic efforts relating to the work environment and health. Contractors are also included in these efforts and the statistics include contractor accidents.

Work environment and health-related matters are handled by local work environment teams and by central work environment, health and safety and rehabilitation committees. All these groups include representatives of employees and trade unions.

Discussions with employees and employee surveys are conducted at regular intervals and LKAB works on the results on a continual basis.

The President and CEO has delegated employer responsibility to department, section and production managers. The Risk Committee and the Chief Risk Officer (CRO) are responsible for structure and for exercises and drills relating to crisis situations. The Senior Vice President of HR and Sustainability is responsible for strategic personnel matters, including matters related to the supply of skilled labour and payroll, but operational responsibility is delegated down the line. LKAB's strategy and sustainability goals are also used as instruments for steering the business. The goals are followed up on a quarterly basis, with reporting to the Board of Directors. In addition, other metrics are monitored to ensure that the work is proceeding according to plan and in accordance with business objectives.

Incident management

All employees of LKAB as well as LKAB's suppliers can report incidents in the work environment such as risks, near misses, accidents and occupational illness. Such incidents are investigated and remedied with the aim of avoiding damage and ill-health among employees and suppliers. The goal in 2020 was for the Group's accident rate to be no more than five. Going forward, the goal is to achieve an accident rate of no more than 3.5 from the beginning of 2021.

Workforce

The number of permanent employees is 4,555 (4,349), of whom 24.7 (23.8) percent are women and 75.3 (76.2) percent are men. A total of 15 of the permanent employees work part-time, of whom 5 are women and 10 men. The number of fixed-term workers is 251 men and 155 women. For general information about LKAB's employees see pages 36–39.

All employees in Sweden and Norway are covered by collective bargaining agreements, with the exception of Group management. Of the total volume of hours worked by LKAB and suppliers, suppliers account for 39 percent – the majority of contracted hours relating to IT support, construction projects and maintenance of LKAB's sites.

The information is compiled from the payroll systems and HR systems in each country which therefore form the basis of the results.

NUMBER OF EMPLOYEES BY REGION[1]	2020	2019
Asia, men	10	9
Asia, women	11	12
UK, men	200	204
UK, women	58	61
Finland, men	1	1
Finland, women	3	3
Netherlands, men	14	14
Netherlands, women	7	6
Norway, men	175	156
Norway, women	29	26
Slovakia, men	1	1
Slovakia, women	0	0
Sweden, men	3,230	3,096
Sweden, women	1,152	1,032
Turkey, men	53	51
Turkey, women	1	5
Germany, men	4	5
Germany, women	5	6
Spain, men	1	1
Spain, women	0	0
Greece, men	1	1
Greece, women	0	0
USA, men	2	2
USA, women	3	3

[1] Refers to permanent and fixed-term employees as at 31 December 2020.

RESPONSIBLE AND ATTRACTIVE EMPLOYER, CONT.

Labour practices and decent work

METRICS[1]	RESULT IN 2020
Number of newly recruited permanent employees	477
Percentage of newly recruited permanent employees who are women	31%
External recruitments as a percentage of permanent employees at 31 December previous year	11%
External departures as a percentage of permanent employees at 31 December previous year	5%
Number of permanently employed women who left during the year	43
Number of permanently employed women aged <30 who left during the year in the region Sweden/Norway	9
Number of permanently employed women aged 30–50 who left during the year in the region Sweden/Norway	21
Number of permanently employed women aged >50 who left during the year in the region Sweden/Norway	13
Number of permanently employed men who left during the year	173
Number of permanently employed men aged <30 who left during the year in the region Sweden/Norway	24
Number of permanently employed men aged 30–50 who left during the year in the region Sweden/Norway	66
Number of permanently employed men aged >50 who left during the year in the region Sweden/Norway	83

[1] The breakdown by gender and age below differs somewhat from the total percentage of external departures since some subsidiaries had not reported this by the year-end.

Labour/management relations

The notice period in connection with organisational changes in the Group varies, but complies with applicable legislation, working methods and procedures. In the case of organisational changes discussions take place with the trade unions at an early stage and LKAB supports employees by producing a social action plan that is adapted to the local circumstances. The action plan may include assistance with finding other suitable work within the Group or with looking for new work and/or training. Other tools include severance pay, early retirement and financial incentives to those who find new jobs within the notice period. The support services may take the form of individual careers advice or administrative support.

31%

Of 477 new recruits in 2020, 31 percent are women

8.9%

Percentage of LKAB's workforce in the Swedish operations that were born abroad

Diversity

Diversity and equality contribute to long-term sustainability and LKAB has zero tolerance for any kind of discrimination or harassment.

LKAB has guidelines for diversity covering the years 2020–2025 which aim to create the conditions for increased diversity and to prevent and exclude discrimination. The results of the work are measured continually in employee surveys.

METRICS	2020	2019
Percentage of women in LKAB's management team	13	13
Percentage of men in LKAB's management team	87	87
Percentage of women in LKAB's Board of Directors	27	27
Percentage of men in LKAB's Board of Directors	73	73
Percentage of women in LKAB's workforce	25	24
Percentage of men in LKAB's workforce	75	76
Average age, LKAB's management team	55	55
Average age, LKAB's Board of Directors	56	58

Individuals born abroad, according to data from Statistics Sweden

AGE	2020	2019
Percentage with a foreign background, total	8.9	8.0
Percentage with a foreign background, women	9.1	8.1
Percentage with a foreign background, men	8.8	7.9
Percentage with a foreign background, <35 years old	7.5	5.8
Percentage with a foreign background, 35–54 years old	9.5	8.7
Percentage with a foreign background, >55 years old	9.8	10.5
Percentage with a foreign background, white-collar	14.4	11.8
Percentage with a foreign background, blue-collar	6.8	6.2

Deviation: Individuals born abroad stated only for the whole of the Swedish operations.

Permanent employees in Sweden[1]

AGE	2020	2019
<25	264	233
25–29	514	446
30–34	647	530
35–39	524	454
40–44	456	384
45–49	540	477
50–54	624	618
55–59	605	496
60–	240	194

[1] Broken down into average values for the year.

EQUALITY AND DIVERSITY

- Activities associated with equality and diversity are to be included in all business plans
- All workplaces are to have standards and ground rules that include equality and diversity
- Equality and diversity matters are to be discussed at workplace meetings and at CPD days for health and safety officers
- Equality and diversity are to be included in all management training and management seminars
- LKAB shall also discuss equality and diversity with suppliers and contractors

In 2020 the following were discovered:

- 6 incidents of discrimination
- Harassment: 3 incidents, all of which were dealt with
- Sexual harassment: 3 incidents, all of which were dealt with

Accidents

METRICS	RESULT 2020	COMMENTS	BOUNDARY
Number of accidents leading to absence, employees	53		Group-wide
Number of accidents leading to absence, women	12	Gender of injured is only indicated in Sweden and Norway. It is not mandatory to report this for external/hired-in staff.	Sweden/Norway
Number of accidents leading to absence, men	40	Gender of injured is only indicated in Sweden and Norway. It is not mandatory to report this for external/hired-in staff.	Sweden/Norway
Number of accidents leading to absence, Sweden/Norway	52		Sweden/Norway
Number of accidents leading to absence, other countries	1		Other countries
Number of accidents leading to absence, contractors	27		Sweden, including LKAB Minerals
Fatalities due to occupational accidents, employees	0		Group-wide
Fatalities due to occupational accidents, contractors	0		Group-wide
Accident rate, calculated as number of accidents leading to absence per million hours worked	6.3	The 2021 target is maximum 3.5 accidents per million hours worked. Result based on monthly reports. Effective from 2017 contractors' accidents are also included in monitoring.	Group-wide, including contractors
Most common type of injury		Among accidents resulting in absence, the category "Tripping or falls on the same level" was the commonest cause. The commonest injury is sprains/strains.	Group-wide
Number of working days lost due to accidents	617		Group-wide, excluding LKAB Minerals

COMMUNITY ENGAGEMENT

Materiality and impact

LKAB has a significant impact on local communities as a major employer and business as well as through various initiatives to help create attractive communities. The urban transformations also have a major impact on the local communities and LKAB's ability to cooperate with the various stakeholders in the areas concerned, such as municipalities, authorities, local businesses and the local population is key. LKAB's operations impact the surrounding area, which is why it is important that the company takes other views into consideration and maintains a respectful, open and transparent dialogue on day-to-day operations, changes over time and also when unforeseen events occur. See also the material topic "Responsible and innovative environmental work".

