The future is the most pressing issue of our time

LKAB'S SUSTAINABILITY REPORT 2008

CONTENTS

READING INSTRUCTIONS

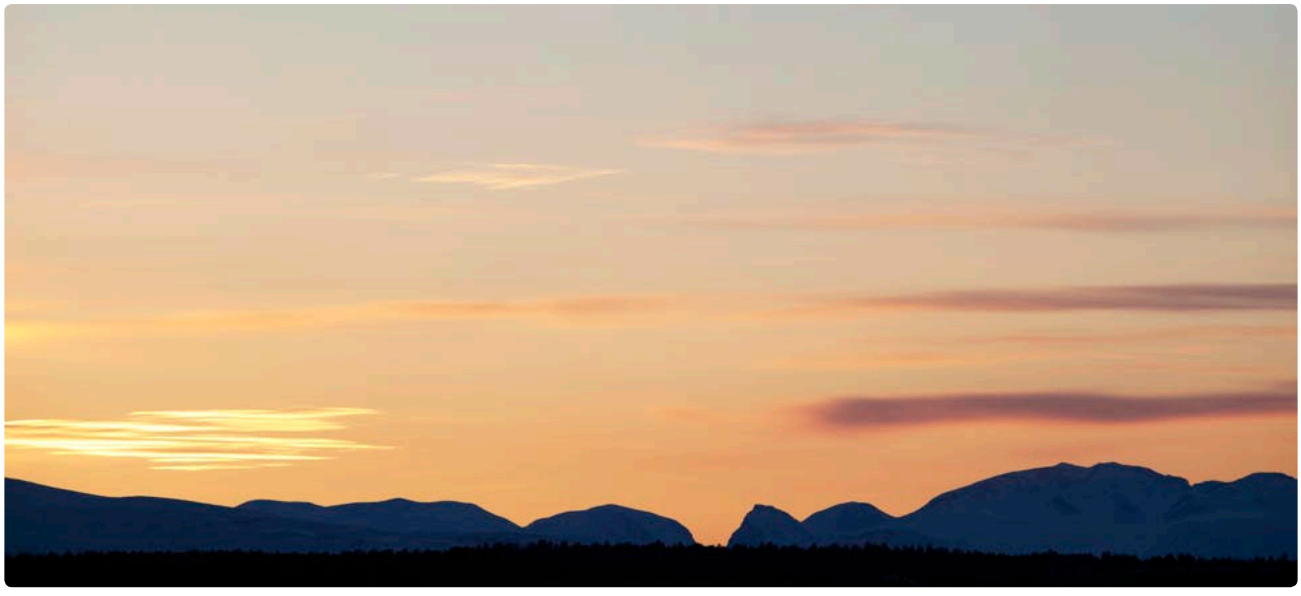
In late-2007, the Government and the Ministry of Enterprise, Energy and Communications adopted new guidelines for sustainability reporting by state-owned companies. To enable comparison against the reports of other companies, both nationally and internationally, it was decided that reporting should be done in accordance with the Global Reporting Initiative, GRI. GRI provides a systematic framework for sustainability reporting.

This report, which is LKAB's first sustainability report, describes the company's operations from economic, social and environmental perspectives.

The report begins with an account of LKAB's strategic approach to sustainability issues and of the company's operations. Thereafter, the following sections contain tables and disclosures of sustainability performance with respect to the three areas: Economy, Environment and Society. The performance indicators applied are stated in the GRI guidelines and in GRI's sector supplements for the metal & mining industry. The company's strategy and vision with respect to sustainability are given in the President's comments in the Annual Report.

LKAB intends to present sustainability reports annually, starting with this report for 2008. Historical figures are presented for indicators where such figures are available.

This sustainability report has been reviewed by external auditors.



View towards Nikkaloukta from Kiruna.

Sustainability year 2008

"In its relations with the people who are affected by the transformation, LKAB strives to provide assurance. They must be confident that the company will find sustainable and reasonable solutions based on the prevailing situation in each individual case."

LKAB's President and CEO, Ola Johnsson in reference to the structural transformation in the orefields communities

Iron ore mining is a long-term enterprise. Production under ground requires time-consuming investments and has an impact on the landscape. Since the company was established, 118 years ago, LKAB has worked with a long-term perspective. In recent years, this approach has been formalized, for example, with the introduction of quality certification and environmental and energy management systems.

Now, for the first time, LKAB is presenting a sustainability report. This is a natural step, considering the long-term perspective that characterizes the company's relation to employees, customers, the iron ore reserves, nature and the communities in which we are active. A further systematization of LKAB's sustainability performance aims at strengthening this attitude and ensuring that it permeates all aspects of the company's operations.

During 2008, Group management appointed a steering committee with operative responsibility for sustainability issues. Targets and priority areas for sustainability were identified. Thereby, work on the introduction of reporting procedures, formalization of stakeholder dialogues and planning of training initiatives commenced.

Despite the economic downturn, LKAB must plan for the future. The company is in an intensive phase of investment, with new main levels being built in the mines in both Kiruna and Malmberget.

These efforts to secure future mining also make their mark at surface level, in the form of deformations and the resulting need to relocate infrastructure and residential areas. During 2008 and 2009, 150 homes in Malmberget will be relocated or replaced. In Kiruna, work on the construction of a railway bypass will begin in 2009. Within a few years, the first residential areas will be relocated.

Owing to these developments, individuals will face major changes. This will pose a challenge for LKAB for years to come. Vital communities in which people can find attractive living and working conditions are essential for LKAB's future success. Therefore, it is important that people can rely upon the company, together with other key stakeholders, to find reasonable and sustainable solutions for those who are affected by the structural transition.

OVERALL SUSTAINABILITY OBJECTIVES

1-year perspective. To have established structures for the Group's work with regard to sustainability.

3-year perspective. To have good processes for sustainability reporting according to GRI, above all with respect to documentation, archiving, performance measurement, follow-up, and dialogue.

5-year perspective. Sustainability actions will result in business advantage for LKAB and will be fully integrated into the business strategies.

LKAB HAS IDENTIFIED FIVE AREAS OF PRIORITY FOR SUSTAINABILITY:

Safety. For LKAB, safety in particular and working environment in general, have top priority. Since the tragic fatal accident that occurred in February 2008, an intensive effort to prevent similar incidents, with a focus on rock reinforcement, has been under way. During 2009, work to prevent accidents in the workplace resulting from failure to observe safety procedures will be intensified.

Health. The long-term program of health promotion has continued to bear fruit. During 2008, the number of LKAB employees on long-term sick leave was reduced from 50 to 25.

Environmental and climate impact. The intensive effort to reduce the company and industry's environmental and climate impact continues. LKAB's experimental blast furnace in Luleå is an important base for ULCOS, a joint European project of which the aim is to halve the iron and steel industry's carbon dioxide emissions by 2020. Together with Statoil/Hydro and Höganäs AB, LKAB has agreed to conduct a pre-study during 2009 aimed at creating steelworks with the world's lowest carbon dioxide impact.

Gender equality. Further progress has been made towards gender equality. The proportion of female employees increased during the year from 12.5 to 13.1 percent, and the proportion of women in managerial positions is now 13.3 percent. Group Management now has its first female member.

Diversity. As a dominating economic force and a major employer in the orefields communities, LKAB has a long-term need for skilled and qualified co-workers. Therefore, during 2009, in work towards greater gender equality, more focus will be placed on achieving diversity to ensure that LKAB is an attractive employer for all individuals.

GROUP SUMMARY

MSEK	2008	2007	2006	2005
Net sales	23 128	16 385	14 615	14 337
Operating income	10 327	6 148	6 256	6 109
-operating margin, %	44,7	37,5	42,8	42,6
Profit after financial items	10 389	6 344	6 382	6 451
-profit margin %	44,9	38,7	43,7	45,0
Tax	-2 748	-1 665	-1 785	-1 904
Net income for the year	7 641	4 679	4 597	4 547
Fixed assets	21 415	19 447	14 341	9 798
Current assets	14 916	10 233	11 524	10 776
Shareholders' equity	25 218	22 251	19 076	14 802
Cash flow for the year	3 948	-1 159	70	554
Return on equity, %*	32,2	22,6	27,1	36,6
Equity/assets ratio, %	69,4	75	73,8	72,0
Capital expenditures (fixed assets)	4 682	5 968	4 844	2 648
Average number of employees	4 086	3 885	3 737	3 563

** After tax.*

Our approach to sustainability reporting

In writing the sustainability report, LKAB has followed the GRI guidelines for defining the content of the report. This means that LKAB has attempted to ensure that the information covers topics and indicators that reflect the organisation's significant economic, environmental, and social impacts. Consideration has also been given to meeting LKAB's most significant stakeholders' needs for information.

REPORTING ACCORDING TO GRI

LKAB reports according to the Global Reporting Initiative (GRI) G3 Guidelines. LKAB is of the understanding that this report complies with GRI's C+ Application Level. The auditors' statement of assurance is given on page 94.

SCOPE AND BOUNDARY OF THE REPORT

This report pertains mainly to the LKAB Group's Nordic operations, which account for 85% of the Group's total sales and upon which the sustainability actions of the reporting year have focused.

Work with the adoption of GRI as the Group's reporting standard has been directed during the first year towards the establishment of structures and procedures for reporting of sustainability data. LKAB has applied the GRI matrix for defining materiality issues and stakeholders. The reporting period is the calendar year, and reported data refer to the same period, unless otherwise indicated. Overall review of the sustainability report does not include comparative historical data.

LKAB'S STRUCTURE

LKAB's legal organisational structure is based on a structure of wholly owned subsidiaries whose boards include representatives of LKAB's Group Management. The Group has a 50-percent interest in a joint venture company. Plant and equipment are owned by the company and there are virtually no leasing agreements.

BASIS AND METHODS FOR ASSESSING PERFORMANCE

Information in reported environmental performance indicators applies to 2008 and refers to companies within LKAB Mining Division and Minelco AB, unless otherwise indicated. In cases where an indicator is not reported or is partially, according to the GRI Indicator Protocols, this is stated in the GRI Index.

The information in the report is taken from the management systems for quality, environment and energy, environmental reports for 2007/2008, annual reports for 2007/2008, registered environmental impact assessments and self-monitoring programs, environmental incident reports, and the system for trade in emissions rights. All reporting of consolidated financial information is via the consolidated accounting system OCRA. The Parent Company and several of the Swedish subsidiaries use the enterprise management system Movex. Other Group companies, principally foreign entities, use local business management systems. The long-term goal is to have a consolidated business management system for the entire LKAB Group.

LKAB's monitoring system for carbon dioxide emissions

The system is based on internal procedures emanating, in turn, from permits granted by the County Administrative Board and from descriptions of procedures for monitoring emissions from different sources. An internal quality plan describes LKAB's carbon balances, based on carbon input and output in iron ore pellet production at the company's plants in Sweden. This is supplementary to permits granted by the County Administrative Board and serves as a checklist and instruction. Appended to the quality plan are descriptions of procedures for monitoring emissions per plant, which form the basis of LKAB's monitoring system. External reports of annual emissions are submitted to an independent accredited verifier, to the Swedish Environmental Protection Agency and to the County Administrative Board of Norrbotten County.

About LKAB

LKAB'S SUSTAINABILITY ACTIONS

LKAB is an international group, which presents great challenges and opportunities with respect to managing sustainability. At present, LKAB focuses its sustainability actions on its Nordic operations and has begun to address sustainability issues from a group-wide perspective. Operations in Sweden differ from those in other countries. For example, the environmental impact of operations in Sweden and Norway is more significant than that of other operations. This is reflected by the fact that the environmental data that is followed up for these operations is considerably more extensive than for other entities within the Group. As a result, the Group has traditionally taken a different view as regards the respective areas of operation.

In looking at its operations as a whole, LKAB also finds that its sustainability activities should be clarified and integrated in a group-wide perspective.

Thus far, LKAB's work with sustainability has been directed towards environment and industrial safety and work environment aspects. The reason for this is that the company causes significant environmental impact, and that issues with respect to working environment, particularly occupational safety, are a top priority. LKAB will successively develop activities with respect to sustainability issues. The GRI process has entailed definition and clarification of these issues within the company.

LKAB'S SUSTAINABILITY MANAGEMENT

The ultimate responsibility for LKAB's sustainability activities lies with the Board, while the operative responsibility lies with Group Management. The ownership policy for state-owned companies specifies guidelines for ensuring that appointees to the Board have requisite knowledge in the area of sustainability. Training of board members is provided when the Ministry of Enterprise, Energy and Communications deems it necessary. To ensure the efficiency of work with sustainability issues, Group management appointed a steering committee which consisted, during 2008 of three members: the Vice President, Finance; the Vice President, Human Resources; and the Vice President, Total Quality Management.

All responsibility for decision-making with respect to sustainability issues has been delegated to this committee, with the exception of policy decisions, which are taken jointly by Group management. The steering committee's task is to oversee the work on an ongoing basis.

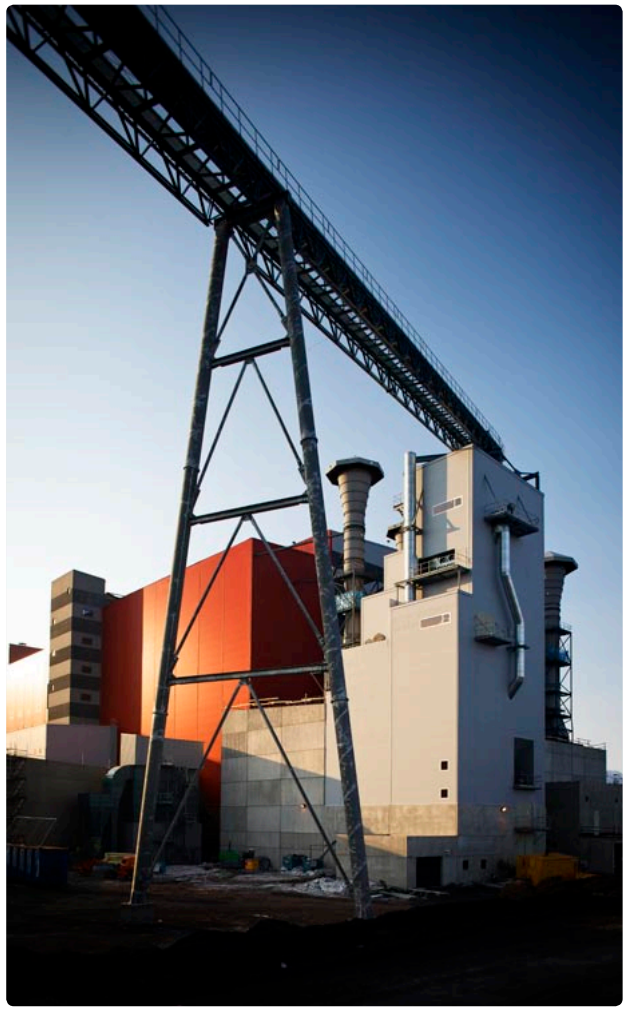
The steering committee is assisted by a project group consisting of representatives who work with economic, social and environment issues. The task of the project group, which reports directly to the steering committee, is to present targets for sustainability and plans of action for meeting these targets.

The Board has assigned the Audit Committee the task of internally following up LKAB's sustainability actions and of producing this sustainability report.