Dialogue with the company's stakeholders is essential and is conducted directly and indirectly, for example via consultation, information meetings, news forums, partnerships with suppliers, sponsorship, outdoor ventures and educational initiatives.

The Sami people and Sami communities have a special position as a stakeholder group due to their status as indigenous peoples. Cooperation agreements have therefore been drawn up with the Sami communities on whose land LKAB has mining operations. See also the material topic "Safeguard and contribute to human rights".

Boundary: material externally.

Governance

Work on communication and sponsorship is governed by LKAB's communication strategy as well as the Group's communication policy and guidelines. The President and CEO and the Senior Vice President of Communication and Climate have the main responsibility for LKAB's internal and external communication, but can delegate operational responsibility to designated functions and executives.

Activities involving the utilisation of land and the urban transformation are governed by laws and regulations, LKAB's guidelines on land use and a compensation model for property purchases that was published in 2015. The Senior Vice President of Urban Transformation, the Senior Vice President of HR and Sustainability, and the Senior Vice President of the Iron Ore business area have responsibility within their respective areas.

Within LKAB, community- and environment-related views and grievances are received by email or telephone. All incidents are addressed, with feedback provided on a continuous basis. Follow-up is carried out primarily by the department concerned – for example, by the environmental department or the department for urban transformation. Depending on the nature of the incidents, they are reported to the supervisory authority and followed up through formal information exchange. If a person wishes to remain anonymous there is also a whistleblower system in place for reporting serious incidents. The system is called SpeakUp and is designed in accordance with international guidelines on grievance mechanisms. The Senior Vice President for HR and Sustainability has responsibility for this.

Reports to SpeakUp can be made in several different languages, either by email or by voicemail. The reporter can remain completely anonymous and all reports are treated confidentially. Web addresses and telephone numbers for accessing SpeakUp from various countries are available on LKAB's intranet and via LKAB's external website.

RESULTS FOR LKAB IN 2020 FOR KIRUNA, MALMBERGET, SVAPPAVAARA, NARVIK

Environmental grievances filed	
Total number of complaints filed concerning environmental impact	69
Number of complaints addressed during the period	61
Number of complaints resolved during the period	61
Number of previous complaints resolved during the period	0
Grievances filed about social impacts	
Total number of claims filed during the period	8
Number of claims addressed during the period	8
Number of claims accepted during the period	0
Number of claims rejected during the period	1
Number of previous claims accepted during the period	0
Number of previous claims rejected during the period	13
Grievances filed about urban transformation	
Total number of complaints filed during the period	14
Number of complaints addressed during the period	14
Number of complaints resolved during the period	14
Grievances reported via SpeakUp	
Total number of complaints	11
Number of complaints addressed/dealt with during the period	11

RESETTLEMENT, DWELLINGS AND RESIDENTS

Number of households resettled in 2020 (total)	247 (516)

Approach (process) and measures taken to prevent negative consequences of resettlement for those affected

LKAB Fastigheter works to provide tenants with information well ahead of time and if possible starts the dialogue five years before resettlement has to take place. The resettlements are managed based on the tenants' own preferences for resettlement in newly constructed housing or within existing housing stock. LKAB's compensation rules provide for gradual rent increases over an extended period of eight years, with full rent being paid by the tenant from the ninth year. LKAB works to ensure that private property owners that are landlords and municipal housing companies accept the same responsibilities in respect of their own tenants if functional replacement has been agreed. Their tenants are also covered by LKAB's compensation for staged rent increases. In the case of other property owners – those living in co-op apartments and individual family houses – an offer is made in accordance with LKAB's compensation rules (monetary compensation or functional replacement). Under the compensation rules special resettlement work is carried out for affected businesses, with LKAB working closely with the municipal property companies. In Kiruna the aim is to use LKAB's compensation rules to make offers and match up all businesses so that they move collectively to Kiruna's new city centre and are operating there during 2022. Malmberget has far fewer businesses than Kiruna and these are being managed in accordance with the compensation rules. LKAB has now agreed compensation for relocation or closure for the majority of the property owners, according to their own preference.

Significant disputes that have arisen in the process and how these were resolved

No particularly significant disputes have been reported.
There are procedures for dealing with any disputes.

RESOURCE-EFFICIENT PRODUCTS AND SOLUTIONS THAT ARE SUSTAINABLE LONG-TERM

Materiality and impact

LKAB operates both open-pit mines and underground mines. The majority of the iron ore is mined at a depth of more than a kilometre below ground in LKAB's underground mines, which is a logistical challenge that demands well-functioning infrastructure, roads, facilities, communication links and, not least, a good work environment. LKAB's underground mines are among the most high-tech mines in the world and safe, resource-efficient production using well-developed production methods and processes is crucial for our profitability.

LKAB's development work for internal processes is carried out in a chain from laboratory scale through pilots to full-scale trials, with a focus on maximising product yield and minimising the volume of residual products and emissions both at LKAB and at our customers. Successful development involves cooperation between personnel in a number of different categories, often at both LKAB and the customer company, and LKAB's development work is based on a fundamental understanding of the function of the products in our customers' processes in order to meet new quality requirements. New products and process methods are often tested on a pilot scale in LKAB's experimental blast furnace in Luleå.

LKAB's goal is to be a strong, sustainable company that remains competitive under varying economic conditions. We will achieve this by developing our core business of high quality iron ore products through reliability and sustainable innovation, and by becoming more broadly established in the industrial minerals market – both through acquisitions and by developing new products.

Future strategic development will put a premium on safety, autonomy, productivity and expertise, as well as reduced environmental impact and the elimination of greenhouse gas emissions throughout the value chain – with projects such as HYBRIT (see page 25), SUM (see page 27) and ReeMAP (see pages 34–35) crucial to the company's success. Developing products with environmental benefits, such as reduced energy requirements in the production process, is important because it provides competitive advantages and gives customers options to help mitigate climate change.

Boundary: material both internally and externally.

Governance

Resource management at LKAB is governed at an overall level by the sustainability policy and by the Group's quality, energy and environmental management systems. LKAB's materials and energy use is generally being monitored at an increasingly detailed level. Reducing energy consumption is also a group-wide goal. The responsibility for this lies with the Senior Vice President of Market and Technology and the Senior Vice Presidents of each business area.

In purchasing, the most sustainable and energy-efficient option is to be chosen as far as possible. Through its Supplier Code of Conduct LKAB sets requirements of sustainability aspects that are monitored by supplier audits, among other things. Read more under the material topics Ethical business partner on page 133 and Suppliers and purchasing on pages 42–43.

TRANSITION FOR A SUSTAINABLE CLIMATE

Materiality and impact

LKAB's operations give rise to direct emissions of 700,000 tonnes of carbon dioxide in Sweden. That means we currently account for four percent of the industry's total carbon emissions and are fourth in the list of companies with the highest carbon emissions in Sweden. Our operations are a major contributor to the current situation of a very advanced climate impact. LKAB has therefore taken on a great challenge, seeing opportunities to transition all of its production to carbon-free production processes and products by 2045. The high level of emissions we contribute to in our customers' production processes arise when our raw material is processed into finished steel. By switching from supplying today's fines and pellets to supplying sponge iron produced using carbon-free hydrogen technology, we can help reduce direct global emissions by 35,000,000 tonnes of carbon dioxide per year. Read more about our strategy on pages 12–17.

Mining and processing iron ore is a highly energy-intensive business, and the Swedish parts of the group are one of the biggest consumers of energy in Sweden. LKAB's own direct carbon emissions are mainly caused by the fact that our current processes are to a half supplied with energy from fossil fuels such as coal, fuel oil and diesel. The fossil fuels with high-intensity properties are used mainly in the very energy-intense pelletising process in which we "bake" pellets at high temperatures. The remaining half of the energy used by LKAB comes from green electricity. This is used, for example, to drive the hoists in our underground mines that bring up ore. Smaller amounts of fuel are also used for heating buildings and for ventilation, and as fuel for vehicles.

LKAB's clear goals for zero carbon emissions and reducing our energy consumption involve phasing out fossil fuels in our own production and reusing existing energy to a greater extent. Examples of how we are doing this include electrification of our vehicles, switching from fossil fuels to biofuels, reusing existing energy in our processes and through our development projects for future mining – one of the main pillars of which is production from mine to steel that is entirely fossil-free. Read more about our sustainable development projects HYBRIT and SUM on pages 25 and 27 respectively.