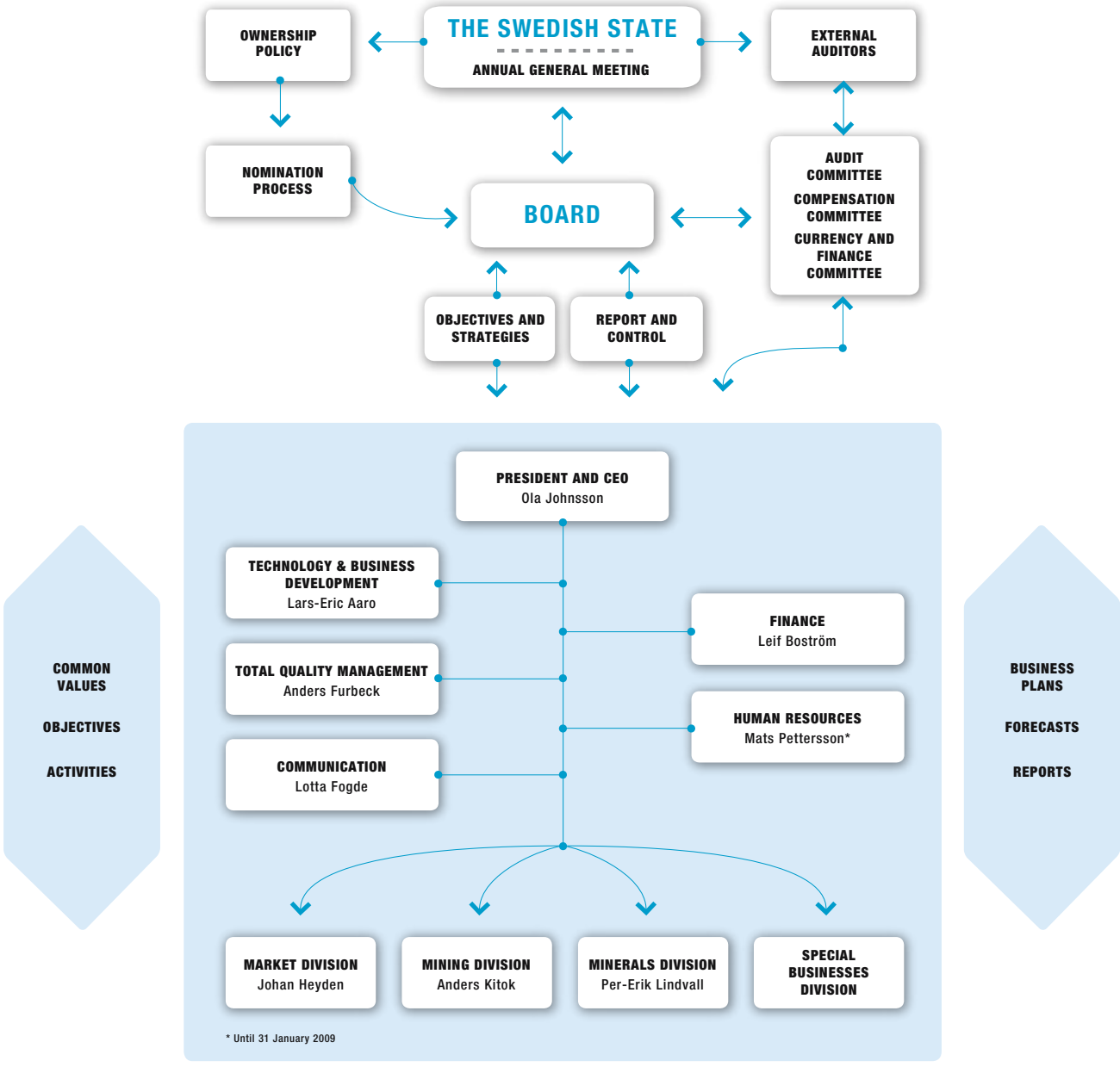
SIGNIFICANT STRUCTURAL CHANGES WITHIN LKAB IN 2008

In Kiruna, the new concentrating and pelletizing plants (KA3 and KK4, respectively) were taken into operation as planned during 2008. KK4, which is LKAB's sixth pelletizing plant in operation, was built for a capacity of 5 Mt pellets per year and, if necessary, can later be upgraded to produce 6 Mt per year.

The flotation plant in Svappavaara, taken into operation during 2008, is of major strategic importance for LKAB's Mining Division. When all concentrating plants in Kiruna and Svappavaara are equipped with flotation facilities, one ore flow from the Kiruna mine, instead of three, will be enabled. Efficiency improvements will mean that crude ore production can be increased by about 1.3 Mt per year, which corresponds to about 0.8 Mt of pellets.



Part of the KK4 pelletizing plant in Kiruna.



Overall governance model and operative organisational structure

LKAB's strategy and governance

LKAB (Luossavaara-Kiirunavaara AB) is an international high-tech minerals group that produces iron ore products for the steel industry and other mineral products for many other industries and applications.

The LKAB Group has more than 3,800 employees and consists of about 30 companies in some 15 countries. LKAB, whose registered head office is in Luleå, is wholly owned by the Swedish state, represented by the Ministry of Enterprise, Energy and Communications.

LKAB's Annual General Meeting is the supreme governing body. Since LKAB is wholly state-owned, it does not have a nomination committee per se, as defined by the Swedish Code of Corporate Governance.

The nomination process is in accordance with the State ownership policy.

The Board appoints the President, with whom it shares responsibility for the control and governance of the company, in accordance with Swedish law. The Board of LKAB appoints members to the Audit Committee, the Compensation Committee, and the Currency and Finance Committee. The Audit Committee oversees both financial and sustainability reporting and follow-up. The Compensation Committee's task is to present guidelines for remuneration to Group management.

The Currency and Finance Committee prepares and oversees the hedging program and financial guidelines.

As a state-owned company, LKAB is also subject to review by the Swedish National Audit Office, an agency that is responsible for auditing the activities of the entire Swedish state and, in this way, promoting the optimum use of resources and efficient administration.

EMPLOYEE INFLUENCE OVER THE BOARD AND MANAGEMENT

Via trade union representatives, employees have the possibility of influencing the board and management of LKAB. All co-workers are able to express views and requests via the employee representatives.

The board includes three members, with three deputies, who represent the employees. The deputy members also participate in the board meetings.

In addition, several consultation forums with employee representation also safeguard employee interests.
Business and process counsels consider issues pertaining to, for example, market, finance and operations. In priority interest areas, there are also a number of permanent and temporary advisory committees.

OPERATIVE ORGANISATIONAL STRUCTURE

LKAB's operations are organized in the divisions Mining, Market, Minerals and Special Businesses.

The Mining Division mines and upgrades iron ore, and delivers iron ore products to the steel industry. The main product is iron ore pellets for production of iron in blast furnaces and DR plants.

There are iron ore mines, processing plants and ore harbors in northern Sweden and Norway.

The Market Division, which markets and sells the Mining Division's iron ore products, has sales offices in Sweden, Belgium, Germany and Singapore. Iron ore products are sold mainly to customers in Northern Europe, North Africa and the Middle East.

The Minerals Division, which consists of the subsidiary Minelco, mines, processes and delivers industrial mineral products. Principal minerals include magnetite, olivine, mica and huntite. Industrial mineral operations are conducted in Sweden, Finland, Greenland, the UK, Germany, the Netherlands, Spain, Greece, Turkey, Slovakia, Thailand, Hong Kong, China and the USA. Industrial minerals are sold mainly to customers in Europe and to growing markets in Asia and the USA.

The Special Businesses Division supports the Group by providing services and technical development, but also has external customers. The division is essentially comprised of subsidiaries. AB KGS works with rock, concrete and engineering services; Kimit AB, a subsidiary of KGS, manufactures explosives; Fastighets AB Malmfälten manages properties in LKAB's operating locations; Wassara AB develops and manufactures drilling systems.

LKAB worldwide

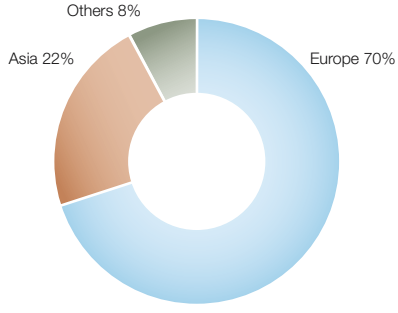
MINED QUANTITIES OF IRON ORE AND MINERALS

Iron ore, Sweden (Mt)	42,9
Dolomite, Sweden (tonnes)	187 040
Olivine, Greenland (tonnes)	444 875
Huntite, Turkey (tonnes)	16 690

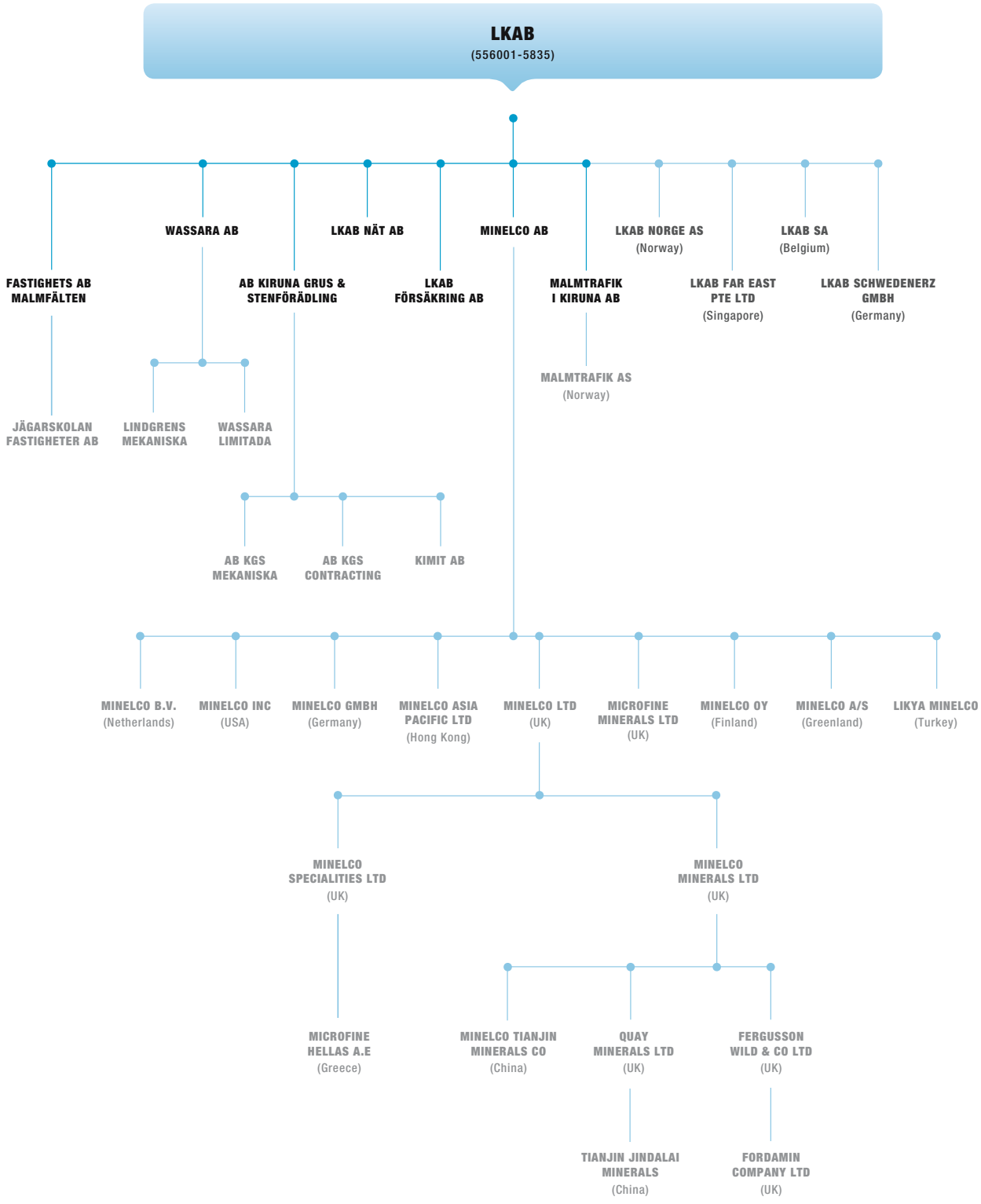
PRODUCED IRON ORE PRODUCTS

	2008	2007	2006	2005
Pellets (Mt)	19,9	18,8	16,9	16,5
Fines (Mt)	3,9	5,9	6,4	6,8
(incl. special products)				

SALES PER MARKET REGION



Both iron ore products and industrial minerals are sold mainly in Europe.



Legal organisational structure

LKAB's stakeholders

STAKEHOLDER DIALOGUES

LKAB's operations have both a local and a global impact and thus affect the company's many stakeholder groups, ranging from local residents to customers half way around the world.

LKAB has defined a stakeholder as an individual or organisation with whom the company has a reciprocal relation, either by way of LKAB's operations or mere existence. During the year, LKAB began the work of identifying stakeholders. Although this process varies depending on the country and the issue in question, it is based on GRI's structure for stakeholder identification. Thus far, LKAB has identified the key stakeholders in the orefields communities. Stakeholders are classified in two main groups: internal and external.

LKAB has ongoing dialogues with certain external stakeholder groups that are directly and significantly affected by the company's operations. Among them are residents in Malmberget and Kiruna.

During the year, the first internal stakeholder dialogue was held with the company's finance units. Stakeholder dialogues will continue throughout 2009.

POLICIES AND GUIDELINES

LKAB has a number of sustainability-related, group-wide policies that regulate our operations (see page 11). Plans of action, which complement he company's policies, apply mainly to the Parent Company and to the subsidiaries in Sweden and Norway. The policies that are of particular relevance are the ethics policy, which includes requirements with respect to prevention of harassment and bullying in the workplace, and bribery and other corrupt and unfair competitive practices that distort markets and hinder economic, social and democratic development, and the personnel and environment and energy policies. These policies are supported by plans of action.

Work with economic issues

For 2008, LKAB was able to report its best financial result ever. Net sales amounted to MSEK 23,128 and profit after tax reached MSEK 7,641.

FINANCIAL CONTROL

The President bears the overall responsibility for the company's finances. He is aided by staff in the finance unit. Operational responsibility is delegated to the heads of divisions and unit managers.

OVERALL FINANCIAL OBJECTIVES

LKAB's overall objective is to create value for the owner by offering competitive products to customers. LKAB's financial success is an important contribution to economic growth, locally, regionally and internationally.

VALUE-CREATING BUSINESS

GENERATED AND DISTRIBUTED ECONOMIC VALUE

Of direct economic value amounting to MSEK 24,399 generated by LKAB's operations in 2008, MSEK 16,665 was distributed to different stakeholder groups and MSEK 7,734 was reinvested in the Group. Distribution of economic value to different stakeholder groups is presented in the graph below and is based on figures given in the annual report.

DONATIONS AND OTHER COMMUNITY INVESTMENTS

The Group's disbursements for community investments in 2008 amounted to MSEK 421, of which MSEK 339 refers to reparations for infrastructural impact due to the expansion of mining areas in Malmberget and Kiruna. LKAB's sponsorship in the form of donations, mainly to education, culture, and athletics in northern Sweden and Norway, amounted to MSEK 65.

TAXES

Taxes paid by the Group amounted during the year to MSEK 2,119, of which MSEK 2,095 was paid in Sweden, MSEK 8 in Norway, and MSEK 16 in other countries.

For further information concerning the Group and Parent Company's generation and distribution of economic value, please refer to the income statements, balance sheets and analyses of cash flow given in the annual report.

INVESTMENTS

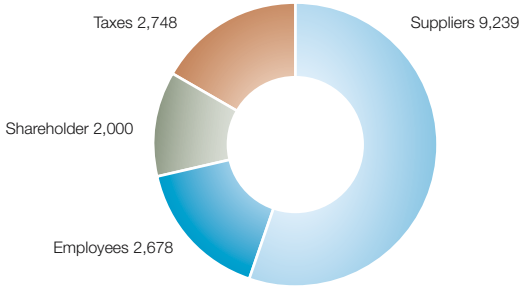
LKAB's investments also generate increased economic value in society. Salaries and social security contributions contribute to the purchasing power of individuals, which stimulates the economy. Payment of dividends to the owner is part of LKAB's financial responsibility. To be able to produce iron ore pellets, the company must purchase equipment and services from many suppliers globally, which supports employment in many countries.

STAKEHOLDER DIALOGUES

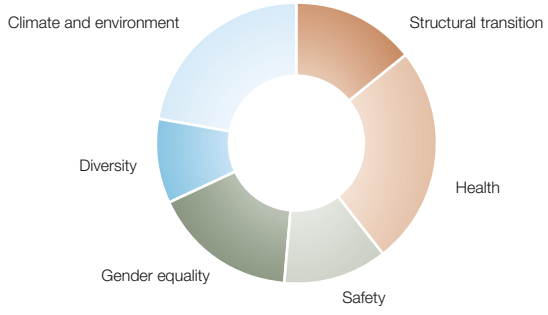
As part of the GRI process, LKAB are holding dialogues with selected stakeholder groups. Employees have been identified as an important stakeholder group. Considering the international scope of LKAB's operations and the large number of employees, it was decided that a stakeholder dialogue with the company's financial managers should focus initially on several specific topics.

In the graph below, we present the results of the stakeholder dialogue concerning areas of priority for sustainability in 2009.

GENERATED AND DISTRIBUTED ECONOMIC VALUE MSEK



AREAS OF PRIORITY FOR STAKEHOLDER DIALOGUE WITH FINANCIAL MANAGERS



EMPLOYEE PENSION BENEFITS

Most of LKAB's pension plans for employees in Sweden are defined-benefit plans, which means that LKAB guarantees pensions based on a certain percentage of salary. Pension commitments in Sweden are secured by the company mainly via provisions reported on the balance sheet, whereof most are secured through credit insurance.

Promises of future retirement before the age of 65 are to a degree contingent upon underground work and are secured by the company via provisions, reported on the balance sheet, without credit insurance.

Commitments for retirement pensions and survivor benefits for salaried employees in Sweden are insured.

For employees in Belgium, Norway, the UK and Germany, LKAB has defined-benefit plans as a complement to social insurance. In Sweden, the Group has defined-contribution pension plans for which the company assumes full cost. In other countries, defined-contribution plans are financed partly by the foreign subsidiaries and partly by contributions paid by the employees. Premiums for these plans are paid on a current basis in accordance with regulations for each plan.

VALUE PER 31 DECEMBER 2008 IN MSEK
(calculated according to IAS 19, see note 27 in the Annual Report)

Wholly or partially funded obligations	1,026
Fair value of plan assets	-975
Value of unfunded obligations	2,130
Value of net obligations	2,181
Costs for defined-contribution pension plans	75

SUPPLIER RELATIONS

LKAB has established guidelines for employees' conduct in business-related contacts with external entities and persons. Interpersonal relations with suppliers are ultimately a matter of personal judgment. The employee, in his or her contact with suppliers, must always bear in mind that he or she represents LKAB and always represents LKAB's interests.

Suspicion of bribery or corrupt practices may result in prosecution. Depending on the severity of the crime, LKAB may suspend the employee, give notice of termination of employment, or prosecute.

Note that LKAB's purchasing operations, unlike those of similar state-owned enterprises and agencies, are not subject to the rules for public procurement. No information concerning procurement is subject to public transparency.

MEMBERSHIP AND COOPERATION

LKAB has ownership interest in the local business development companies Progressum, in Kiruna, and Expandum, in Gällivare. Participation in the business development companies has long been well established and is a good example of LKAB's broad-ranging and long-term social commitment. LKAB also has ownership interest in the venture capital company Norrskenet.

SveMin, The Swedish Association of Mines, Mineral and Metal Producers, is the trade and employers' organisation for mines, mineral and metal producers. Some 40 companies are members of SveMin. As a member of SveMin, LKAB has adopted the organisation's Ethical Rules for Members.

LKAB co-worker Nina Johansson loves the northern life.

Work with environmental issues

Mining causes significant environmental impact, as do the processes whereby iron ore is upgraded to steel products. At the same time, society depends on these products for continued development. LKAB strives to meet these needs in the most environmentally friendly way possible.

Energy and environment issues are strategically important for LKAB. Mining and processing of minerals impact the environment, mainly through alteration of the landscape, energy use, emissions to the air and discharges to the water. LKAB strives to limit environmental impact by careful planning and preparation in its environmental work. The environmental consequences of decisions and measures are always taken into consideration, and environmental work must be forward-looking and aimed at enabling the company to meet tougher environmental requirements in the future. LKAB's unique iron ore benefits the customer.

ADVANTAGES FOR CUSTOMERS WITH LKAB'S UNIQUE IRON ORE

LKAB's iron ore pellets are produced from magnetite ore. Compared to hematite ore, magnetite ore offers several environmental advantages in LKAB's customers' processes. Magnetite ores are efficient energy bearers, since large amounts of energy are liberated during the upgrading process. In addition, input of fossil fuels in LKAB's pellet production is considerably less than that required by competitors' processes. When LKAB's iron ore pellets are used in ironmaking, carbon dioxide emissions are a third of what they are when hematite-based pellets are used in blast furnaces and one-seventh of what they are when the alternative process, sintering of fines at the steelmills, is used.

SIGNIFICANT EVENTS IN 2008

- LKAB, in cooperation with the municipalities of Kiruna and Gällivare, introduced ideas for Mining Town Parks. The concept entails the use of land areas that are in the initial stages of deformation. Even though the buildings are no longer standing, it is still safe to set foot on the affected area and the land can be used for parks during a transition period.

- Vibrations and seismic events can be considered annoying and disconcerting by residents in the vicinity of the mines. LKAB has intensified efforts to develop and improve techniques for measuring seismic activity and to improve the information to nearby residents.

- During the year, LKAB has held several dialogues, concerning many different issues, with stakeholders in the nearlying area. Consultative meetings have been held with public administrations, Sami reserves, local hunting clubs and fisheries conservation groups. Dialogues were also held during the year with residents in Malmberget and Kiruna who are affected by the ongoing structural transitions.

- LKAB is one of Sweden's largest energy consumers. During 2008, a total of about 3.7 TWh of energy was used in the production plants, of which half, or about 1.9 TWh, was electricity. Compared to 2006, the total energy consumption increased by 17 percent. However, in comparison with the volume (tonnage) of pellets produced, energy consumption actually fell by 0.7 percent compared with 2006.

THE ENVIRONMENTAL ADVANTAGES OF LKAB'S PRODUCTS

At a time when energy efficiency and reduced climate impact are in focus, LKAB's magnetite pellets, so-called "Green Pellets", can make a positive difference and are unquestionably a product of the future.

LKAB's iron ore gives great environmental advantages:

- During sintering in the pelletizing process, energy is liberated when oxidation takes place.
- 60% of the thermal energy needed for production comes from oxidation.
- Less addition of coal and oil is necessary, which implies lower emissions.
- LKAB's pellet production results in one-seventh the quantity of emissions compared with sintering at the steelmills.

The Minerals Division supplies products made from naturally occurring minerals:

- Huntite, a naturally occurring mineral, is used as a flame retardant and can replace environmentally hazardous alternatives.
- Magnetite is used for water treatment and desulphurization of coal.
- Use of olivine reduces energy consumption in steelmaking.

ENVIRONMENTAL MANAGEMENT

The Environmental and Energy Policy, which provides a basis for environmental management, states that LKAB will contribute to long-term sustainability and profitable development. The President bears the overall responsibility for environmental issues. Operational responsibility is delegated to the heads of divisions and unit managers.

LKAB also has a department that is specifically dedicated to managing environmental issues.

To enable structured and efficient environmental management, LKAB decided in 2003 to introduce an energy and environmental management system in compliance with the international standard ISO 14001 and Swedish standard SS 627750. A project group has had overall responsibility for the step-wise introduction of the system.

LKAB's environmental monitoring is carried out in consultation with supervisory authorities in accordance with established programs that measure both emissions/discharges and environmental impact. An environmental report for each operating location in Sweden is submitted annually to the authorities concerned.

PRECAUTIONARY PRINCIPLE

LKAB applies the precautionary principle in striving to limit environmental impact by careful planning and preparation in its environmental work. In operational planning, LKAB has applied risk analyses since 1990 to enable continuous, proactive environmental management. Experience has shown that systematic use of risk analyses prevents the occurrence of unforeseen problems. In recent years, risk analyses have also been conducted as part of LKAB's process for environmental certification according to ISO 14001.

MATERIALS

	2008	2007	2006	2005	2004	2003
The Orefields						
Crude ore (Mt)	41,3	41,0	40,5	37,3	35,9	34,7
Explosives (ktonnes)	18,1	17,3	16,4	15,2	13,7	13,1
Additives (ktonnes)[1]	666	615	627	613	632	568
Minelco[2]						
Raw materials (Mt)	2,5	-	-	-	-	-
Additives (tonnes)	242	-	-	-	-	-
Packaging material (tonnes)	3	-	-	-	-	-

1) Olivine, dolomite, bentonite, lime and quartzite.
2) No comparative figures from previous years.

LKAB'S ENVIRONMENTAL MANAGEMENT ENCOMPASSES

Environmental permits, studies and impact assessments.
Environmental monitoring and reporting.
Environmental administration and information.
Evaluation of new environmental technologies.
Monitoring of pending environmental legislation, regulations and application.
Management of energy-efficiency improvement.
Training in energy and environmental management.
Risk analyses.

Wetlands south of Gällivare.

ENERGY

For LKAB, efficient use of energy is one of the most crucial issues in planning for the future. Energy accounts for a considerable share of the company's production costs and as a major energy user, LKAB has a great responsibility for reducing its environmental impact.

LKAB is one of Sweden's largest energy consumers. During 2008, a total of about 3.7 TWh of energy in the form of electricity, fossil fuels and recovered surplus heat was used in the production plants. About half of the energy used consisted of electricity (1.9 TWh). This corresponds to about one percent of Sweden's total electricity consumption. Since energy expenditures account for a significant share of LKAB's production costs, improved energy efficiency is financially very important for LKAB.

LKAB is an energy-intensive company and is classified as such under the EU Directive on Energy Tax. At the same time, LKAB strives to achieve optimal energy efficiency, and in terms of the amount of energy per tonne pellets produced, LKAB's pelletizing plants are among the world's most efficient. This is due largely to the fact that LKAB's pellets are produced from magnetite ore.

LKAB's ongoing drive to improve energy efficiency began many years ago. This effort is organized via LKAB's energy and environmental management system.

Special procedures for planning and purchasing are implemented with an aim to finding the most energy-efficient solutions. LKAB has, for example, decided to buy only so-called HP motors (High-Performance). During 2008, this resulted in energy savings of 1,708 MWh, which is the equivalent of the annual heating requirement of 100 homes. The results of LKAB's energy-efficiency measures are reported to the Swedish Energy Agency. As compensation, LKAB has been granted a reduction in electricity tax of SEK 0.005 per KWh.

RENEWABLE ENERGY

LKAB and about 20 other companies in the energy-intensive primary industries have formed BasEl, a company that will generate power-producing projects that may boost the supply of competitively-priced electricity. This also includes investment in renewable energy sources. Via BasEl, LKAB is playing an important role in the primary industries' windpower company VindIn AB, which plans to produce one TWh of windpower per year. The first wind park will be built during 2009. VindIn is also investigating the possibility of future windpower production on LKAB's industrial sites.

CLIMATE IMPACT

LKAB's environmental impact must also be regarded from a climate perspective. In social debate, the climate issue is high on the agenda, and LKAB has a responsibility to reduce the impact caused by the company's use of fossil fuels and additives in production.

LKAB participates in EU's system of trade in emissions rights. The company now has three facilities that are subject to trade in emissions rights: in Kiruna, Malmberget and Svappavaara. Rights are acquired through allocation by the state or via purchase of surplus rights from other companies. The total allocation of emissions rights within the EU corresponds to the level of emissions targeted for the end of the trading period. The 537,248 tonnes of carbon dioxide (emissions rights) allocated by the state to LKAB for 2008 were insufficient. Therefore, by 30 April 2009, LKAB must purchase additional emissions rights in order to cover the company's actual carbon dioxide emissions for 2008.

For 2008, LKAB was granted renewed permits for carbon dioxide emissions that also include the new KK4 pelletizing plant

Wind turbines in Kiruna.

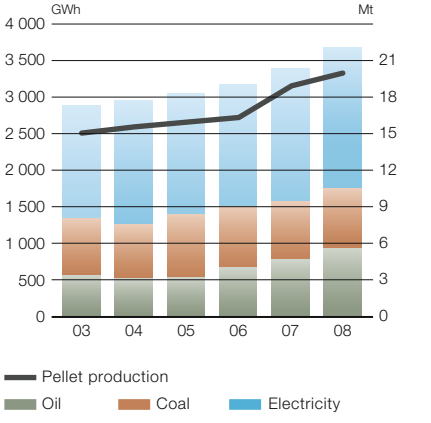
in Kiruna. The granting authority is the County Administrative Board of Norrbotten. The permits regulate how LKAB, in a reliable way, controls, monitors and reports emissions.

DEVELOPMENTS IN 2008

LKAB's energy consumption increased in 2008 as a result of increased production volumes in LKAB's plants. The total increase in energy consumption was 17 percent in comparison with the base year, 2006. In relative terms, however, energy consumption decreased as a result of improved energy efficiency. Energy consumption per tonne pellets decreased by 0.7 percent compared to the base year, 2006.

During 2008, utilization of surplus heat increased. LKAB utilized 280 GWh for internal use, which was considerably more than in 2007. This is mainly due to the fact that LKAB's new pelletizing plant in Kiruna was built to be able to use more surplus heat. In addition, a further 28 GWh for residential heating in Kiruna was sold via the district heating network.

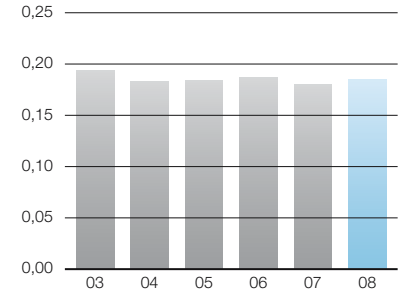
ENERGY CONSUMPTION



For several years, energy consumption has been directly proportional to pellet production.

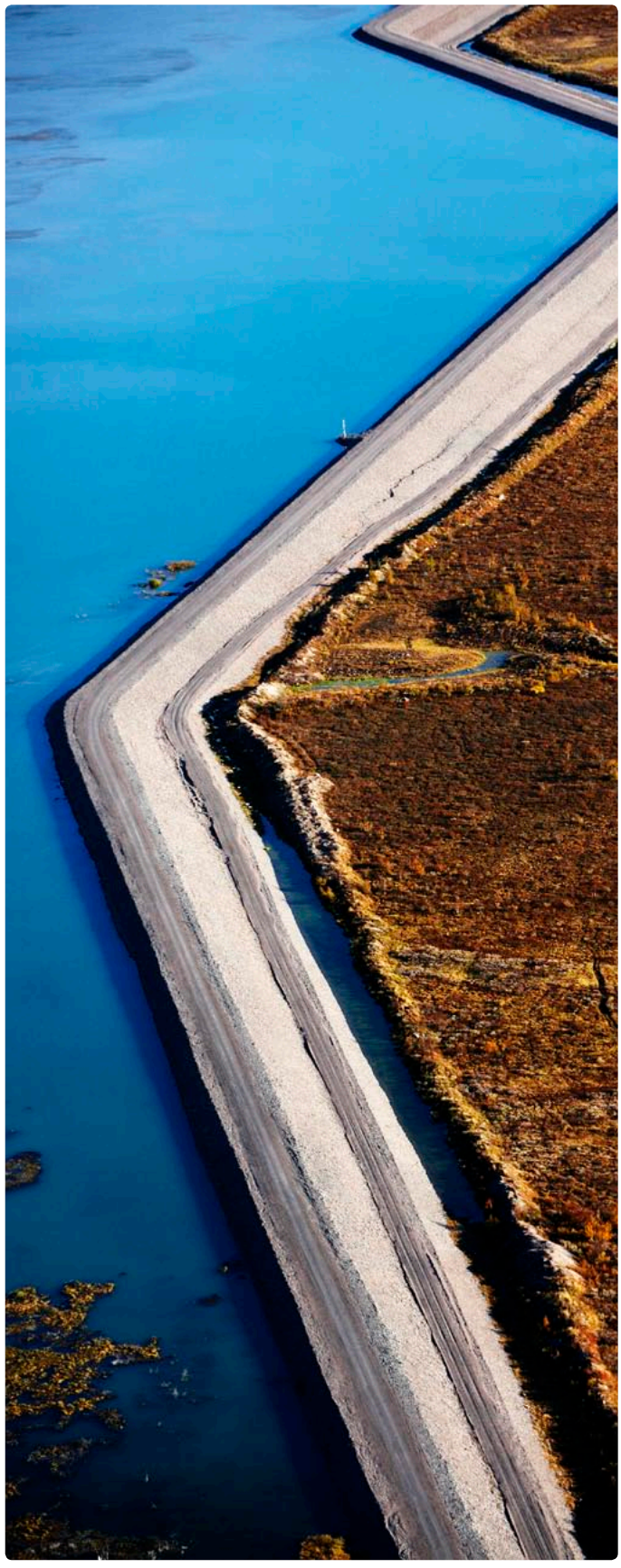
Refers to plants in the orefields.