In 2020 various trials were carried out at the project stage to find alternative fuels, including using tall oil in Malmberget and plasma burners in Luleå.

LKAB's mining and processing is now among the most climate-efficient in the world, and steel produced with our pellets is today 14 percent below the European average. Since 1960, through the transition from shaft furnaces to today's pelletising plants, we have reduced our carbon emissions by 84 percent. The next step in this development is to transition from producing carbon-efficient iron ore pellets to carbon-free sponge iron by using hydrogen technology.

Boundary: internally and externally.

Governance

Coal, oil and electricity are purchased from external suppliers according to established procedures. The most sustainable and energy-efficient option is to be chosen as far as possible.

LKAB has a sustainability policy and the Group's energy management system is certified to ISO 50001. Reducing carbon emissions is also a Group goal and is reported quarterly and on an annual basis. LKAB is also covered by the EU Emissions Trading System and reports to the competent authorities on an ongoing basis. Governance and reported emissions and energy use are reviewed by external parties annually. The responsibility for this lies with the Senior Vice President of Market and Technology and the Senior Vice Presidents of each business area.

RESPONSIBLE AND INNOVATIVE ENVIRONMENTAL WORK

Materiality and impact

LKAB's operations give rise to significant environmental impact. Mines, industrial areas and urban transformation utilise land and impact the look of the landscape as well as biodiversity and neighbouring industries. Moreover, pellet production requires large amounts of water and energy. The process for pellet production involves emissions to air of primarily sulphur dioxide (SO_2), nitrogen oxides (NOx) and carbon dioxide (CO_2)from the burning of fuel. This can have a regional impact on sulphur and nitrogen balances, and by extension a global impact by contributing to the greenhouse effect – thereby further impacting biodiversity, natural resources and ecosystem services, for example. Diffuse dust from industrial areas also has an impact on the local environment. There is limited local impact on ecological parameters such as fish size and plankton composition in the operations' receiving waters, primarily through increased nitrogen levels, and occasionally the receiving waters turn cloudy.

LKAB's operations are located in a part of Sweden with a high proportion of protected areas – for example, through national park status, Natura 2000 or similar. This means that our industrial areas and mining areas are often relatively close to land with a high biological status. LKAB works according to the mitigation hierarchy to avoid, minimise and restore (remediate) our impact. We also aim to compensate for our residual impact. Additionally there are remediation plans, which are governed by laws and requirements from authorities.

Boundary: material both internally and externally.

Governance

Mining and processing operations are covered by various laws and regulations that must be complied with before, during and after production, and permits are required. The requirements set out in the permits cover social impacts, environmental impacts and the work environment, and the business must comply with the terms of the permits. Permits are regularly reviewed and there are frequent legislative changes. These changes need to be monitored to ensure adjustments are made in order to fulfil new requirements. LKAB also conducts sustainability work that goes beyond the legislation, with its own environmental goals, implemented environmental management systems and development work.

To ensure permit levels are complied with, regular follow-ups are conducted using self-monitoring programmes. LKAB also conducts follow-up in connection with reporting on sustainability goals to the Board and for the sustainability report, as well as in the annual environmental reports compiled for regulatory authorities. LKAB has an incident reporting system where all environmental events are reported. The sustainability policy as well as guidelines on land use provide a basis for the management of the environmental work. The environmental management system is certified to ISO 14001, one element of which involves risk analysis that applies the precautionary principle to prevent adverse environmental consequences.

Operational responsibility for all environmental aspects has been delegated to the Senior Vice Presidents of the business areas, and from there to the organisation's departments and subsidiaries. Group functions assist with applications for environmental permits and with self-monitoring.

LKAB conducts operations at six sites close to protected areas or areas with a high biodiversity status. These are the operations in Kiruna, Svappavaara, Malmberget, Mertainen and Masugnsbyn, and one site close to Denizli in Turkey. Gruvberget and Leveäniemi have the same landfill area as Svappavaara and are therefore considered part of the same site in this context.

All the sites, apart from that near Denizli in Turkey, are covered by Swedish environmental legislation. The Nordic sites, which account for the majority of LKAB's production and transport, are covered by the Group's guidelines on land use. The guidelines state that what is known as the mitigation hierarchy is to be applied as far as possible. In addition, there are management and compensation plans for Mertainen and parts of Svappavaara.

The permit process requires remediation plans to be submitted that include a general description of how LKAB intends to restore land used for industrial and mining activities. LKAB has also produced guidelines for ecological remediation. These aim to increase the nature values of the land more quickly, as well as its values for reindeer husbandry. Going beyond the statutory measures, LKAB aims to achieve a net gain as regards nature values and biodiversity. There is no separate biodiversity management plan for the LKAB Minerals quarry in Turkey. The site is located on forest land owned by the Turkish government. To receive permits and the necessary licences to operate in this area, LKAB Minerals must compile environmental reports that include a section on flora and fauna. This states which species are in the licence area and that these species are not affected by LKAB Minerals' activities. Once mining has ended the area will be redesigned in a way that allows it to be replanted with trees, which will be done by Turkey's Ministry of Agriculture and Forestry.

Biodiversity

Significant impacts on biodiversity

No new nature areas known to have a high biodiversity status were utilised in 2020 in a way that could involve a risk of certain species being negatively impacted either locally or regionally, or in such a way as to threaten the survival of a species.

Direct and indirect emissions

Direct carbon dioxide emissions

LKAB has emissions of the greenhouse gas carbon dioxide and reports these. The calculation methods are linked to national legislation and the EU Emissions Trading System, and are based on actual materials used and energy consumption.

The emissions are caused by fuels and additives used in pellet production and transport. Transport is not included in the monitoring for EU ETS, but is included in the emissions and goals monitored and reported in the Annual and Sustainability Report. The emission factors used for each fuel and additive are regulated through permits for carbon emissions.

Indirect carbon emissions

The indirect emissions of carbon dioxide are caused by electricity and are calculated using the electricity suppliers' emission factors. In 2020 electricity purchases in Norway and Sweden consisted of origin-labelled electricity from non-fossil sources.

Nitrogen oxides (NO_X), sulphur oxides (SO_X) and other significant air emissions

Determination of emissions to air is based on samplings regulated in self-monitoring programmes and, where applicable, on calculations based on fuel consumed and emission factors, or mass balance calculations. Mass balance calculations are completed for emissions of SO2, F and HCl from the pellet process. Both mobile and stationary sources are covered by environmental conditions and are included in the reported data. Emissions to air are monitored by continual measurement as well as random sampling. Precipitated particulates are measured using the NILU (Norwegian Institute for Air Research) method at a number of measuring points in the communities. More information on data measurement points and measurement techniques is available in LKAB's annual environmental reports and in self-monitoring programmes submitted to supervisory authorities.

Significant spills

Total number and volume of significant spills

LKAB works continuously to identify and address hazardous situations or facilities where spills may occur through risk and incident reporting and risk analysis. What is stated below forms part of this management and these statistics. No spills occurred during the year which qualified for inclusion in the financial statements (defined as penalties or other losses with a significant impact on financial assets, such as a dam failure or similar). See the table below.

Other self-monitoring programmes – impact on land and water

Control and monitoring of land impact and deformation limits are regulated by conditions in the environmental permits. The measurements are mainly taken using GPS measurement rods placed around the communities in Kiruna and Malmberget. Vibrations and atmospheric shock waves are measured continuously by online monitoring equipment at the operating locations of Kiruna, Malmberget, Svappavaara and Masugnsbyn. Water quality in the receiving waters is monitored with regards to chemistry and biology. See also the section on environmental impact on pages 46–47.

Another environmental impact monitored is noise, which is measured annually at a number of measurement points at all the operating locations in accordance with the Swedish Environmental Protection Agency's guidelines for measurement of external industrial noise emissions.

Significant fines and other sanctions for non-compliance with environmental laws and regulations

In 2020 LKAB paid a penalty for not having achieved the required reduction in 2019 in respect of vehicle fuel. The amount was MSEK 8.7[1].

[1] All fuel companies and major consumers in Sweden have a statutory obligation to blend biofuel into petrol and diesel in order to reduce carbon emissions. LKAB is included in this requirement and purchased what are known as tickets to cover its 2019 consumption. However, the supplier selected did not succeed in producing sufficient quantities of HVO (biodiesel) and LKAB therefore did not reach its agreed ticket levels or, in turn, the required reduction.

CARBON EMISSIONS LKAB MINERALS, OUTSIDE SWEDEN[1]

	2020	2019
Carbon dioxide (kt)	32.4	38.3[2]

[1] District heating and diesel consumption for LKAB's subsidiaries KIMIT, Malmtrafik, Mekaniska, Minerals, Wassara and LKAB Berg och Betong are not included in the reporting. Electricity consumption in LKAB's property stock outside the production locations is also not included.

[2] Increase is due to additional production facility in 2019 (Francis Flower).

ENERGY CONSUMPTION LKAB MINERALS, OUTSIDE SWEDEN AND NORWAY[1]

	2020	2019
Energy consumption (GWh)	130	147.2[2]

[1] District heating and diesel consumption for LKAB's subsidiaries KIMIT, Malmtrafik, Mekaniska, Minerals, Wassara and LKAB Berg och Betong are not included in the reporting. Electricity consumption in LKAB's property stock outside the production locations is also not included.

[2] Increase is due to additional production facility in 2019 (Francis Flower).

EMISSIONS TO WATER[1]

	2020	2019
Nitrogen (t)	531	402
Phosphorus (kg)	470	381
Emissions of trace metals		
Chromium (kg)	2.1	1.29
Cadmium (kg)	1.0	0.6
Copper (kg)	29.9	22
Nickel (kg)	109.2	77
Lead (kg)	0.3	0.1
Zinc (kg)	83.4	42
Arsenic (kg)	16.5	12
TOTAL Trace metals (kg)	**242.3**	**154**

[1] The quantities are based on overflow water from ponds in Kiruna, Svappavaara and Malmberget. In 2017 the water balance for Kiruna was updated, resulting in a correction for overflow water and thus total emissions. Figures for 2016 and 2015 have also been corrected retrospectively.

2020	KIRUNA	MALMBERGET	SVAPPAVAARA	NARVIK	LULEÅ	SPECIAL PRODUCTS
Significant spills with financial impact	0	0	0	0	0	0
Spills reported to authority	39	23	8	2	1	0
Volume, litres	206,300	6,003	2,561	11	300	n/a
Description of spills reported to authority (mainly oil, diesel and glycol).	Remediation was carried out and no negative impact has been found.	Remediation was carried out for all spills.	Spills on land. Remediation was carried out for all.	Small or limited environmental effect based on volume, location and measures taken.	Remediation has been started and further remediation may be required in 2021.	n/a

REPORTING PRINCIPLES AND GRI/COP INDEX

LKAB publishes its sustainability report annually as part of its annual report. This sustainability report covers the 2020 financial year unless otherwise stated. The last report, prior to this one, was published in March 2020. This year's version is to be seen as an update since there were no major changes between the years. As in previous years, the report concentrates on the Nordic activities, focusing on the iron ore operations in Sweden and Norway. The Iron Ore business area makes up the bulk of activities, accounting for around 90 percent of the Group's total sales. Documentation from the Special Products business area is also included. Information concerning subsidiaries has been included in the report where deemed relevant. Which units are covered is detailed in the report alongside the data reported.

All disclosures relate to GRI Standards published in 2016.

GRI Standard	Description	Page reference	Comment	UNGC principle
GENERAL INFORMATION				
	Organisational profile			
102-1	Name of organisation	Inside cover		
102-2	Activities, brands, products and services	Inside cover, 21		
102-3	Location of headquarters	152		
102-4	Location of operations	Inside cover, 135		
102-5	Ownership and legal form	Inside cover		
102-6	Markets served	22–23		
102-7	Scale of the organisation	Inside cover, 2, 135		
102-8	Information on employees and other workers	36–39, 135–137		
102-9	Supply chain	42–43, 133		
102-10	Significant changes to the organisation and its supply chain	4		
102-11	Precautionary Principle or approach	140		
102-12	External initiatives	125		
102-13	Membership of associations	124		
	Strategy			
102-14	Statement from senior decision-maker	6–9		
	Ethics and Integrity			1, 2, 4, 5, 10
102-16	Values, principles, standards and norms of behaviour	8–9, 41, 58, 133		
	Governance			
102-18	Governance structure	57–66		
	Stakeholder engagement			
102-40	List of stakeholder groups	19, 127		
102-41	Collective bargaining agreements	135		3
102-42	Identifying and selecting stakeholders	124, 126		
102-43	Approach to stakeholder engagement	124, 126–127		
102-44	Key topics and concerns raised	127		
	Reporting practice			
102-45	Entities included in the consolidated financial statements	68–70, 88–90, 142		
102-46	Defining report content and topic Boundaries	126–127		
102-47	List of material topics	40, 127–128		
102-48	Restatements of information	142		
102-49	Changes in reporting	142		
102-50	Reporting period	142		
102-51	Date of most recent report	142		
102-52	Reporting cycle	142		
102-53	Contact point for questions regarding the report	152		
102-54	Claims of reporting in accordance with the GRI Standards	123		
102-55	GRI content index	142–143		
102-56	External assurance	123, 144		

TOPIC-SPECIFIC DISCLOSURES

GRI 200	ECONOMIC DISCLOSURES			
	Economic performance			
103-1–103-3	Explanation of the material topic and its Boundary, management approach	10, 18–19, 40, 123–132		
201-1 + MM	Direct economic value generated and distributed	132		
201-3	Defined benefit plan obligations and other retirement plans	105–106		
	Indirect economic impacts			
103-1–103-3	Explanation of the material topic and its Boundary, management approach	123–128, 132		
203-2	Significant indirect economic impacts	18–19, 28–29		
	Anti-corruption			10
103-1–103-3	Explanation of the material topic and its Boundary, management approach	40–42, 58, 123–131, 133–134		
205-3	Confirmed incidents of corruption and actions taken	133		

GRI Standard	Description	Page reference	Comment	UNGC principle
GRI 300	**ENVIRONMENTAL DISCLOSURES**			
	Materials			7, 8, 9
103-1–103-3	Explanation of the material topic and its Boundary, management approach	10–19, 33–35, 40, 123–131		
301-1	Materials used by weight or volume	47		
	Energy			7, 8, 9
103-1–103-3	Explanation of the material topic and its Boundary, management approach	10–19, 25, 40, 58, 123–131, 139		
302-1	Energy consumption within the organisation	46–47		
302-3	Energy intensity	46–47		
	Biodiversity			7, 8
103-1–103-3	Explanation of the material topic and its Boundary, management approach	25, 40, 44–45, 58, 123–131, 140		
304-2 + MM	Significant impacts of activities, products and services on biodiversity	44–45, 140		
MM2	Sites requiring biodiversity management plans	44–45, 140		
	Emissions to air			7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	10–11, 40, 46–47, 123–131, 139–141		
305-1	Direct (Scope 1) GHG emissions	46–47, 140		
305-2	Energy indirect (Scope 2) GHG emissions	46–47, 140		
305-7 + MM	NO_X, SO_X and other significant air emissions	46–47, 140		
	Effluents and waste			7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	10–11, 34–35, 40, 46–47, 123–131, 140–141		
306-3	Significant spills	47, 141		
MM3	Total amounts of overburden, rock, tailings and sludges	47, 141		
	Environmental compliance			7, 8, 9
103-1–103-3	Explanation of the material topic and its Boundary, management approach	44–45, 123–131, 139–141		
307-1	Non-compliance with environmental laws and regulations	141		
	Supplier environmental assessment			7, 8, 9
103-1–103-3	Explanation of the material topic and its Boundary, management approach	41–43, 123–131, 133–134		
308-2	Negative environmental impacts in the supply chain and actions taken	42, 133		
GRI 400	**SOCIAL DISCLOSURES**			
	Employment			1, 2, 3, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	36–38, 58, 123–131, 135–137		
401-1	Employee turnover	106, 136		
	Labour/management relations			1, 2, 3, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	36–39, 58, 123–131, 135–136		
402-1	Minimum notice periods regarding operational changes	136		
	Occupational health and safety			1, 2, 3, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	37–38, 58, 123–131, 135		
403-2 + MM	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	37, 137		
	Diversity and equality			1, 2, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	36–39, 58, 123–131, 135–137		
405-1	Diversity of governance bodies and employees	37, 64–66, 136		
	Non-discrimination			1, 2, 4, 5, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	41, 58, 123–131, 135–137		
406-1	Incidents of discrimination and corrective actions taken	137		
	Rights of indigenous peoples			1, 2
103-1–103-3	Explanation of the material topic and its Boundary, management approach	40–41, 58, 123–131, 134, 138		
411-1	Incidents of violations involving rights of indigenous peoples	134		
MM5	Operations in or adjacent to indigenous peoples' territories, and agreements with indigenous peoples	28, 134, 138		
	Human rights assessment			1, 2, 4, 5, 6
103-1–103-3	Explanation of the material topic and its Boundary, management approach	40–43, 58, 123–131, 133–134		
412-1	Operations that have been subject to human rights reviews or impact assessments	42–43, 133–134		
	Supplier social assessment			1, 2, 3, 4, 5, 6, 10
103-1–103-3	Explanation of the material topic and its Boundary, management approach	40–43, 123–131, 133–134		
414-2	Negative social impacts in the supply chain and actions taken	42–43, 133		
	Local communities			1, 2, 7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	28–29, 58, 123–131, 138		
413-2	Operations with significant actual and potential negative impacts on local communities	28–29, 138		
	Resettlement			1, 2, 7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	28–29, 58, 123–131, 138		
MM9	Households affected by resettlement, and effect on their livelihoods	28–29, 138		
	Closure plan			1, 2, 7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	44, 58, 123–131, 140–141		
MM10	Operations with closure plans	44–45, 140		
	Emergency preparedness			1, 2, 7
103-1–103-3	Explanation of the material topic and its Boundary, management approach	123–131, 135		