ENERGY CONSUMPTION PER TON PELLETS MWh/tonne pellets



Efficiency improvements will contribute to a reduction in energy consumption in relation to the number of tonnes of pellets produced.

Refers to plants in the orefields.



Aerial view of LKAB's dam in Kiruna.

ENERGY SOURCES PURCHASED DURING 2008 CAN BE DIVIDED AS FOLLOWS

Non-renewable energy			
Hard coal	118,024	tonnes	Ship, Australia – LKAB importer
Hard coal	40,569	tonnes	Ship, Russia – LKAB importer
Fuel oil EO5 LS	50 656	m^3	Ship, Latvia via NAFTOIL – LKAB importer
Fuel oil EO5 HS	22,912	m^3	Ship, Latvia via NAFTOIL – LKAB importer
Fuel oil EO1	19,641	m^3	Preem from oil depot Uddebohamnen Luleå
Diesel oil	24,221	m^3	Preem from oil depot Uddebohamnen Luleå
Electricity	1,963	GWh	Vattenfall, of which 56 GWh invoiced sales to end users

ENERGY TARGET

Reduce energy consumption per tonne pellets produced by five percent, as compared to base year 2006, up to and including 2012.

REALIZATION

Calculations for 2008 show that LKAB reduced the specific energy consumption by 0.7 percent compared to 2006. From 2006 to 2007, the corresponding figure was 3.3 percent.

Energy consumption per tonne pellets produced fell by about ten percent between1999 and 2008.

SURPLUS HEAT RECOVERED AND UTILIZED INTERNALLY GWh

2008	2007	2006	2005	2004	2003	2002
280	161	162	163	139	149	92

FUEL CONSUMPTION 2008 (TJ)

	COAL	CRUDE OIL	GASOLINE	DIESEL	FUEL OIL	NATURAL GAS	ELECTRICITY
Kiruna							
Pelletizing plants	1 846	0	0	0	1 375	0	-
Boiler plants/Transport	0	0	0	288	57	0	-
Total	1 846	0	0	288	1 432	0	3 599*
Svappavaara							
Pelletizing plants	1 085	0	0	84	17	0	-
Boiler plants/Transport	0	0	0	65	10	0	-
Total	1 085	0	0	149	27	0	763*
Malmberget							
Pelletizing plants	0	0	0	0	1 085	0	-
Boiler plants/Transport	0	0	0	275	85	0	-
Total	0	0	0	275	1170	0	2 622*
Luleå	0	0	0	0,1	20	0	55*
Narvik	0	0	0	2	10	0	124
MINELCO	0	2,5	0	26	51	6,2	94

**Electricity consumption in the orefields, including subsidiaries but excluding external users*

ATMOSPHERIC EMISSIONS

Most of LKAB's atmospheric emissions come from pellet production, which gives rise to emissions of sulfur dioxide, fluorides, chlorides, nitrogen oxides and particulate matter. The effort to reduce emissions of nitrogen oxides (NOx) has remained a priority during the year. A series of development projects and studies of techniques for reduction of nitrogen oxides in internal process systems has been conducted.

Since 1980, emissions of particulates, sulfur dioxide and fluorine have been more than halved at the same time as pellet production has more than tripled. Atmospheric emissions were somewhat higher in 2008 than in 2007. This is due to the higher volume of production in 2008.

As for carbon dioxide, LKAB released 573 ktonne during 2008, which is an increase of more than 12 percent. This is also explained mainly by the increased production volume. In relative terms, per tonne pellets produced, emissions of carbon dioxide increased by 5.9 percent.

PARTICULATES TARGET

Reduce the spread of particulate matter by ten percent, as compared to 2006 levels, up to and including 2012.

REALIZATION

During the period 2006 to 2008, emissions of particulate matter have been reduced by 22 percent, particulate fallout by 20 percent, and particulate matter in snow samples by 32 percent. The particulate target, a reduction of 10 percent by 2012, has now been reached. Due to abnormally high levels of particulate matter in Svappavaara during the base year 2006, caused by problems with dust extraction equipment, there is still a possibility for further improvement.

ATMOSPHERIC EMISSIONS

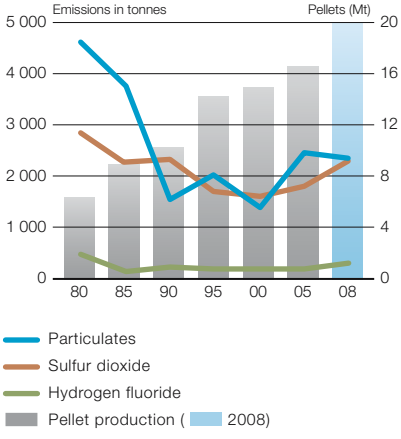
	2008	2007	2006	2005	2004
Particulates (tonnes)	2 355	2 125	2 490	2 450	1 360
Sulfur dioxide, SO_2 (tonnes)	2 267	2 212	1 985	1 695	1 540
Hydrogen fluorides, HF (tonnes)	309	325	218	190	179
Hydrogen chlorides, HCl (tonnes)	722	688	672	385	389
Nitrogen oxides, NOx (tonnes)	4 001	3 807	3 386	2 920	3 050
Carbon dioxide, CO_2 (ktonnes)	573	511	440	439	419

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

CO_2 EMISSIONS (tonnes)

Year	Kiruna	Svappavaara	Malmberget	Total
1998	263 732	100 029	75 030	438 791
1999	221 772	85 653	77 459	384 884
2000	256 804	93 470	75 290	425 564
2001	202 995	90 207	69 207	362 409
2002	231 742	88 948	74 697	395 387
2003	247 800	97 367	82 265	427 432
2004	240 484	99 610	78 693	418 787
2005	266 194	90 050	82 428	438 672
2006	254 270	91 970	93 264	439 504
2007	279 370	96 299	135 509	511 178
2008	353 256	110 280	109 059	572 595

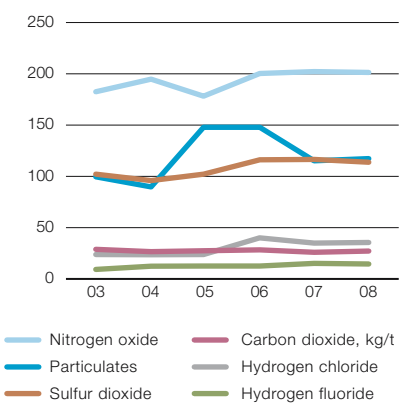
ATMOSPHERIC EMISSIONS



LKAB's capacity expansion is taking place in keeping with strict environmental standards. Since 1980, emissions of particulates, sulfur dioxide and fluorine have been more than halved at the same time as pellet production has more than doubled.

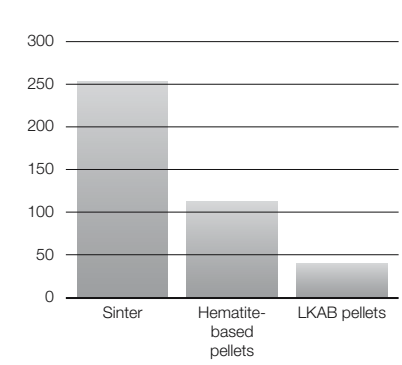
Refers to operations in Kiruna, Malmberget and Svappavaara. Luleå and Narvik are also included for particulates.

EMISSIONS PER TONNE PELLETS PRODUCED (g/tonne pellets)



Emissions from the pelletizing plants in Kiruna, Svappavaara and Malmberget. The flue gas cleaning equipment in the pelletizing plants has reduced emissions of, above all, sulfur and particulates.

CO_2 EMISSIONS FROM MINES TO SINTER AND PELLETS $kgCO_2$//tonne crude steel



The total carbon dioxide emissions from production of crude steel, about 2,000 kg CO_2/tonne, are reduced when LKAB pellets are used as the iron raw material. LKAB's pellet production results in one-seventh the quantity of emissions compared with sintering at the steelmills and one-third of the CO_2 emissions compared to hematite-based pellet production.

ACTIVE EFFORTS TO MANAGE WASTE

LKAB's mining operations generate residues and waste products to varying degrees. The company manages all categories of waste responsibly, especially those which are considered to have a particularly negative environmental impact.

Most of the waste from LKAB's operations in Sweden consists of mine waste rock. The ore mined in Kiruna and Malmberget generates mine waste rock. This takes place mainly in the sorting plant, where the ore is treated via crushing, screening, and magnetic separation. Thanks to the high content of basal minerals, the dry waste rock can be deposited in piles.

The leachate produced when the waste rock piles are exposed to weather has a near-neutral pH value, which means that metals are not released into the surroundings. However, the leachate has a high nitrogen content due to the occurrence of residues from undetonated explosives that react with precipitation. LKAB is therefore studying more efficient use of explosive in an effort to minimize discharge of nitrogen to water.

The so-called wet waste rock, tailings, is generated in both Kiruna and Malmberget as well as in Svappavaara. Low levels of trace metals such as zinc, cobalt and arsenic can be measured. Risk assessments indicate that waste rock constitute a low level of risk for contamination of the surroundings.

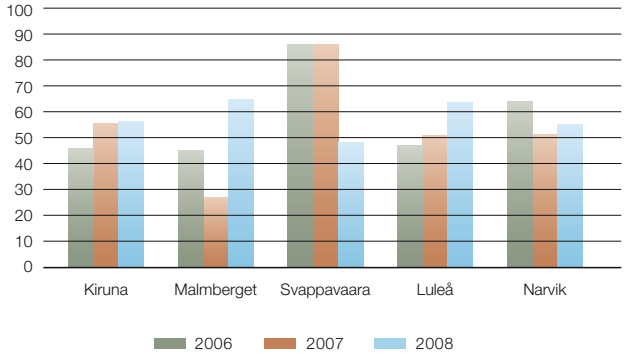
WASTE TARGET

Increase the proportion of sorted waste to at least 80 percent by 2012 from about 50 percent in 2006. Waste rock and lime waste are not included in the target for waste.

REALIZATION

LKAB has increased the total share of sorted waste by six percent since 2007 and by eight percent since the base year 2006. 57 percent of the total amount of waste is now sorted.

SHARE OF SORTED WASTE IN IRON ORE OPERATIONS %



Waste rock deposit, Kaptensgropen in Malmberget.

HANDLING OF DESULFURIZATION SLUDGE

FGD sludge (flue gas desulfurization sludge) is generated mainly by the sulfur reduction systems in the pelletizing plants in Kiruna and Malmberget. The waste contains, among other substances, unreacted lime, chloride and particulate iron. Even though the chloride content is high, the FDG sludge poses little hazard to human health and the environment, according to the EU landfill directive. During 2008, this was confirmed by further testing.

The waste is transported with vacuum trucks and deposited in a specific location in accordance with a decision by the County Administrative Board. The site is surrounded by seepage collection ditches, and any seepage discharges to a tailings pond. To prevent the spread of dust, the sludge is handled in closed systems and is covered with waste rock.

SCRAP METAL AND SITE WASTE

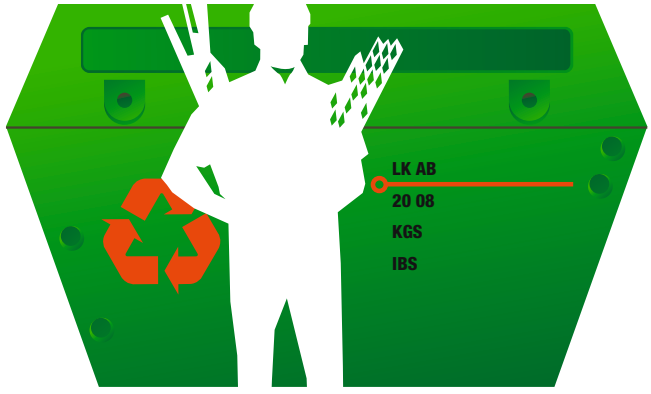
Most of the site waste is generated in Kiruna, the location of the largest operation, and is sorted as combustible, non-combustible, unsorted waste, and reclaimable paper. LKAB works actively to promote and facilitate the sorting of waste products.

In Sweden, LKAB's operations generate various types of scrap iron and other scrap metal. Minelco's operations do not give rise to process wastes, all end up in saleable products. In Greenland, waste rock is landfilled in accordance with a plan that is approved and monitored by the supervisory authority Råstofsdirektoratet. No soil stripping has taken place. In Turkey, soil stripping and deforestation are subject to the approval of Turkish supervisory authorities.

HAZARDOUS WASTE

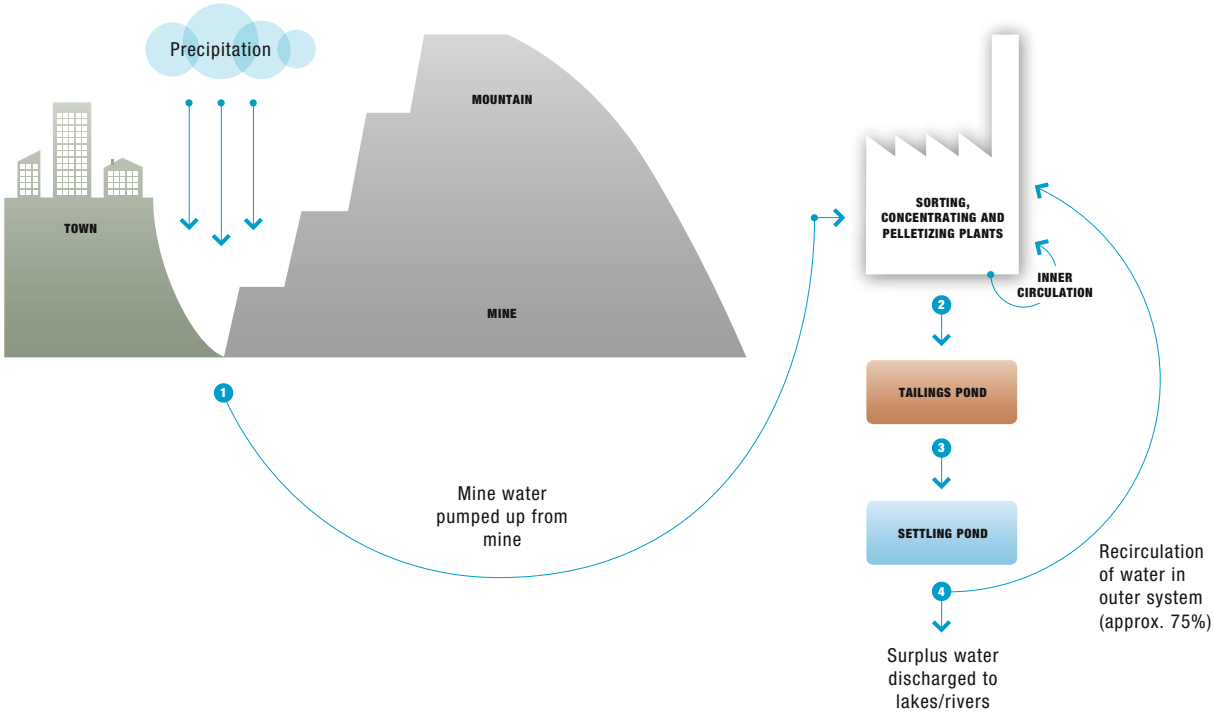
LKAB's operations in Sweden generate nearly 900 tonnes of waste that is classified as hazardous. Most of this consists of waste oil and lubricant residues. The rest consists of other forms of oil or oil-contaminated material, and aerosols, paint, lubricants, lead batteries, electronics scrap, and mercury-containing lamps.

LKAB has contracted management of hazardous waste to Stena Recycling AB. This company is authorized to handle and dispose hazardous waste.



DISPOSED WASTE (rounded off to nearest whole number)

2008		KIRUNA	SVAPPAVAARA	MALMBERGET	LULEÅ	NARVIK	TOTAL
Dry waste rock	ktonnes	8 665	0	5 251			13 916
Tailings	ktonnes	2 153	534	1 321			4 008
FGD sludge	ktonnes	29	5	3	0	0	36
Site waste	tonnes	3 055	200	885	19	272	4 431
Scrap metal	tonnes	4 788	2 046	2 972	18	141	9 965
Hazardous waste	tonnes	348	269	204	8	64	893
Hazardous waste (incl., scrap)	%	4	11	5	18	13	6



WATER IS A KEY ELEMENT OF THE PROCESS CYCLE

In the mining and processing of ore, water circulates continuously. The quality of the water must be monitored continuously if the water is to be returned to the eco-cycle.

LKAB uses water from nearby waterbodies in Svappavaara and Malmberget. Permits allow LKAB to take a maximum of one million cubic meters of water per year from the Kalix River, and at most 28 cubic meters per minute from the Lina River. These sources are not considered to be significantly affected by the withdrawal, since withdrawal is relatively small compared to the total water volume.

The mines are dewatered by pumping. LKAB pumps water from the mines in Kiruna and Malmberget and from the dolomite quarry in Masugnsbyn. This affects the deep groundwater in the mine locations; therefore, all similar activities and their environmental impacts are subject to review in accordance with applicable legislation.

DISCHARGES TO WATER

	2008	2007	2006	2005	2004	2003
Nitrogen, N (tonnes)	370	415	398	468	379	237
Total phosphorus, P (kg)	388	660	492	644	478	366
Trace metals (kg)[1 2]	410	321	250	378	303	171

1) Chromium, cadmium, copper, nickel, lead, zinc and arsenic. 2) incl. Narvik, 2008

HIGH DEMANDS ON QUALITY AND SAFETY

The water that is pumped up from the mines is classed as water in the outer system, while process water circulated in the plants is part of the inner water system. Precipitation augments the water systems. In the settling pond, the process water is treated via sedimentation.

About 75 percent of the water circulates in the systems, and the surplus that is not recycled and reused in processes is discharged to lakes and rivers that are in some cases protected under Natura 2000. The surplus water contains some nutrient substances, such as nitrogen and phosphorus, and buffering substances, such as calcium, magnesium and carbonates. In addition, metals such as copper and nickel occur in the water. High demands are placed on the quality of discharged surplus water. LKAB is therefore required to perform tests including chemical and biological analysis of the recipient water systems. Extensive analyses of this type are normally conducted every fifth year. The ore mined by LKAB shows higher content of buffering minerals than of acidifying minerals, which markedly alleviates the impact of the surplus water on the recipient water systems.

Other water from LKAB's operations is discharged from the industrial sites to the municipal sewer systems. In Malmberget, the sewage water is treated in sludge separators and filtration beds of sand. This water is also tested and analyzed to monitor bacteria content discharged to the Lina River.

CONTROLLED ALTERATION OF THE LANDSCAPE

The landscape around LKAB's facilities is altered as an unavoidable consequence of the company's operations. With good planning and careful monitoring, these changes can be managed in a safe and controlled manner.

Mining and processing of minerals necessarily implies alteration of the surrounding landscape. Open pits, deformation zones and waste rock piles are evidence of this, as are ponds for tailings and process water.

LKAB's expansion in the operating locations in the orefields entails long-term structural changes in the nearlying communities. In both Kiruna and Malmberget, decisions have been taken which imply that mining will progress successively deeper, which in turn means that more land must be used. Buildings and infrastructure must be relocated.

Together with concerned stakeholders, LKAB is working actively to find joint solutions for the structural changes.

MONITORING

Vibrations and seismic events occur in Malmberget and Kiruna and can be considered annoying and disconcerting. When a seismic event occurs, it is recorded by instruments placed around the mine area and in the nearlying community. The site is inspected by rock engineers and geophysicists and special reports are issued. The information is sent to the responsible parties at LKAB and to relevant external stakeholders. Information is posted on LKAB's website, www.lkab.com.

Deformation and seismic events within LKAB's areas are monitored with the help of modern technology, for example, GPS. This is done so that ground movements can be followed on an ongoing basis and boundaries around deformation zones can be extended well in advance. The systems forecast movements in and around the orebodies. During 2008, LKAB began a major expansion of the systems to provide a more complete picture of movements in the mine production areas. This expansion will continue in both Kiruna and Malmberget during 2009.

DAM SAFETY

LKAB has an extensive dam-safety program. All of the dams surrounding LKAB's tailings ponds in Kiruna, Malmberget and Svappavaara are designed in accordance with GruvRIDAS (the Mining Industry's Guidelines for Dam Safety). Settling ponds, which contain mostly process water, are designed according to RIDAS (the Power Industry's Guidelines for Power Dam Safety). LKAB's tailings ponds are also subject to the new regulations on mine waste, effective as of 1 September 2008. Existing facilities must be adapted to meet the new requirements by 30 April 2012.

In late-2008 and early-2009, several applications for construction of new dams and measures to meet increased capacity were submitted. Changes in operations and increased capacity have entailed higher demands on dam safety, above all with respect to inspection intervals, and the fact that spillways must be designed for a 10,000-year return period (i.e., a 1:10,000 year rainfall event).

REMEDIATION

When mineral deposits have been mined out, the land must be remediated. Remediation is required by law, and LKAB collaborates with supervisory authorities in devising remediation plans for the mining sites. Revision of plans for waste-rock landfills for the operations in Malmberget and Svappavaara continued during 2008.

LKAB is also required to provide financial guarantees to cover the costs of remediation and other remedial measures. During 2008, SEK 100,000 was remitted to the County Administrative Board as a guarantee for future remediation measures at the site of test mining at Gruvberget in Svappavaara. In 2008, LKAB completed remediation measures at a total cost of MSEK 70. These measures included ongoing backfilling of Kaptensgropen in Malmberget and removal of the old railway track between the Tuolluvaara industrial site and the main line in Kiruna. Remediation of previously identified contaminated areas in Luleå was completed during 2008. Landfilling of lime

ENVIRONMENTAL COURT RULINGS 2008

Ruling concerning raising of dam levels in Kiruna:
On 9 June 2008, LKAB was granted a permit by the Environmental Court to raise the dam level of the tailings pond in Kiruna by three meters.

Ruling concerning terms for deformation in Kiruna:
On 1 July 2008, LKAB received a ruling on changes in the terms for ground deformation. Due to an appeal lodged by a private individual, the ruling has therefore not gained legal force. LKAB awaits a decision by the Environmental Court.

Ruling on appeals concerning permits in Malmberget:
In autumn 2007, LKAB was granted a permit for increased production in the mine and plants in Malmberget. Appeals were lodged with respect to several points by private individuals, by the County Administrative Board, and by LKAB concerning terms with respect to vibrations. These appeals were considered by the Environmental Court in autumn 2008, and a ruling was received on 11 December 2008.

Other appeals by private individuals were rejected by the Environmental Court.

sludge in Svappavaara was discontinued in 2008 and remediation will take place during 2009.

Several financial provisions have previously been made for these measures.

In connection with the granting of permits for the operations in Greenland and Turkey, remediation plans have also been approved. Minelco AB has a contingent liability for remediation of the site in Greenland in the event of closure.
Following the ruling of the Environmental Court with respect to increased concentrating and pelletizing capacity in Kiruna, a bank guarantee of MSEK 63 has been pledged. According to the 2007 ruling by the Environmental Court with respect to operations in Malmberget, a bank guarantee of MSEK 45 has been pledged, and according to the 2006 ruling by the Environmental Court with respect to quarrying and water operations in Masugnsbyn, a bank guarantee of one million kronor has been pledged to the County Administrative Board of Norrbotten for future site remediation.

STUDY ON DECONTAMINATION REQUIREMENTS IN ALA LOMBOLO

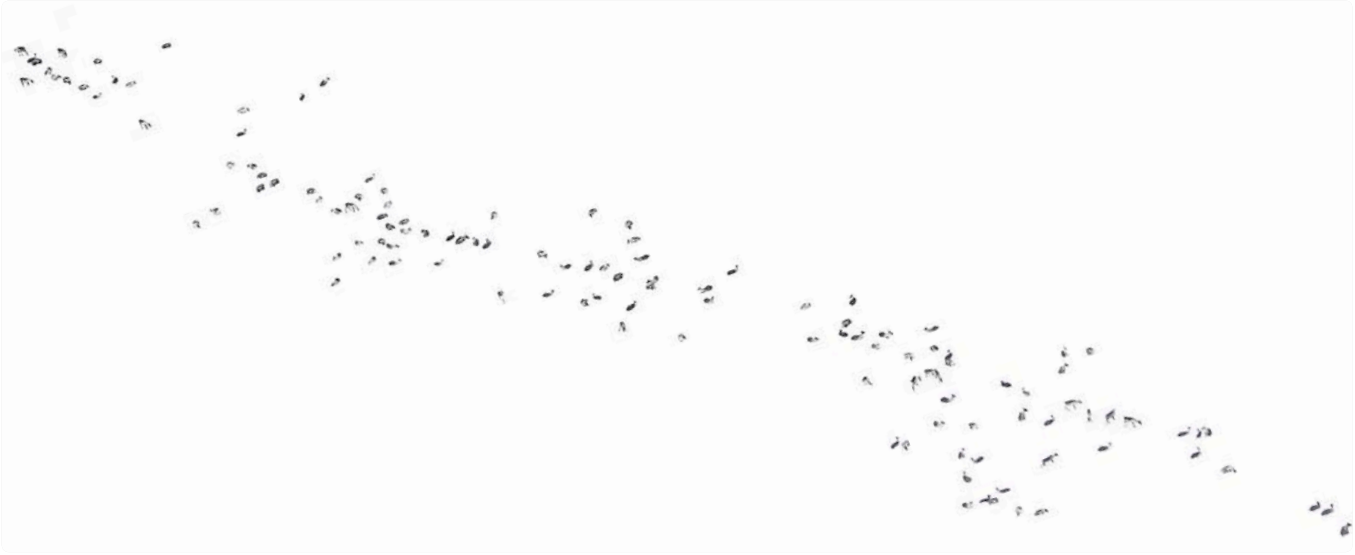
Before LKAB was to begin draining Lake South Luossajärvi in the early-1990s, environmental studies revealed that the sediment downstream in Lake Ala Lombolo contained contaminants. These include more than 200 kg of mercury. Consequently, the lake was classified as a risk class 1 lake, and owing to the fact that it is connected to the Torne River, the County Administrative Board has made the project a priority. The situation is complicated by the fact that the sediment also contains ammunition that was dumped by the Swedish Armed Forces. Together with representatives from the municipality and the County Administrative Board, LKAB is participating in a project group whose task is to study the environmental status of Lake Ala Lombolo and its surroundings.

INFRINGEMENTS

In Sweden, LKAB implements a so-called incident reporting system, whereby all environmental incidents, regardless of size and significance, must be reported. As a result, 32 incidents of significant oil and fuel spills totaling about ten cubic meters were reported in 2008. Several other cases concerning conflicts with respect to environmental issues are listed in the table below. For more information concerning environmental court rulings, see the previous page.

CURRENT ENVIRONMENTAL CASES

PLAINTIFF	LOCATION	YEAR	CAUSE	MEASURES	RESULTS
County Administrative Board of Norrbotten	Svappavaara	2008	Noise	Remedied	Completed 2009
County Administrative Board of Norrbotten	Kiruna	2008	Deformation	New terms set during 2008	New terms have not gained legal force, due to appeal by a private individual.
Property owners	Malmberget	2008	Disruptions, e.g., dust, seismic events, blasting	Claim contested	Ongoing
Landlords	Malmberget	2008	Dust	Compensation paid, MSEK 3.1	Agreement reached, to be reviewed and renewed annually.
Kiruna Kommun	Svappavaara	2007	Particulate	Remedied	Completed 2009
Kiruna Kommun	Svappavaara	2007	Noise	Remedied	Completed 2009



Reindeer herd on Torneträsk.

RESPONSIBILITY FOR THE SURROUNDING ENVIRONMENT

LKAB's operations can have an impact on the surrounding environment. LKAB tries to ensure that the impact on sensitive ecosystems and environment is minimized and that it poses no threat to biodiversity.

Some 24,200 square kilometers, or about 23 percent of Norrbotten's area, is protected as national parks or nature reserves. This means that LKAB's facilities in Sweden are in some cases adjacent to protected environments. In each separate permit application, LKAB in Sweden assumes its responsibility with respect to protected areas, in accordance with the Environmental Protection Act.

Laponia is one of Europe's last remaining major wilderness areas and is listed as a UNESCO world heritage site. Part of Laponia is situated within the Municipality of Gällivare, at some distance from LKAB's industrial sites in Malmberget. The area is also part of the cultural landscape of the Sami people. LKAB's assessment is that the company's operations have relatively little impact on the area.

Near LKAB's locations, there are also a few bird sanctuaries, such as Lake Hyttijärvi and Lake Nykvarnijärvi in the Municipality of Svappavaara. None of these are significantly impacted by the company's operations.

INVENTORY OF WETLANDS

The County Administrative Board of Norrbotten has conducted an inventory of wetlands as a basis for assessment of impact from LKAB's operations in Sweden. LKAB's pond system in Kiruna is directly adjacent to a wetland area of high biodiversity value. LKAB's process water is discharged to the pond system. Directly adjacent to LKAB's pond system in Svappavaara is a smaller wetland area of high biodiversity value. In Malmberget there is a smaller wetland area with certain known natural values beyond Lake Nalojärvi, which is directly adjacent to LKAB's pond system. No negative environmental impact from LKAB's operations has been observed in any of these areas.

PROTECTED AREAS

Natura 2000, an ecological network, was established in 1992 on the basis of the EU Habitats Directive and Birds Directive, adopted in 1979. Natura 2000 designated areas have particularly high biodiversity values. All Natura 2000 areas are classed as sites of national interest, and permits are required to conduct operations or activities that can have any significant effect on habitats and ecosystems in these areas. There are a number of such areas in the vicinity of LKAB's locations. However, LKAB's operations are not considered to affect these areas to any significant extent.

In the Municipality of Kiruna there are six Natura 2000 areas within a 20-kilometer radius of LKAB: Rautas, Torneträsk -Soppero virgin mountain forest, Påkketanjaure, the Kalix and Torne River systems, Kaitum virgin mountain forest, Alajaure, and Sautusvaara. The national parks closest to Kiruna and LKAB are Abisko in the Municipality of Kiruna and Stora Sjöfallet in the Municipalities of Jokkmokk and Gällivare.

In the Svappavaara area, the Torne River and its tributaries are protected under Natura 2000. The rivers are included in the Natura 2000 Torne and Kalix River systems and are of national interest for outdoor recreation and nature conservation. To the north and south of Gruvberget and LKAB's industrial sites in Svappavaara, reindeer herding trails have been designated as being of national interest. Lakes Hyttijärvi, Kivisalmijärvi and Nykvarnijärvi, north of Gruvberget, are bird sanctuaries. LKAB's operations in Svappavaara lie within the Laevas Sami Reserve reindeer husbandry area.

Within the Municipality of Gällivare, about 20 areas are designated Natura 2000 areas. Two of these are within a radius of about12 kilometers from Mamberget and LKAB. Muddus, the national park that is closest to Malmberget and LKAB's

industrial site, is of national interest for skiing and other recreational activities. Also in the vicinity is Sjaunja Nature Reserve, Europe's largest mire complex.