AUDITOR'S LIMITED ASSURANCE REPORT **ON THE SUSTAINABILITY REPORT**

To Luossavaara-Kiirunavaara AB,
corporate identity number 556001-5835

INTRODUCTION

We have been engaged by the Board of Directors of Luossavaara-Kiirunavaara AB ("LKAB") to undertake a limited assurance engagement of LKAB's Sustainability Report for the year 2020. The company has defined the scope of the Sustainability Report in conjunction with the table of contents on the inside cover.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, which are explained on pages 142–143 of the Sustainability Report and are the parts of the Sustainability Reporting Guidelines (published by the Global Reporting Initiative) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes such internal control as is relevant to the preparation of a Sustainability Report that is free from material misstatement, whether due to fraud or error.

RESPONSIBILITIES OF THE AUDITOR

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed. Our engagement is limited to the historical information reported and thus does not include forward-looking information.

We conducted our limited assurance engagement in accordance with *ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable legal and regulatory requirements.
We are independent of LKAB in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

CONCLUSION

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm, 26 March 2021

KPMG AB

Helena Arvidsson Älgne
Authorised Public Accountant

Torbjörn Westman
Expert Member of FAR

MINERAL RESOURCES AND MINERAL RESERVES

LKAB is an iron ore producer with over a 150 years of mining history at our three operating locations in northern Sweden. LKAB produces over 45 million tonnes of iron ore every year.

This year's update of the mineral resources and mineral reserves shows continued good results from the exploration efforts started 2019. LKAB is also for the first time reporting its mineral resources for phosphorus as well as its mineral resources and mineral reserves from its UK operations.

Mineral resources and mineral reserves are the basis of a mining company's operations and require successful and continuous exploration. Besides exploration, mining costs and the ore price are also important factors affecting the level of mineral resources and mineral reserves. The exploration initiatives over the past year have resulted in a considerable increase in the mineral resources at Kiruna, Svappavaara and Malmberget.

LKAB compiles its mineral resources and mineral reserves annually. LKAB's reporting method follows the reporting standard PERC 2017 (Pan-European Reserves & Resources Reporting Committee), aimed at a balanced assessment of the value of LKAB's mines and deposits. This report covers the reporting period from 1 January 2020 to 31 December 2020.

MINERAL RESOURCES AND MINERAL RESERVES IN 2020

Mineral resource and mineral reserve estimates are reported in accordance with the PERC Reporting Standard for the second year in a row. Ongoing application of the PERC 2017 Standard gave a robust and transparent approach for classifying the level of confidence in the estimates. The PERC Reporting Standard is consistent with the definitions contained in the CRIRSCO Template (Committee for Mineral Reserves International Reporting Standards).

Kiruna

Mineral reserves have increased as a result of increased mineral resources and updated extraction factors based on review of mine production performance, which together have more than offset depletion of mineral reserves from mining. Mineral resources have increased significantly from continued exploration in the north down dip extension of the deposit. Significant additions to the mineral resource have also been realized through ongoing validation of historical data and the treatment of this information in the estimates.

Malmberget

Mineral reserves decreased due to mining although depletion of mineral reserves was partly offset by new mineral resources being converted to mineral reserves. Successful exploration of down dip extensions of Fabian, Printzsköld-Alliansen, and Western Field deposits has resulted in significant additions to the mineral resources this year.

Svappavaara
Leveäniemi

Mineral reserves have decreased for the year due to mining depletion. Limited exploration drilling combined with only minor changes to the geological model have resulted in only minor changes to the mineral resource.

Gruvberget

Significant exploration drilling down dip on the south half of the deposit, combined with updates to the geological model have resulted in a significant increase in mineral resources, particularly in the inferred category.

Mertainen

No updates to the geological model were completed in 2020, although application of The PERC Reporting Standard did not result in any change in mineral resources. Development of the mineral process continued during the year.

Operations at Dimmock Cote Quarry and Bracken Quarry in the UK

For the first time, LKAB is reporting mineral resources and mineral reserves from its UK operations under the PERC Standard.

MINERAL RESERVES, UK

AS AT 31 DECEMBER 2020

Dimmocks Cote Quarry, Wicken, Cambridgeshire, UK

	Limestone			
	2020	**2019**	**2020**	**2019**
	Kt[1]	Kt[1]	Kt[2]	Kt[2]
Proved	0	0	0	0
Probable	698	0	471	0
Total	**698**	**0**	**471**	**0**

[1] Included in planning permission.
[2] Not included in planning permission.

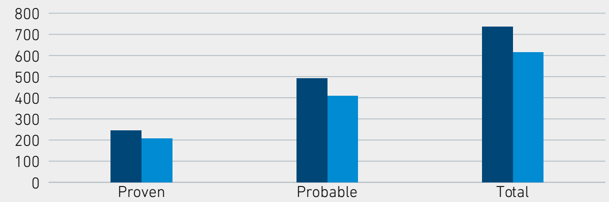
MINERAL RESERVES

AS AT 31 DECEMBER 2020 (INCLUDING SORTING PLANTS)

	Quantity, Mt		Percent, Fe	
	2020	**2019**	**2020**	**2019**
Kiruna				
Proved	246	208	42.6	42.5
Probable	491	408	40.9	41.5
Total	**737**	**616**	**41.5**	**41.8**
Malmberget magnetite				
Proved	79	94	38.2	38.1
Probable	186	187	39.5	39.5
Total	**265**	**282**	**39.1**	**39.0**
Malmberget hematite				
Proved	6	7	44.6	44.9
Probable	9	9	43.7	43.7
Total	**15**	**16**	**44.0**	**44.2**
Leveäniemi				
Proved	81	86	50.3	48.8
Probable	10	11	36.8	35.4
Total	**91**	**97**	**48.9**	**47.3**

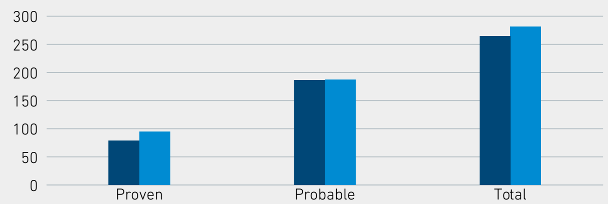
Mineral reserves, Kiruna

Quantity, Mt



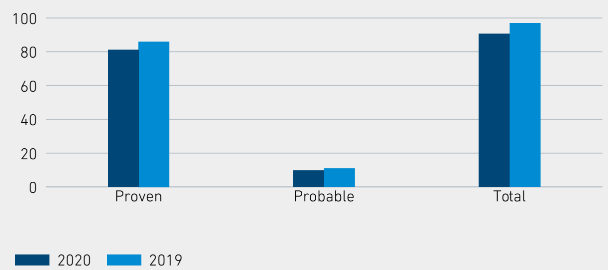
Mineral reserves, Malmberget

Quantity, Mt



Mineral reserves, Leveäniemi

Quantity, Mt



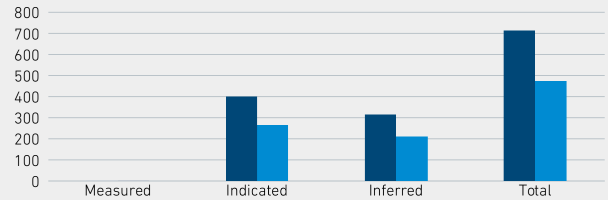
MINERAL RESOURCES (MINERAL RESERVES EXCLUDED)

AS AT 31 DECEMBER 2020 (INCLUDING SORTING PLANTS)

	Quantity, Mt		Percent, Fe	
	2020	**2019**	**2020**	**2019**
Kiruna				
Measured	0	0	0.0	0.0
Indicated	399	264	61.6	59.0
Inferred	314	210	58.3	59.8
Total	**713**	**474**	**60.1**	**59.4**
Malmberget magnetite				
Measured	40	9	56.8	57.2
Indicated	289	210	57.2	58.5
Inferred	378	278	58.7	60.4
Total	**707**	**497**	**58.0**	**59.5**
Malmberget hematite				
Measured	3	3	51.8	54.0
Indicated	44	31	53.3	53.0
Inferred	23	15	53.3	56.0
Total	**71**	**49**	**53.2**	**54.0**
Leveäniemi magnetite				
Measured	68	67	47.5	47.0
Indicated	64	70	41.6	43.0
Inferred	9	12	38.8	39.0
Total	**141**	**149**	**44.2**	**44.5**
Leveäniemi hematite				
Measured	1	1	59.5	58.0
Indicated	0	0	49.0	0.0
Inferred	0	0	0.0	0.0
Total	**1**	**1**	**59.4**	**58.0**
Gruvberget magnetite				
Measured	23	20	53.7	56.0
Indicated	24	13	50.7	55.0
Inferred	147	64	49.9	55.0
Total	**194**	**97**	**50.5**	**55.2**
Gruvberget hematite				
Measured	17	20	52.9	55.0
Indicated	17	21	50.1	55.0
Inferred	23	28	50.8	56.0
Total	**57**	**69**	**51.2**	**55.4**
Mertainen magnetite				
Measured	60	60	36.0	36.0
Indicated	97	97	38.5	38.5
Inferred	72	72	34.4	34.4
Total	**229**	**229**	**36.5**	**36.5**

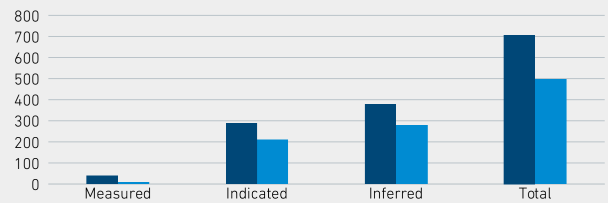
Mineral resources, Kiruna

Quantity, Mt



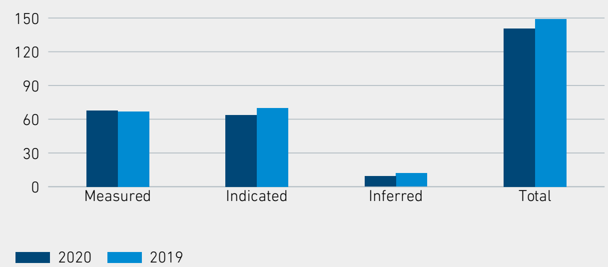
Mineral resources, Malmberget

Quantity, Mt



Mineral resources, Leveäniemi

Quantity, Mt



MINERAL RESOURCES (MINERAL RESERVES EXCLUDED), UK

AS AT 31 DECEMBER 2020

Bracken Quarry, Lund, UK

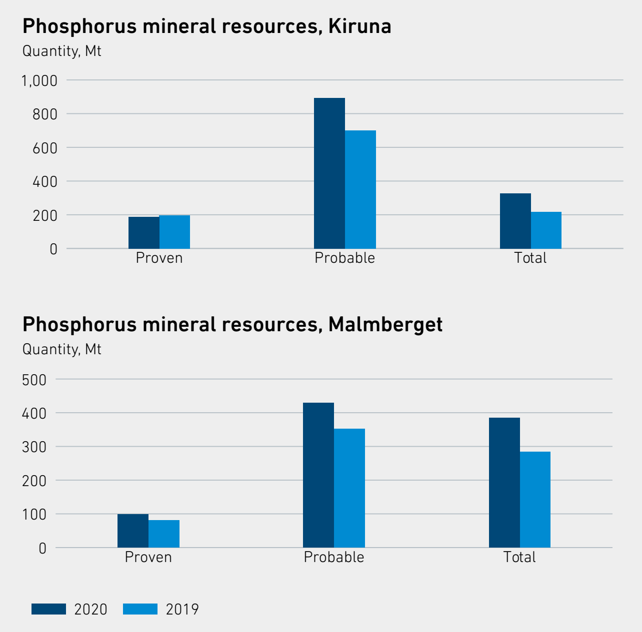
	Limestone	
	2020	**2019**
	Kt	Kt
Measured	0	0
Indicated	0	0
Inferred	789	0
Total	**789**	**0**

PHOSPHOROUS MINERAL RESOURCES

AS AT 31 DECEMBER 2020

	Quantity, Mt		Percent, P	
Kiruna	**2020**	**2019**	**2020**	**2019**
Measured	188	196	0.1	0.2
Indicated	893	701	0.3	0.3
Inferred	327	217	0.5	0.4
Total	**1,407**	**1,114**	**0.3**	**0.3**

	Quantity, Mt		Percent, P	
Malmberget	**2020**	**2019**	**2020**	**2019**
Measured	99	81	0.7	0.7
Indicated	429	352	0.7	0.7
Inferred	384	284	0.5	0.5
Total	**912**	**717**	**0.6**	**0.6**



DEFINITIONS

ABOUT THE CLASSIFICATION
Mineral resources and mineral reserves are estimated separately and are divided into different categories. LKAB's mineral resources are reported exclusive of mineral reserves. Mineral reserves are those portions of mineral resources which, after the application of the modifying factors, result in an estimated tonnage and grade or quality, that in the opinion of the Competent Person making the estimates can be the basis of a viable project. When mineral resources are converted to mineral reserves, those quantities are subtracted from mineral resources. The mineral resource statement presented here has been classified following the definitions and guidelines of The PERC Reporting Standard (2017) from which the following definitions have been taken.

INFERRED MINERAL RESOURCE
An inferred mineral resource is that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration.

INDICATED MINERAL RESOURCE
An indicated mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve.

MEASURED MINERAL RESOURCE
A measured mineral resource is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proved mineral reserve or to a probable mineral reserve.

PROBABLE MINERAL RESERVE
A probable mineral reserve is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proved mineral reserve.

PROVED MINERAL RESERVE
A proved mineral reserve is the economically mineable part of a measured mineral resource. A proved mineral reserve implies a high degree of confidence in the modifying factors.

BASIS FOR ESTIMATES

LKAB reports its mineral resources and mineral reserves in accordance with The PERC Reporting Standard (2017). The estimation of mineral resources and mineral reserves requires judgment to interpret available geological data and subsequently to select an appropriate mining method and then to establish an extraction schedule. Estimation requires assumptions about future commodity prices and demand, exchange rates, production costs, transport costs, close-down and restoration costs, recovery rates and discount rates and, in some instances, the renewal of mining licenses. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation may change significantly when new information becomes available. New geological or economic data, or unforeseen operational issues, may change estimates of mineral resources and mineral reserves. Estimates are made based on the following underlying factors:

Metal prices
Mineral resources and mineral reserves provide a basis for the company's long-term planning. Mineral resource estimates are reported above a 20% Fe cut-off, considered by the Competent Person to represent 'reasonable prospects for eventual economic extraction'. Mineral reserve estimates are reported considering a long-term price of 65 USD/ton of iron ore (62% Fe) over the coming business cycle.

Dilution
Dilution is referred to as the waste material that is being mined along with the ore during mining operations. This varies in percentage, depending on various mining and geological factors. LKAB systematically monitors the quantity of waste rock mixed with mined ore and this data is included in all estimates of mineral reserves.

Recovery
Depending on the mining method employed, orebody geometry and other technical and geological factors, some percentage of the ore cannot be recovered. The percentage of recoverable minable mineral reserves is defined as ore recovery. This factor has been taken into consideration in the estimates of mineral reserves.

Standards, codes and recommendations
LKAB's mineral resources and mineral reserves have been estimated and listed according to the reporting standard PERC 2017.