DIALOGUE ON ENVIRONMENT

LKAB is engaged in many dialogues and joint projects concerning the environment. Stakeholders include environmental protection organisations, supervisory authorities, the Sami and other local residents.

LKAB is working in several areas to alleviate impact on the climate, in among other ways through participation in international research programs.

Via the research project ULCOS (an initiative of the World Steel Association), the aim is to study possibilities for reducing European steel-industry carbon dioxide emissions by 50 percent from 2004 levels. LKAB has contributed by making the experimental blast furnace in Luleå available for studies of how CO_2 emissions from blast furnaces can be reduced.

LKAB is also conducting a so-called CCS project (Carbon Capture and Storage). The aim is to study possible methods for separation and sequestration of carbon dioxide in mine waste rock. Together with researchers from the University of Adelaide in Australia and others, LKAB is also developing a more environmentally friendly coal powder burner. An expert group with researchers from Chalmers University, Luleå University of Technology and Mid University Sweden is also involved in the project. By increasing forestry production, LKAB and other project partners are attempting to reduce atmospheric carbon dioxide levels while conducting practical trials aimed at doubling yields on limited forestry areas. In the long term, via increased forestry production, it may be possible to bind as much carbon dioxide in forests as LKAB releases.

WATER CONSERVATION ORGANISATIONS

LKAB participates in a volunteer organisation known as the Torne and Kalix Rivers Water Conservation Association together with municipalities, companies and other interests in Sweden and Finland that are active within the association's water conservation district. The aim is to protect the Kalix, Kaitum, Torne, Muonio and Könkämä Rivers and their tributaries by working from a common platform to promote water conservation and coordinated control of water resources.

LKAB is represented on a steering committee for the Kalix and Töre Rivers Council, which was formed in 2008 as a result of the EU decision, taken in 2000, on a framework directive for protecting water resources in the best way possible for future generations.

LKAB also participates in a working committee of a water resources conservation organisation known as Tornedalens vattenparlament, which includes representatives from both Sweden and Finland.

STUDY OF HEALTH AND ENVIRONMENT

During 2008, work began on epidemiological study among residents in Malmberget, Koskullskulle and Gällivare. The study is funded by LKAB in accordance with a 2007 ruling by the Environmental Court.

The aim is to study how residents perceive their health and environment, principally in relation to LKAB's operations. The results will be presented during 2009-2010.

Luossajärvi ('Salmon Lake' in Sami) in Kiruna.

STAKEHOLDER DIALOGUES

A large number of stakeholder dialogues were held during 2008. These are presented in the table below.

STAKEHOLDER GROUP	CARRYING OUT	FREQUENCY	PURPOSE
SWEDEN: **Residents in Malmberget and Kiruna**	Information meetings Information meetings are open to all, and invitation is normally via announcement in local media.	Information meetings are held about twice annually.	Inform about work with the structural transition and its impact on the community and residents.
Local residents in Malmberget who must relocate owing to the structural transformation	Meetings with representatives appointed by those who must relocate	Meetings held regularly	Dialogue and information on structural transition and how it affects residents in the area
Residents in Malmberget and Kiruna	Information office where residents can meet representatives of LKAB	Within information office's set opening hours	Opportunity for area residents to present questions directly to LKAB's representatives
Public administrations, Sami reserves **Local associations: Hunting and fisheries conservation groups, representatives of the Swedish Society for Nature Conservation**	Consultative meetings	Consultative meetings held regularly (in accordance with Environmental Code)	Early opportunity to hear views
Land owners and local interest groups; e.g., Koskullskulle local residents' group, Svappavaara local heritage society and outdoor recreation association	Information/consultative meetings with concerned parties/residents in the vicinity of LKAB's operations in Sweden that are regulated by Environment Code, indicating the permits for which consultative meetings must be held	Consultative meetings held regularly	Early opportunity to hear views
Supervisory authorities	Consultative meetings	Consultative meetings held regularly	Consultative meetings mainly concern the controls and monitoring performed by the company in the respective operating locations. LKAB documents these meetings in various ways, depending on the purpose and type of meeting. This information is distributed to participants.
NORWAY: **Homeowner groups representing residents affected by ore harbor operations**	Information meetings	Held regularly. In Norway, LKAB's environmental management is regulated by the Pollution Control Act, which includes legislation on environmentally hazardous operations.	During information meetings, which are chaired by LKAB's local management, local environmental issues, e.g., noise and dust, and residents' views and complaints are addressed.

Work with social issues

Addressing social issues is essential for LKAB's development and success. Of the five areas of priority for sustainability in 2008-2009, several are included here: safety, health, impact on the community, and gender equality and diversity.

MANAGEMENT OF SOCIAL ISSUES

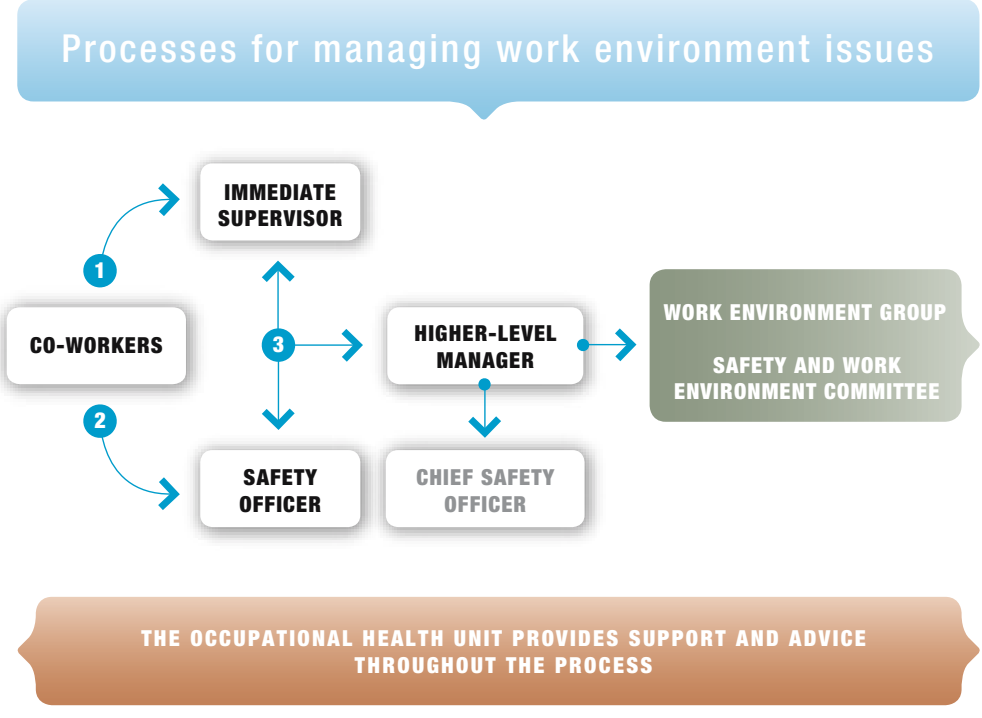
The personnel policy is an important basis for management. Among other things, our personnel policy states that we will strive to ensure that our workplaces are safe, secure and developmental, that each individual assumes responsibility for his or her own safety and the safety of others, and that conditions will be conducive to the long-term health of our employees.

LKAB's management of social issues is decentralized. This means, for example, that work environment issues are addressed as close as possible to the source of the problem, since that is where the greatest knowledge of the work situation and the best insight into how to deal with the problem exists.

If the issue cannot be dealt with in the workplace, it must be brought to the attention of an immediate supervisor and chief safety officer or, in applicable cases, a work environment committee. Within LKAB in Sweden there are several forums for working with specific areas. These include the Rehabilitation Committee, the Salary Committee, the Risk Assessment and Consequence Analysis groups, and the Gender Equality group. The work environment groups, which are the forums that are closest to the workplace, also invite representatives of contractors to participate in addressing issues of mutual concern.

EVENTS AND ACTIVITIES

During the year, the worst that can happen in a workplace occurred. A truck driver working for LKAB in the Kiruna mine was killed in a cave-in. Immediately after the accident, an extensive crisis-support effort was initiated to assist the family and co-workers of the deceased. The accident investigation revealed that the rock fall was caused by a seismic event. An intensive improvement effort was initiated immediately with the help of external and in-house experts in close collaboration with LKAB's trade unions. As a result, seismic monitoring of the mines will be more extensive in the future, and the systems that are now in place will be expanded. Consequently, rock reinforcement work is also being intensified. In addition a major effort is also being made to develop reinforcement methods better suited to the dynamic loads resulting from seismic events, which are expected to increase in frequency as mining proceeds successively deeper and rock stresses increase. This work is being conducted in cooperation with international experts in the field.



SAFETY FIRST

Safety requirements are high within LKAB. Zero accidents is the long-term goal. The safety culture is developing continuously, and LKAB is persistent in its striving to identify, prevent and eliminate the risks that exist in our operations. Risks that cannot be eliminated will be minimized, and the level of caution among those who are exposed to them must be a high.

OCCUPATIONAL INJURIES

The LKAB Group has established guidelines and procedures for reporting and dealing with occupational injuries and work-related illnesses. Risks and incidents are managed in a similar manner. Accidents are reported and managed via LKAB's own data system. Reports must be made within three days and sent to supervisory authorities within two weeks.

In the major operating locations in Sweden and Norway, work environment surveys of all workplaces are conducted regularly. The work environment surveys, which indicate how health is affected by the work environment, are conducted every fifth year. The results are presented to the immediate supervisor and higher-level managers.

SAFETY INCLUDES DRUG PREVENTION

Since 2006, LKAB has conducted compulsory training programs on alcohol and drug-related problems for all supervisors and safety officers. Random drug testing of all employees and contractors' personnel working in LKAB facilities in Sweden is part of the long-term strategy to address substance-abuse and safety issues. The aim is to prevent drug abuse and to ensure that workplaces are free of drugs.

If an employee tests positively for the presence of prohibited substances, rehabilitation is offered. Contractors are expected to treat their own staff in the same manner. The goal is to eliminate the drug abuse and keep the employee.

During 2008, LKAB participated in a national program of which the aim was to attempt to identify employees whose alcohol-consumption habits place them in the risk zone for addiction, before they become addicted. Experiences from this project have been integrated into the preventive measures for health and safety.

ACCIDENTS RESULTING IN ABSENCE

The number of accidents in the Group resulting in absence amounted to 65; two less than in 2007. The number of accidents per million working hours declined marginally during the year to 9.4 (9.5). The target, a 20-percent reduction in accident frequency, was therefore not reached. The results show that much remains to be done to improve the work environment. During 2009, "Safety First", of which the primary focus has been our iron ore operations, will be intensified throughout the Group.

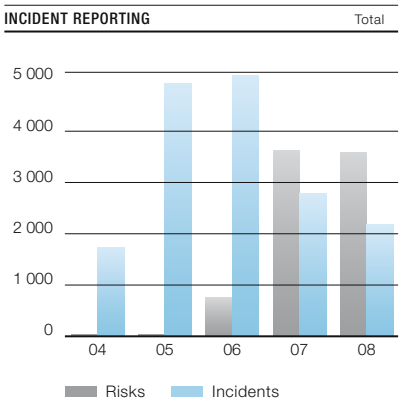
ABSENCE DUE TO SICKNESS

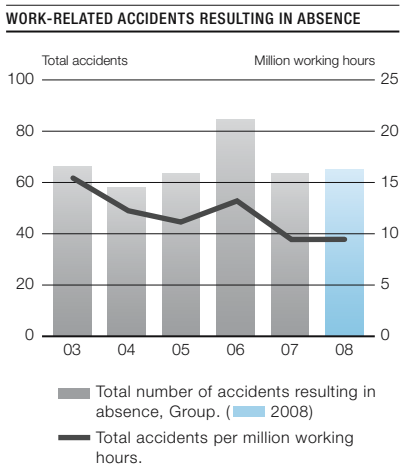
LKAB set a goal in 2004 to reduce the rate of long-term sick absence by half, from 4.1 percent, within five years. The target was reached within three years and the rate of long-term absence due to illness is now about 0.7 percent. The positive result has been achieved by working systematically with rehabilitation. A primary objective of rehabilitation is for the individual to return, if possible, to his of her normal place of work. Contact with the workplace is therefore a very important and natural part of the rehabilitation effort. Only when the possibilities for a return to the normal workplace have been exhausted can alternatives for employment elsewhere in LKAB be sought. The rate of short-term absence due to sickness is now about 2.3 percent.

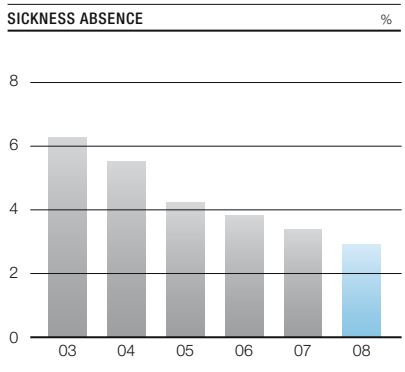
HEALTH

Preventive health measures are increasingly important. The trend in society towards an all the more physically inactive population is also reflected in LKAB. Therefore, for several years, the company's employees have been able to exercise, free of charge and during their leisure time, at fitness centers in LKAB's larger operating locations in Sweden.

One of the goals of the wellness program is to increase the level of physical activity among employees. Progress is followed as a measure of the number of fitness training occasions at the external fitness centers. The objective has been to increase the number of fitness training occasions by five percent, and during 2008, this figure rose by 19 percent. The results of work environment surveys and employee health check-ups show that the health situation within LKAB is generally good.







Total sickness absence in the Group, as percentage of total working hours.

PREVENTIVE MEASURES

LKAB works actively to prevent illness, injury and health problems. Employees receive training in knowledge of the work environment, including ergonomics and the psychosocial work environment. Via the Occupational Health unit, all employees in Sweden and Norway can undergo regular medical examinations.

In all other Group companies, mandatory medical examinations are a minimum requirement.

In the event of a serious accident or incident, our own staff in the major operating locations in Sweden and Norway can provide crisis support for the injured party and his or her family, co-workers and supervisors.

Owing to the location, for Minelco's operation in Greenland, there is a special plan for ensuring that emergency services resources can be made available within a reasonable time. Duty physicians can be contacted by telephone at all hours.
Within the HR area, Minelco performed an ESI (Employee Satisfaction Index) in 2007 to gain an understanding of employees' viewpoints and to aid the work of improvement. It has been decided that this type of survey, covering all employees, will be done every other year.

During 2008, work began within Minelco to develop a global introduction course and a process for employee dialogues on personal development and objectives.

A communication tool in the form of a Corporate Newsletter to all employees was produced in 2008. The newsletter is published three times per year. The purpose is to improve employees' knowledge of the Minelco Group, since some employees do not have access to the Group's intranet.

THE WORK ENVIRONMENT EFFORT PAYS OFF

Fewer accidents and less absence due to illness has given result with increased productivity and lower costs. LKAB is also seen as an attractive employer, and the employees and their families perceive LKAB as a safe and secure workplace.

Targets

- Zero accidents in the long term
- The total number of accidents resulting in absence will be reduced by 20 percent per year.
- Long-term sickness absence must not exceed 1.5 percent.

Outcome 2008

- Three reported cases of work-related illness per 1,000 employees
- 0.7 percent long-term absence due to illness, 2.3 percent short-term
- 9.4 accidents resulting in absence per million working hours
- One fatality in Sweden

GENDER EQUALITY AND DIVERSITY

LKAB actively seeks to improve gender equality. This is prioritized above other diversity issues, since occupations within the company have traditionally been male-dominated and stricter requirements have been legislated.

The Group's long-term objective is to increase the share of permanent female employees to at least 40 percent. The intermediate-range goal for 2008, 13.5 percent, was not reached, even though the number of women continued to increase, reaching 13.1 percent by the start of 2009.

During the year, LKAB hired its 500th female employee, the company's new Vice President, Communication. She is also the first woman to join Group Management.

LKAB also works actively to encourage more women to apply for jobs within the company, or to enroll in study programs that may lead to employment in the LKAB Group. For example, for the second year running, LKAB has co-funded the Nutek project "Coaches – Guidance for profitable business". The project has to do with sustainable development, improving conditions for women and their participation in regional growth and development programs.