The above text was compiled by Lazaros Dalampiras MAusIMM CP(Geo), Senior Resource Geologist, LKAB. The mineral resource and mineral reserve statements in this report have been reviewed and approved by Lazaros Dalampiras LKAB, Guy Dishaw, Principal Consultant and Tim McGurk, Corporate Consultant of SRK Consulting (UK) Limited.

January 2021

Tim McGurk B.Eng, C.Eng, FIMMM
Competent Person

Lazaros Dalampiras, MAusIMM CP(Geo).
Competent Person

Guy Dishaw, P.Geo.
Competent Person

TEN-YEAR OVERVIEW

PROFIT (MSEK)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net sales	33,914	31,260	25,892	23,367	16,343	16,200	20,615	23,873	26,971	31,122
Operating profit before impairment losses and provisions	**13,050**	**13,229**	**8,975**	**7,148**	**1,621**	**1,548**	**4,002**	**8,259**	**11,770**	**15,939**
Impairment of property, plant and equipment	–	–	–	-26	-1,192	-7,136	–	–	–	–
Costs for urban transformation provisions	-1,396	-1,441	-2,106	-1,147	-2,106	-1,568	-3,432	-620	-1,181	-1,234
Operating profit/loss	**11,654**	**11,788**	**6,869**	**5,975**	**-1,677**	**-7,156**	**570**	**7,639**	**10,589**	**14,705**
Operating margin, %	*34.4*	*37.7*	*26.5*	*25.6*	*-10.3*	*-44.2*	*2.8*	*32.0*	*39.3*	*47.2*
Net financial income/expense	797	1,136	-185	290	613	-115	24	129	388	96
Profit/loss before tax	**12,452**	**12,924**	**6,685**	**6,266**	**-1,063**	**-7,271**	**594**	**7,768**	**10,977**	**14,801**
Tax	-2,695	-2,751	-1,411	-1,462	85	1,585	-247	-1,736	-2,224	-3,842
Profit/loss for the year	**9,757**	**10,173**	**5,274**	**4,803**	**-978**	**-5,686**	**347**	**6,032**	**8,753**	**10,960**
Depreciation according to plan	**3,136**	**2,907**	**2,857**	**2,886**	**2,746**	**2,800**	**2,865**	**2,432**	**1,952**	**1,891**
PRODUCTION AND DELIVERIES										
Production volume	27.1	27.2	26.9	27.2	26.9	24.5	25.7	25.3	26.2	26.1
Deliveries, Mt	28.5	24.9	26.8	27.6	27.0	24.2	26.0	25.5	26.3	25.7
Deliveries of pellets, %	84	83	82	83	84	84	83	83	84	82
CAPITAL STRUCTURE AND RETURN										
Non-current assets	43,514	41,331	40,562	34,309	35,461	35,558	40,775	35,213	31,712	27,679
Current assets	31,755	33,350	28,399	25,990	22,165	20,470	22,359	22,609	26,232	26,051
Total assets	**75,269**	**74,681**	**68,961**	**60,298**	**57,626**	**56,028**	**63,134**	**57,822**	**57,944**	**53,730**
Equity[1]	**48,412**	**45,528**	**38,573**	**36,348**	**30,551**	**32,116**	**37,756**	**41,472**	**41,085**	**37,335**
Non-current liabilities	18,542	21,467	20,040	17,139	17,740	17,900	18,402	11,670	12,485	11,933
Current liabilities	8,315	7,685	10,347	6,811	9,335	6,011	6,976	4,680	4,374	4,462
Total equity and liabilities	**75,269**	**74,681**	**68,961**	**60,298**	**57,626**	**56,028**	**63,134**	**57,822**	**57,944**	**53,730**
Return on equity, %	20.8	24.2	14.1	14.4	-3.1	-16.3	0.9	14.7	22.3	30.9
Operating assets	49,095	49,032	46,833	38,836	42,567	40,820	45,254	41,128	38,151	34,405
Return on operating assets, %	23.8	24.6	16.0	14.8	-4.0	-16.6	1.4	19.3	29.2	45.4
Net financial indebtedness	-1,470	-1,158	3,552	-2,382	6,329	3,203	-16	-7,315	-9,780	-11,361
Net debt/equity ratio, %[3]	-3.0	-0.9	11.0	-3.9	23.1	10.8	1.4	-16.2	-22.1	-28.4
CASH FLOW										
Cash flow from operating activities	**8,963**	**9,469**	**7,059**	**8,860**	**526**	**3,834**	**7,536**	**8,557**	**11,273**	**13,748**
of which expenditure for urban transformation	*-4,191*	*-2,624*	*-1,871*	*-2,178*	*-1,035*	*-291*	*-1,354*	*-295*	*-407*	*-382*
Investing activities										
Investing activities, net – operations	-2,925	-2,487	-3,673	-1,724	-3,288	-6,204	-5,463	-6,123	-5,802	-5,109
Operating cash flow	**6,038**	**6,981**	**3,386**	**7,136**	**-2,762**	**-2,370**	**2,073**	**2,434**	**5,471**	**8,639**
Investing activities – financial	1,780	-2,476	-972	-6,770	-1,159	1,357	-703	2,325	-3,729	-2,990
Cash flow after investing activities	**7,817**	**4,506**	**2,414**	**366**	**-3,921**	**-1,013**	**1,370**	**4,759**	**1,742**	**5,649**
Financing activities										
Borrowing/repayments	-600	-1,325	705	-937	2,114	108	2,793			
Dividend	-6,104	-3,164	-2,882			-139	-3,500	-5,500	-5,000	-5,000
Cash flow for the year	**1,112**	**17**	**237**	**-571**	**-1,807**	**-1,044**	**663**	**-741**	**-3,258**	**649**
EMPLOYEES										
Average number of employees	4,535	4,348	4,188	4,118	4,224	4,463	4,539	4,427	4,357	4,191
Proportion of women, %	25	24	22	21	21	20	19	18	18	16
Accidents involving absence per million hours worked	6.3	6.8	7.7	6.8	5.8	6.2	5.3	6.7	9.9[2]	6.8[2]
Sick leave, %	4.4	3.5	3.6	3.7	3.7	3.0	2.9	2.9	2.9	2.9

[1] Adjustment in 2011 for changed reporting (net) of remediation expenses.
[2] Figures from 2013 onwards also include the accident rate among suppliers.
[3] Calculation of the net debt/equity ratio was changed in 2020. Comparative figures in the ten-year overview have been restated in accordance with the change. See also Note 42.

DEFINITIONS

OPERATING MARGIN: Operating profit as a percentage of net sales.

RETURN ON EQUITY: Profit for the year according to the income statement as a percentage of average equity.

RETURN ON OPERATING ASSETS: Operating profit as a percentage of average operating assets.

OPERATING ASSETS: Intangible assets, Property plant and equipment, Inventories, Accounts receivable, Other receivables. Non-financial assets, Cash & cash equivalents and current investments.

NET FINANCIAL INDEBTEDNESS: Interest-bearing assets minus interest-bearing liabilities.

NET DEBT/EQUITY RATIO: Net financial indebtedness in relation to equity.

TERMS AND DEFINITIONS

GENERAL GLOSSARY

CONCENTRATING: Beneficiation of finely ground ore by separation into a concentrate of iron ore powder with very high purity, known as slurry.

OPEN-PIT MINING: An ore deposit that is situated close to the surface and is mined in the open air.

ZONING PLAN: A zoning plan shows how a defined area in a municipality may be built on and how land and water areas may be used.

DIRECT REDUCTION (DR) PELLETS: DR pellets are iron ore pellets designed for using natural gas to reduce the oxygen in the iron ore to produce DRI, which is used to produce steel in an electric arc furnace.

DRI (DIRECT REDUCED IRON): Input material for steelmaking in an electric arc furnace; also known as sponge iron.

REMEDIATION: Clean-up, restoration and/or ecological compensation of mining areas that have reached end-of-life.

FOSSIL-FREE STEEL: Steel produced using reducing agents and energy from fossil-free sources.

FOSSIL-FREE STEEL PRODUCTION: Steel produced from renewable energy sources and iron ore reduced to crude iron using fossil-free reducing agents, such as hydrogen.

GRI (GLOBAL REPORTING INITIATIVE): international standard for sustainability reporting.

MINE CITY PARK: The areas that are to be phased out in favour of mining and transformed into park areas in Kiruna. More parks will be added as the urban transformation continues.

WASTE ROCK: Waste rock is a collective economic term for the rock that is not ore.

HEMATITE: Mineral, iron ore (Fe_2O_3), named from the Greek for "blood stone". Has no magnetic properties.

HUNTITE: Mineral with various uses, including as a halogen-free flame-retardant additive in plastics and cable.

MAIN HAULAGE LEVEL: Haulage level in an underground mine from which ore is transported to surface level via skip hoists.

INDUSTRIAL MINERALS: Collective term for rocks, minerals or other naturally occurring materials that are of economic value, excluding metals, energy minerals and gemstones.

IRON ORE: Ore with a high content of the element iron. A mineralisation is described as ore if it is profitable to mine it. The minerals magnetite and hematite are examples of iron ore.

SPONGE IRON: Sponge iron is produced by removing the oxygen from the iron ore at low temperatures using carbon dioxide and hydrogen made from natural gas.

CORRUPTION: Cases where an employee has used their position in the company for personal gain.

MAGNETITE: Mineral, ferrimagnetic iron ore (Fe_3O_4), also known as lodestone, which in upgraded form is used for iron- and steelmaking. Other applications for magnetite include water purification, noise and vibration dampening and as ballast in high-density concrete.

ORE: Economic term for a mineral that is deemed profitable to mine.

ORE BASE: The percentage difference between the mined crude ore and the theoretical quantity of ore.

SWEDISH OREFIELDS: Describes a geographical area in the northern Swedish county of Norrbotten that includes Kiruna, Gällivare and Svappavaara.

OREBODY: Underground mining of ore is largely about finding orebodies and building drifts – which involves blasting tunnels/passageways in the rock – in order to be able to mine the ore along these orebodies.

GROUND DEFORMATION: The mining gives rise to ground deformation – in other words, ground movements.

BLAST FURNACE PELLETS: Iron ore pellets that are reduced to crude iron in a steelworks blast furnace.

PELLETISING: Process whereby slurry is mixed with additives and binder, rolled into balls and sintered in a pelletising plant.

PELLET PREMIUM: Mark-up factor on the iron ore price for producers of upgraded iron ore products.

EXPLORATION: Systematic searching for natural raw materials such as minerals and rocks. Exploration may take the form of geophysical surveys, geochemical investigation or geological surveys.

CRUSHED ORE: Designates iron ore from the mines before it has been upgraded.

CRUDE ORE: See crushed ore.

CRUDE IRON: Molten iron from a blast furnace that is subsequently refined in a steelworks.

SEISMIC EVENT: Rock tremor, earthquake.

BARREN ROCK: Rock that is not ore; synonymous with waste rock.

SINTERING: Fusing of fine-grained ore (fines) into lumps (sinter) at a high temperature.

SUB-LEVEL CAVING: The method of mining that LKAB employs in its underground mines. It means that the ore is mined level by level and that waste rock loosens and fills the space where the ore was. As a result, no cavities are left underground, while the ground above slowly sinks.

SORTING: Rough sorting, crushing and screening to separate waste rock and increase the iron concentration of the ore.

VALUES: LKAB's values: Committed – Innovative – Responsible.

UNITS AND ABBREVIATIONS

g: Gram
GWh: Gigawatt hour
kg: Kilogram
kt: Kilotonne
kWh: Kilowatt hour
m^3: Cubic metre
mg: Milligram
mg/m^3 ndg: Milligrams per normal cubic metre dry gas
SEK bn: Billion Swedish kronor
MSEK: Million Swedish kronor
Mt: Million tonnes
TJ: Terajoule
TWh: Terawatt hour

ANNUAL GENERAL MEETING

DATE

LKAB's Annual General Meeting will be held at 3 pm on Thursday 22 April 2021.

ATTENDANCE

Due to the spread of the coronavirus pandemic, the 2021 Annual General Meeting is not open to the public.

NOTICE OF GENERAL MEETING

The notice of the Annual General Meeting, financial information and other information can be found at lkab.com.

Printed financial information can be ordered by emailing info@lkab.com.

A printed version of LKAB's Annual and Sustainability Report 2020 will be available on 22 April 2021.

FINANCIAL INFORMATION

INTERIM REPORTS

22 April
Interim Report, 1st Quarter 2021

12 August
Interim Report, 2nd Quarter 2021

28 October
Interim Report, 3rd Quarter 2021

February 2021
Interim Report, Q4 2021
together with Year End Report

CONTACTS

Please direct any questions regarding LKAB's financial information to Peter Hansson, CFO or Jan Moström, President and CEO.

Please direct any questions regarding the sustainability report to Grete Solvang Stoltz, Senior Vice President, HR and Sustainability.

LKAB ADDRESSES

LKAB

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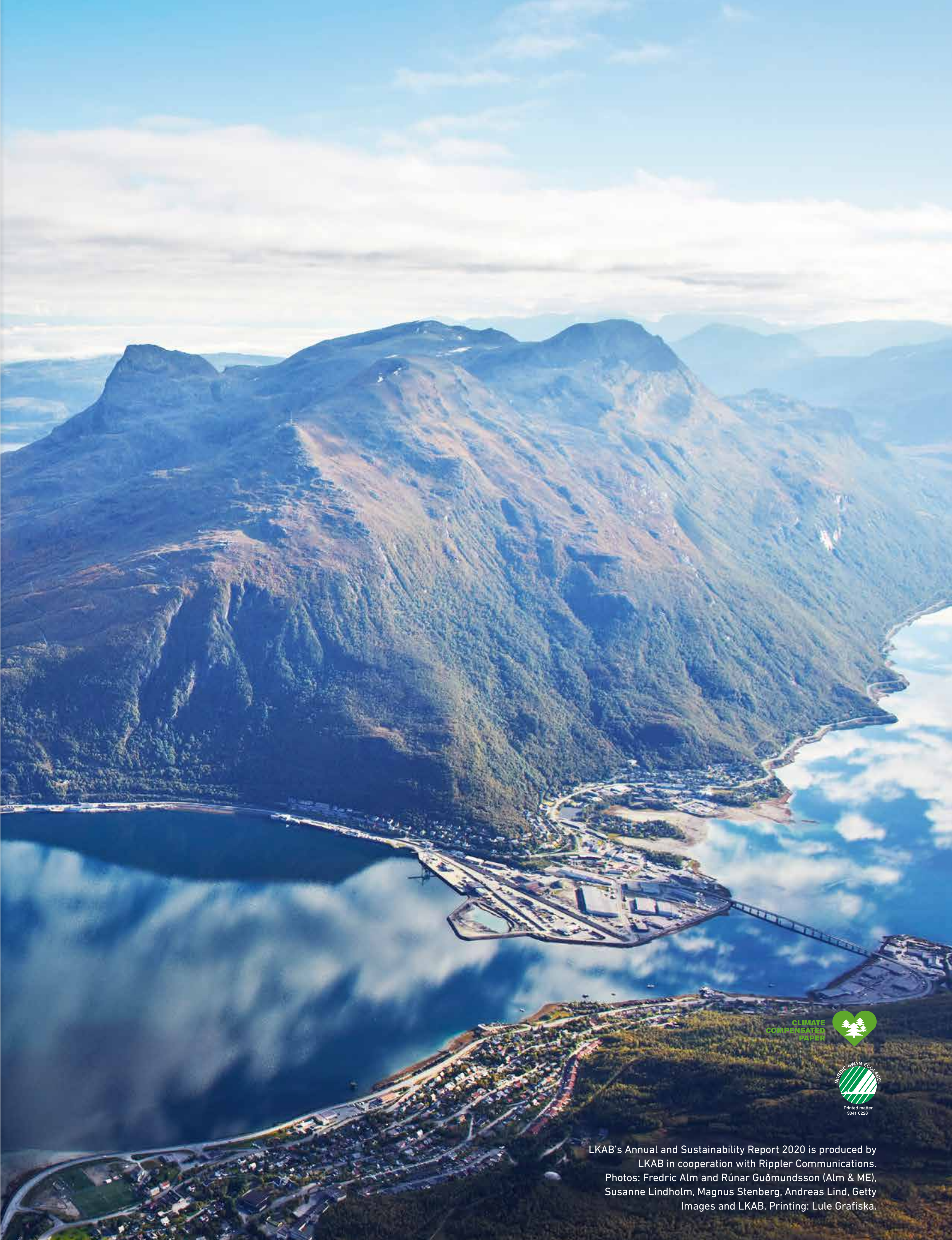
Other addresses can be found at lkab.com



CLIMATE COMPENSATED PAPER

NORDIC SWAN ECOLABEL
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