The Group's companies, represented in many countries, reflect a broad diversity of nationalities and backgrounds. This is also evident at the management level.

A broader effort to promote diversity will be coordinated with the ongoing program of gender equality.

According to established practice and in compliance with Swedish legislation, LKAB does not register ethnic origin, religion or sexual orientation, and cannot therefore present those diversity parameters. However, statistics for age and gender are reported, see page 14. No cases of discrimination or violation of human rights have been reported during the year.

LKAB has a gender equality committee that includes employee representatives who help to formulate a Plan of Action for Gender Equality, which is followed up annually, both statistically and with respect to activities out in the workplaces. The follow-up is presented to Group Management. Salaries are reviewed regularly to ensure that there are no unjustifiable differences in remuneration to women and men in the company.

- **100 percent of all employees (excluding Group Management) in Sweden and Norway are subject to collective bargaining agreements.**
- **100 percent of LKAB employees have employment contracts. For Minelco employees, employment contracts are in compliance with legislation in the respective countries.**

THE RIGHT COMPETENCE, TODAY AND TOMORROW

In an international and competitive business such as LKAB's, a supply of qualified labor and competence development are critical success factors.

COMPETENCE DEVELOPMENT

LKAB works actively with teams, projects and other forms of work organisation to promote the transfer of knowledge within the company. LKAB also encourages job mobility, both nationally and internationally.

During the year, priority training within the company has been targeted at improved safety. Other major training initiatives have also be realized; for example, 200 training days related to the new concentrating and pelletizing plants that came online in Kiruna during the year.

During 2008, a further three management training programs, mainly for developing existing managers, were initiated. LKAB works actively to improve the attractiveness of the managerial role by offering opportunities for formal, on-the-job management training.

During the year, an international management development program was completed. The aim is to strengthen the individual managerial role and to foster a common leadership identity in the Group, as well as to bring managers of the different operations together to exchange knowledge and experience. A new program is planned for 2009.

REWARD SYSTEM

LKAB's incentive system involves most employees in Sweden and Norway and adheres to guidelines for incentive schemes for employees of state-owned companies. The aim is to encourage each individual employee to contribute to reaching targets with respect to product quality, production volume and fewer accidents. The maximum reward per full-time employee and year is now 40,000 kronor. For 2008, incentive payments averaged about 19,235 kronor per employee. Group senior executives do not participate in the incentive scheme or receive any other form of variable remuneration. Compensation are not made with respect to sustainability.

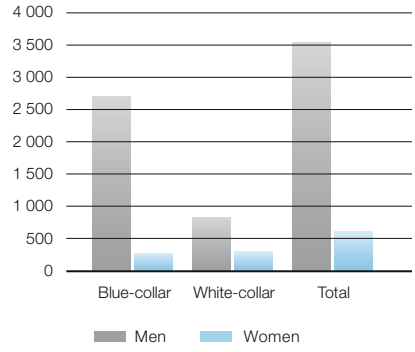
AWARDS AND DISTINCTIONS FOR SUSTAINABILITY

In 2008, LKAB employee Lars-Ola Särkimukka received Prevent's Work Environment Award. Prevent's prize is awarded annually to people in companies and organisations who work actively and successfully to develop and improve the work environment. Their work may concern both the physical and the psychosocial work environment.

The citation for Lars-Ola Särkimukka's award read: "Through his commitment, Lars-Ola has contributed to raising work-environment improvement in the Kiruna mine to a higher level by developing and integrating it in the day-to-day operations.

Lars-Ola has striven to bring all efforts towards improvement of the work environment under the direction of a joint management group. He has always worked with a focus on work environment in the company, transcending the boundaries that have existed between trade union and employer."

AVERAGE NUMBER OF EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES* DISTRIBUTED PER REGION 2008

	Men	Women
Sweden	2 970	465
Norway	224	22
Turkey	15	2
Asia	70	20
Holland	17	9
Germany	11	11
Greece	5	1
USA	2	2
Finland	2	1
England	177	41
Greenland	17	0
Slovakia	1	0
Poland	1	0
Total	3 512	574

*Permanent and temporary employees included.

PERSONNEL TURNOVER IN THE GROUP

Year	Percent
2006	6,2
2007	8,0
2008	8,2

Calculated on the basis of terminated employment and recruitments in relation to number of permanent employees per 31 December of the previous year.

LKAB – A PART OF SOCIETY

As an economic driving force in Norrbotten and a dominating employer in the orefields communities, LKAB has an interest in contributing to the vitality of the communities and the attractiveness of the region.

SPONSORING

The Group's sponsoring must contribute to the public's perception of LKAB as a positive force in society. With a business-oriented, active and visible sponsorship program, LKAB will reach broad groups in society and strengthen the image of the company. All sponsoring will lead to great benefit and will be characterized by high quality and local presence.

The local sponsorship program in the orefields communities is implemented with evident social commitment. Sponsoring includes both culture and athletics and is largely a matter of encouraging and supporting non-profit youth activities in clubs and associations. In every sponsorship agreement, a clear drug and alcohol policy with a focus on prevention is a must.

LKAB assists talented young athletes who compete at the elite level. Marcus Hellner and Charlotte Kalla, members of Sweden's national cross-country ski team, are two important role models. Both are employed and sponsored by LKAB. In November, LKAB sponsored a World Cup cross-country ski event in Gällivare. Both of the above-mentioned skiers showed excellent results.

COLLABORATION PROJECTS

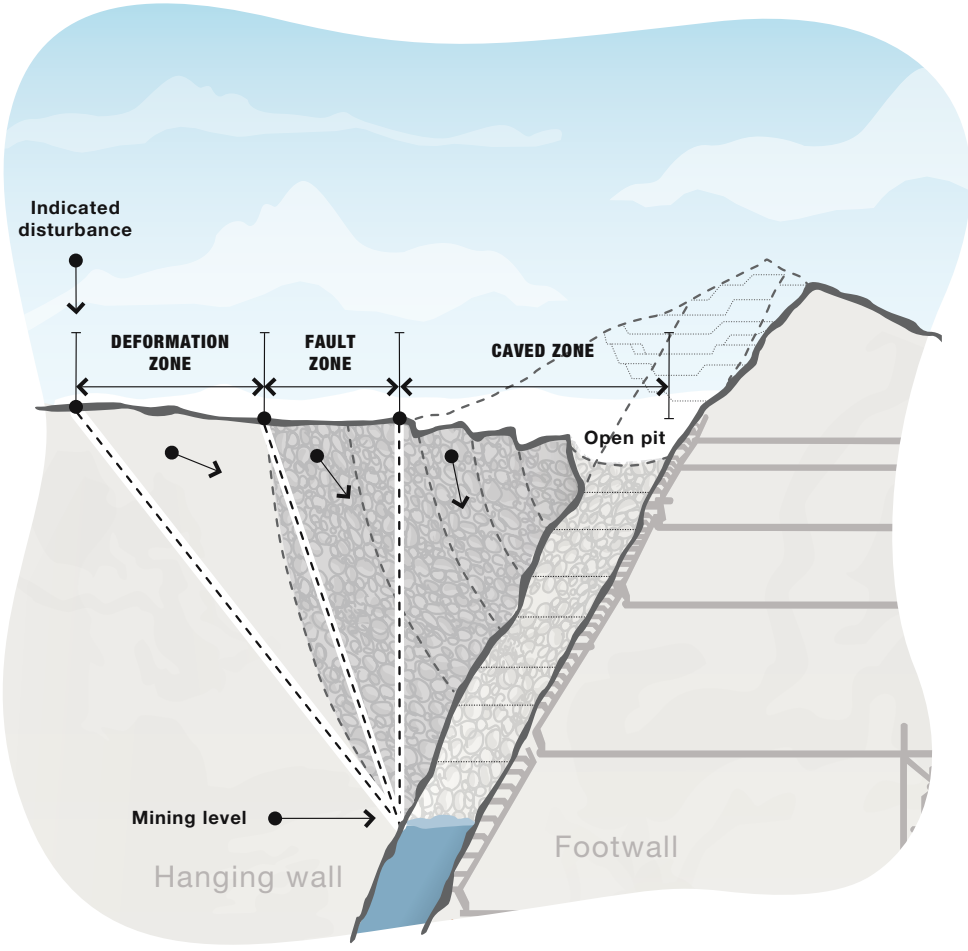
LKAB is a member of the employer organisations Gruvornas Arbetsgivarförbund (GAF), Metallgruppen and Gruvbranschens Arbetsmiljökommitté (GRAMKO). The company also collaborates with the labor market parties' joint organisations ArbetsskadeFörsäkring AB (AFA - insurance) and Prevent (work environment training and -information). In locations where LKAB is a dominating employer, the company also participates in various community-oriented employer groups such as KIRSAM in Kiruna and Initiativet in Gällivare.

The company also collaborates in research and education with the universities in Luleå and Umeå, with Lapplands kommunalförbund (an association of municipalities), and with primary and secondary schools in Kiruna and Gällivare.

Special secondary-school programs, with curricula specifically related to LKAB's operations, are offered at high schools in Kiruna and Gällivare. The aim is to provide a good education as a basis for future employment in LKAB, and to show that the industry can offer attractive employment opportunities for all, regardless of gender. An evaluation shows that the programs are highly merited by the students as well as by departments within the company that employ graduates of these programs. The secondary schools wish to continue these programs in cooperation with LKAB.

LKAB also supports the TAGE project in Gällivare, whereby unemployed youths are offered entry to the labor market with the help of individual coaching and other activities. LKAB provides co-funding and is represented on the steering committee and project group.

Charlotte Kalla, national team skier from Tärendö.



Extent of deformation in Kiruna

STRUCTURAL TRANSFORMATION

LKAB's investment in new main levels in the iron ore mines in Kiruna and Malmberget implies that mining will progress successively deeper. More land must be used for mining, since the deformation zones increase in area.

KIRUNA

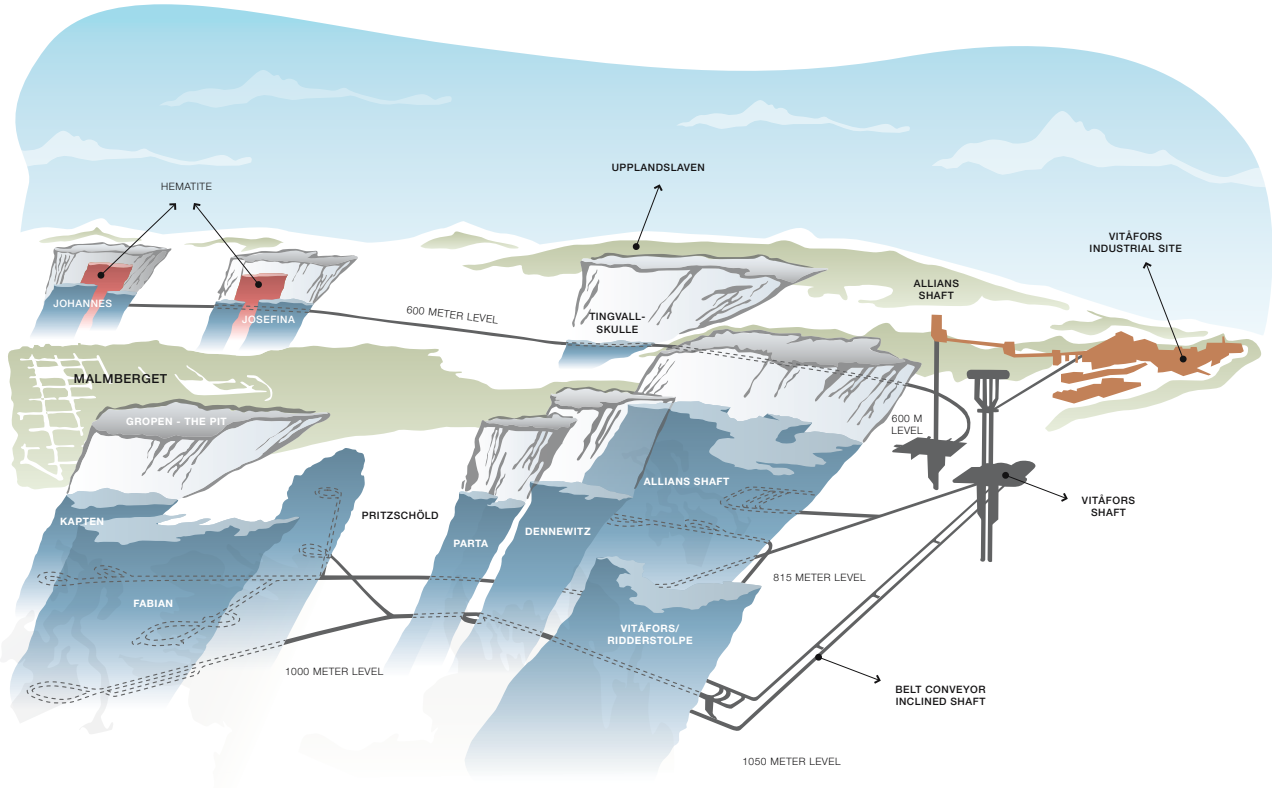
For more than a century, Kiruna has remained relatively untouched by the effects of mining, even though some parts of the town have been relocated from time to time. Lake Luossajärvi has been reduced in size in several stages, and as late as the 1970s, there were still houses in the Ön district of town.

In Kiruna, the orebody dips in towards the settlement area, and as the ore is mined out, the void that is left is backfilled continuously from above with waste rock. This undermines the hanging wall (on the same side as the town), and as deformation progresses and faults form, the caved zone grows.

LKAB's deformation forecasts for Kiruna are updated as new data are recorded. The next phase of relocation will affect not only LKAB's areas, but also the local infrastructure, such as the railway, roads and even residential properties. Over a 25-30 years time frame, LKAB favors a successive relocation of the city towards the northwest, so as not to obstruct future mining, and so that settlement areas, infrastructure and other structures are sited so as to avoid the need for repeated relocation.

The surface can be divided into three areas: the caved zone, which is closest to the old open pit; the fault zone, where the first signs of deformation are seen at surface level, and the deformation zone, where the initial impact is not visible to the naked eye, but can only be measured with sensitive instruments. In Kiruna, buildings and infrastructure to be initially impacted are LKAB's own residential areas, with about 150 apartments.

When LKAB presents graphic representations of the progression of the deformation zone towards the town, the very first registered ground movements are used to define the outer limits of the subsidence area. This line does not define the boundary of a caved zone or a fault zone; it is a line indicating where the instruments register initial disturbances. LKAB refers to this as indicated disturbance, which does not mean that any actual ground displacement occurs or any damage is caused to property. LKAB does not mine ore under locations where people live. Therefore, there is no risk of 'houses falling into the mine'.



Malmberget

MALMBERGET

The Malmberget mine consists of about 20 orebodies, of which ten are currently mined. The orebodies lie to the north and south of Malmberget and dip under the town.

In March 2007, the Mining Inspectorate of Sweden granted LKAB a mining concession for the Fabian orebody. Mining of the orebody will mean that 150 properties in the area known as Elevhemsområdet will be affected, since the area will be subject to ground deformation.

MINE TOWN PARKS

LKAB and the municipal authorities are discussing so-called "mine town parks" that will enable a softer urban transition. Since, in the initial stages of deformation, it is safe to set foot on the affected area, the land can still be used during a transition period, even though the buildings are no longer standing. LKAB and the municipalities of Kiruna and Gällivare plan to develop and maintain these areas for recreation.

Another visible impact of the mining operations in Malmberget is Kaptensgropen, the "Captain's Pit", a 20-hectare area in the middle of the community. In keeping with the remediation plan, LKAB is backfilling the pit, which will stabilize the area. Near Kaptensgropen lies the Fabian orebody. Here, seismic activity indicates that blocking is occurring. This means that rock masses cave into the zone that has not been mined and that a new sink hole can form, which is part of the planned progression, even though it cannot be said with certainty when this will occur. During 2007, near-surface blocking events occurred in both the Hens and Vitåfors orebodies, which resulted in the formation of sink holes within enclosed industrial sites.

In 2005, LKAB moved two buildings from Malmberget to Gällivare. Eight homes were relocated from Bolagsområdet to Bäckåsen in the so-called Mellanområdet during 2007. Both relocation phases were carried out successfully. In summer 2008, when the relocation of buildings from Elevhemsområdet was to proceed, technical problems due to stresses on the buildings and surrounding ground arose.

In November, a new technique was tested on two LKAB-owned properties. This involves less interference with the building foundations, since the cellars are to be left in place. Owing to problems in connection with the relocation of certain homes, LKAB decided in December to adopt a third alternative. In addition to sale and relocation, the property owners also have the possibility of exchanging their homes for new ones. The area must be evacuated by 2015 at the latest.

COSTS FOR STRUCTURAL TRANSFORMATION

For structural changes in the orefields communities, LKAB is assuming costs for replacing existing functions in compliance with the Minerals Act. This includes relocation of buildings, road and rail infrastructure, and services such as water, sewage, and power distribution, etc.

LKAB'S OWN PUBLIC INFORMATION OFFICE

To better inform the public and residents of Malmberget who are affected by the structural transformation and property relocation, LKAB opened a special public information office in Elevhemsområdet during 2008.

STAKEHOLDER DIALOGUES

During the year, LKAB held several stakeholder dialogues concerning many different social issues.

STAKEHOLDER GROUP	CARRYING OUT	FREQUENCY	PURPOSE
Local residents in Malmberget	Questionnaire survey on health effects		
Residents and home-owners in Kiruna and Malmberget	Meetings	Regularly scheduled, one or several occasions per year as required	Opportunities for information about expansion of deformation zones and future relocation or sale of homes
Sami reserves	Consultative meetings	Scheduled as required	Information on changes in land use
Norrbotten County Council	Consultative groups and joint exercises	Ongoing activities	Joint exercises in preparation for major accidents, participation in consultative groups concerning healthcare in Kiruna
Emergency services in Kiruna	Joint exercises	Exercises held regularly	
Children and youths in the nearby communities	All girls in grade 9 in Kiruna are invited to a breakfast meeting at Bolagshotellet, where they have an opportunity to meet women who work in various positions in LKAB.	Regularly, several times per year	To increase interest in LKAB among girls
Co-workers	Follow-up meetings in connection with work environment studies	In connection with work environment studies	The Occupational Health unit talks to everyone in the workplace, and appropriate measures to improve the work environment are agreed upon jointly

Glossary

Barren rock: Rock that is not ore.

Basic, pH: pH value above seven.

Burden: Materials (ore, slag formers, etc.) that are added (charged) to a furnace, possibly together with fuel, for ironmaking.

Calcites and silicates: Two of the most abundant and widely distributed mineral groups.

Coating: Surface coating.

Concentration: Beneficiation of finely ground ore by separation into a concentrate of iron ore powder with very high purity.

Crude iron: Also called hot metal, pig iron or blast-furnace iron, this intermediate product results from processing of iron ore and coke in the blast furnace and is subsequently refined to crude steel.

Crude ore: The untreated ore broken loose from the deposit.

Crushed ore: Input to ore processing plants.

Deformation zone: Ground area affected by subsidence due, for example, to mining. The deformation zone boundaries are defined at the point where seismic instruments first indicate disturbance.

Discharge: Release of water from a pond.

Dressing: Rough sorting of crushed ore. Consists at LKAB of screening of the crushed ore into various fractions, after which the waste rock is separated from the iron ore by magnetic separators.

Flotation: Chemical process/method for particle separation, used in beneficiation of iron ore.

Hematite: (= bloodstone). Non-magnetic iron ore(Fe_2O_3).

Huntite: Mineral, $CaMg_3(CO_3)_4$.

Indicators: Quantifiable key terms as defined by the GRI sustainability areas Economy, Environment, and Society.

Inert waste: Material waste which is not reactive and will not decompose after final placement.

Intact ore: Ore is said to be intact when in its original state before being mined.

Integrated steelmill: Steelmill that covers the entire production chain from ore to steel and has both sintering plant and blast furnace.

Landfill: Area in which materials such as tailings or waste rock are sequestered.

Landfill plan: Long-term plan for final placement of waste material.

Leachate: Water containing elements that are present in the material through which it has passed. For example, when precipitation falls on a heap of rock or stone, The generation of leachate is caused principally by precipitation percolating through waste deposited in a landfill.

Leaching test: Test to determine the probability of liberation of elements.

Lignosulfate: A dust-binding agent.

Magnetite: Magnetic iron ore (Fe_3O_4).

Main level: Transport level in the mine to which the ore is passed by gravity in a chute or shaft from overlying mining levels.

Mica: Mineral group of sheet silicate (phyllosilicate) minerals.

Olivine: Mineral, $(Mg, Fe)_2SiO_4$.

Particulate emissions: Release of particulate matter into the air.

Pelletizing: Process where concentrate (pellet feed) is mixed with binder and rolled together into “green” balls. The green balls are sintered in a pelletizing plant. The finished product is pellets.

Seismic events: Movements of the ground, including earthquakes.

Sintering: Heating of fine-grained ore (fines) until it starts to melt. The ore is then fused (sintered) into lumps (sinter) that can be used in a blast furnace.

Spillway: Device for controlled discharge of water from e.g., a tailings pond.

Sponge iron: (= DRI, Direct Reduced Iron). End product of the DR process. Solid, porous iron with some remaining mineral residues and oxygen. HBI (Hot Briquetted Iron) is a compressed form of DRI that reduces the risk of autoignition.

Stripping: Preparation of ground by removal of vegetation and or soil, etc., to enable access to underlying materials.

Sulfides: Several types of chemical compounds containing sulfur.

TJ: Terajoule.

TWh: Terawatt hour.

Yield: Ore yield = The ratio between the recovered crude ore and the theoretical quantity of intact ore in the ground. The difference is made up of ore losses and is dependent on the workability of the ore, i.e. how economical it is to mine. Weight yield = The ratio between the iron content of the finished product (output) and the iron content of the raw material (input) entering a plant.

G3 Index

G3 performance indicators	Description	Page in Annual Report (AR), Sustainability Report (SR), or on website	Extent of reporting, full or partial	Comments (e.g., explanation for omission of information)
	Strategy and profile			
1.	**Strategy and analysis**			
1.1	CEO statement on the relevance of sustainability to the organisation and its strategy.	6-8 AR	Full	
2.	**Organisational profile**			
2.1	Name of the organisation	98 AR	Full	
2.2	Primary brands, products and/or services	35-54 AR	Full	
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	AR, 58, 63 in SR	Full	
2.4	Location of the organisations head office	98 AR (Under Owner structure, Report of the Directors)	Full	
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	61, 62 SR	Full	
2.6	Nature of ownership and legal form	60, 61, 63 SR	Full	
2.7	Markets served	61, 62 SR	Full	
2.8	Scale of the reporting organisation	61, 62, 84 SR	Full	
2.9	Significant changes during the reporting period regarding size, structure, or ownership	4 AR, 59 SR	Full	
2.10	Awards received in the reporting period	84 SR	Full	
3.	**Report parameters**			
3.1	Reporting period (e.g., fiscal year/calendar year) for the information provided	56 SR	Full	
3.2	Date of publication of the most recent report (if such has been presented)	56 SR	Full	This is LKAB's first comprehensive sustainability report
3.3	Reporting cycle (yearly, etc.)	56, 58 SR	Full	
3.4	Contact point for questions regarding the report or its contents	95 SR	Full	
3.5	Process for defining report content	58 SR	Full	
3.6	Boundary of the report	58, 59 SR	Full	The boundary of the report has been set according to significant impact. Therefore, the scope of the report is not fully group-wide.
3.7	State any specific limitations on the scope or boundary of the report.	58 SR	Full	The boundary of the report has been set according to significant impact. Therefore, the scope of the report is not fully group-wide.
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability	58 SR	Full	

3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	58 SR	Full	Indicators that have not been fully reported in accordance with GRI are market “Partial”.
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	56 SR	Full	This is LKAB’s first comprehensive sustainability report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	56, 58 SR	Full	This is LKAB’s first comprehensive sustainability report
3.12	GRI Content index	90-93 SR	Full	
3.13	Policy and current practice with regard to seeking external assurance for the report	56, 58, 94 SR	Full	
4.	**Governance, commitments and engagement**			
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight; indicate any direct responsibility for economic, social and environmental issues.	Corporate Governance Report, 61 SR	Full	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Corporate Governance Report	Full	This does not apply to LKAB.
4.3	The number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance Report (Composition of the Board)	Full	This does not apply to LKAB.
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	61 SR	Full	
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance)	Corporate Governance Report, 84 SR	Full	
4.6	Procedures and processes for the highest governance body with respect to conflicts of interest	Corporate Governance Report, and State ownership policy	Full	
4.7	Procedures and processes for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social issues	Corporate Governance Report, and State ownership policy, 61 SR	Full	
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and status of their implementation	11-12 AR, 64 SR	Full	
4.9	Procedures and processes of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities	Corporate Governance Report, 59 SR	Full	The Board follows up the work of reporting on sustainability performance.
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Corporate Governance Report (Assessment of the work of the Board)	Full	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	68 SR	Full	

4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	58, 66, 69, 79, 83 SR	Full	
4.13	Memberships in associations and advocacy organisations	66, 79, 83 SR	Full	
4.14	List of stakeholder groups engaged by the organisation	64, 65, 80, 88 SR	Full	
4.15	Basis for identification and selection of stakeholders with whom to engage	58, 64, 65, 80, 88 SR	Full	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	64, 65, 80, 88 SR	Full	
4.17	Key topics and concerns that have been raised through stakeholder engagement	64, 65, 80, 88 SR	Full	
	Economic performance indicators			
	Information on sustainability management	65 SR (and all of AR)	Full	
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	65 SR	Full	
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	67 SR	Partial	Partially reported; LKAB's magnetite pellets have less environmental impact than competing products.
EC3	Coverage of the organisation's defined benefit plan obligations	66 SR	Full	
EC4	Significant financial assistance received from government	58, 69 SR	Full	Allocated emissions rights can be regarded as significant assistance.
	Environmental performance indicators			
	Information on sustainability management	67, 68 SR	Full	
EN1	Materials used by weight or volume	68 SR	Full	
EN3	Direct energy consumption by primary energy source	70, 71 SR	Full	
EN5	Energy saved due to conservation and efficiency improvements	69 SR	Full	
EN6	Initiatives to provide energy-efficient or renewable-energy based products and services, and reductions in energy requirements as a result of these initiatives	67 SR	Full	
EN8	Total water withdrawal by source	75 SR	Partial	
EN9	Water sources significantly affected by withdrawal of water	75, 76 SR	Partial	
EN10	Percentage and total volume of water recycled and reused	75 SR	Partial	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	78 SR	Full	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	78 SR	Full	
EN13	Habitats protected or restored	74, 76, -77 SR	Full	
EN16	Total direct and indirect greenhouse gas emissions by weight	72 SR	Partial	LKAB does not report indirect energy consumption

EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	69, 72, 79 SR	Partial	No available data on total reductions
EN20	NOx, SOx, and other significant air emissions by type and weight	72 SR	Full	
EN21	Total water discharge by quality and destination	75 SR	Partial	Destination and quality are not fully reported.
EN22	Total weight of waste by type and disposal method	73, 74 SR	Full	
EN23	Total number and volume of significant spills	77 SR	Full	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff	76, 78 SR	Partial	LKAB does not currently report all runoff.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	76, 77 SR	Full	
MM 3	Sites identified as requiring remediation plans, and with plans in place	76, 77 SR	Full	
MM 5	The eco-efficiency and sustainability attributes of products	67 SR	Partial	Not currently reported for 2008
MM 6	Approach to large-scale mining, processing, and mineral extraction wastes, tailings and residues	68, 73, 74, 76, 81 SR	Full	
MM 10	Operations with closure plans	76, 77 SR	Full	
	Social performance indicators: Labor practices and decent work			
	Information on sustainability management	81 SR	Partial	
LA1	Total workforce by employment type, employment contract, and region	84 SR	Partial	Not currently reported for 2008
LA2	Total number and rate of employee turnover by age group, gender, and region	14 AR, 61, 84 SR	Partial	Not currently reported for 2008
LA4	Percentage of employees covered by collective bargaining agreements	83 SR	Full	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	82, 83 SR	Full	LKAB has no data on the extent to which absenteeism is linked to disease or is work-related.
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious	82, 83 SR	Full	
LA10	Average hours of training per year per employee by employee category	15 AR, 84 SR	Full	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	168-170 AR	Full	
MM 9	Description of resettlement policies and activities	86-87 SR	Full	
	Social performance indicators: Human rights			
HR4	Total number of incidents of discrimination and actions taken	83 SR	Full	
	Social performance indicators: Community issues			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	86-87 SR	Full	

Independent limited assurance statement

To the readers of LKAB's Sustainability Report 2008:

We have performed a limited review of LKAB's Sustainability Report 2008. The Sustainability Report is presented on pages 55-95 in LKAB's Annual Report 2008. The Board and Group Management of LKAB are responsible for the continuous activities with sustainable development regarding environment, health & safety, quality, and social responsibility, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express an opinion on this sustainability report, based on our review.

Our review has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation "RevR 6 Assurance of sustainability reports". A review consists of making enquiries, primarily to persons responsible for preparing a sustainability report, performing an analytical review and undertaking other review measures. A review has another direction and is substantially less in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The procedures performed in a limited review do not enable us to obtain an assurance that would make us aware of all significant matters that might be identified in an audit. The expressed conclusion based on a review does not therefore have the degree of certainty that a conclusion expressed as a result of an audit has.

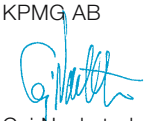
The criteria upon which our review is based are the applicable sections of "Sustainability Reporting Guidelines, G3", issued by the Global Reporting Initiative (GRI). We believe these criteria to be appropriate for our assurance activities.

Our limited review has been based on an assessment of materiality and risk, among other things included the following review procedures:

- Interviews with external stakeholders to ascertain whether LKAB responds to important stakeholders' concerns in the sustainability report.
- Interviews with responsible management, at group level and at subsidiary level, with the aim of assessing whether the qualitative and quantitative information stated in the sustainability report is complete, correct and sufficient.
- Review of internal and external documents to assess if the information stated in the sustainability report is complete, correct and sufficient.
- Assessment of suitability and application of criteria with respect to internal and external stakeholders' need of information.
- Evaluation of procedures and processes for reporting sustainability information and data.
- Review of underlying documentation, on a random-sample basis, to assess sustainability-information and data in the sustainability report.
- Visits to LKAB in Luleå and Kiruna, where compilation of sustainability-information and data has been conducted.
- Review of qualitative information and statements, as well as the report on compliance with legislation, permits and conditions related to sustainability.
- Assessment of the LKAB's stated application level according to GRI's guidelines.
- Reconciliation of financial information against the company's Annual Report for 2008.
- Overall impression of the Sustainability Report, and its format, considering the correctness of the information in relation to the criteria applied.

Based on our review procedures, nothing has come to our attention that causes us to believe that the sustainability report has not, in all material aspects, been prepared in accordance with the above stated criteria.

Luleå, 26 March 2009
KPMG AB



Caj Nackstad
Authorized public accountant

Åse Bäckström
Specialist member FAR SRS

Contact information

Sustainability Report	Lotta Fogde, Vice President, Communication	+46(0)920-38 170	lotta.fogde@lkab.com
Economy section	Rolf Johansson	+46(0)920-38 154	rolf.johansson@lkab.com
Environment section	Tina Hedlund	+46(0)980-716 57	tina.hedlund@lkab.com
Social issues section	Johanna Nordin	+46(0)980-713 90	johanna.nordin@lkab.com

GRI REPORT SELF-DECLARED

GRI REPORT 3rd PARTY CHECKED

www.globalreporting.org

LKAB is of the understanding that this report complies with GRI's C+ Application Level.

Report Application Levels