



Year-end Report

2021

We put the pedal to the metal in 2021!

Net sales for 2021 amounted to 2,901 mSEK with a profit after financial items of 1,237 mSEK. Cash flow from current business amounted to 1,117 mSEK.

The pandemic has continued to have a global impact and 2021 too has been a turbulent year. The price of iron ore continued to rise at the beginning of the year and reached an all-time high in July, driven largely by strong growth in China. In autumn however, the Chinese steel industry was required by the Chinese government to limit production, which led to the iron ore price falling by almost 60% up to November. Since then, the price has risen somewhat and is now at a level that can nevertheless be considered high from a historical perspective. Demand in China is expected to grow and normalise in early 2022.

NET SALES:

2,901
mSEK for year 2021

1,957
mSEK for year 2020

Net sales and operating profit

mSEK	2021	2020
Net sales	2,901	1,957
Operating profit	1,245	621
Profit/loss before taxation	1,237	613
Net profit	982	483
Operating cash flow	1,117	688
Investments in tangible assets	144	103
Depreciations	-135	-94
Production, iron ore products, Kt	2,167	2,084
Return on equity, %	86,5 %	57,6 %
Solidity, %	60,3 %	65,6 %

When Kaunis Iron started mining operations in July 2018, the long-term goal was to annually produce 2 Mt of high grade iron ore for the global steel industry, something we had already achieved by 2020. This year also, operations have been stable despite the pandemic and we have not been hit by any major disruptions or unplanned production stoppages.

Both product quality and production costs continue to be in line with expectations. China is the big global iron ore market and is buying up 75% of the volume that crosses the oceans. To spread the risk, we strive towards a varied client base in many different regions, and throughout the year have continued extensive sales and marketing work which has significantly improved the group's market position. Kaunis Iron has customers in Europe, the Middle East, China and Japan.

We are growing and increasing production

During the year, production in the mine has increased by 21% as a consequence of our now extracting more waste rock and ore and operating round-the-clock in the mine too. Through 2020 we had on average 221 employees in the group, and during 2021 the number increased by 117, so we have on average 338 employees. Including permanently employed contractors, our operations employ 531 people, a number that is expected to grow in future if we are granted the new environmental permit.

The future skills supply is a priority issue for us, and during the year there have been several different strategic initiatives to broaden the selection base for leading-edge skills in certain



Klas Dagertun, CEO Kaunis Iron. Photo: Petra Älvstrand.

We see a bright future

2021 was a fantastic year, with an all-time high in shipments, income and profits. At the same time it was an extremely turbulent year as regards the markets. In the middle of summer, from one day to the next the market's appetite changed from keen to lean when China put the brakes on its steel industry. For sea freight too, it has been dramatic. We have grown used to an average price of about 20 USD per tonne – but in autumn this rose to over 50 USD in the wake of global freight difficulties.

This drama notwithstanding, it was still a fantastic year for Kaunis Iron. The prospects for 2022 also look bright. The price of iron ore has stabilised at a level slightly higher than last autumn's rock bottom, and demand is strong.

Despite the volatility of market prices, which is totally beyond our control, through luck and skill we have managed to stay on course despite the challenges we have faced and we state with confidence that 2021 is our best year yet.

Klas Dagertun
CEO, Kaunis Iron

fields. Among other things we have carried out a successful recruitment project aimed specifically at South Africa, which resulted in three new employees from South Africa moving to Pajala and taking up employment at the beginning of 2022. Another initiative is the apprentice education for heavy vehicle mechanics that we have started together with the upper secondary school Lapplands Gymnasium.

Sustainability goals show the way

Kaunis Iron is to deliver the world's most sustainable iron ore. Our major focus in 2021 has been to set out an itinerary towards a fossil-free mine and to communicate our sustainability goals in our operations. There are now clear goals for all the aspects we see as part of our sustainability work: social, economic and ecological. We will annually follow up the goals to ensure that we are on the right road.

One important part of this drive is our focus on fossil free ore transport, and in that area during 2021 we have carried out tests with electrically powered heavy vehicles in an Arctic climate. We are groundbreaking in this field and leading development together with partners such as Volvo, Vattenfall and ABB, cooperation that we look forward to continue developing in the coming year.

"Our goal is long-term mining operations in the Torne Valley, and to manage that we need the local population with us. In 2021 we received confirmation that we have fantastic support locally – no less than 95% of the people of Pajala consider that the mine has a positive influence on the community. But trust is a perishable commodity, so looking ahead our focus is on continuing to give back to the local community and to be a transparent, reliable employer."

Åsa Allan, Deputy CEO, Kaunis Iron

How about the future?

The prospects for 2022 look good. Global demand for iron ore is expected to be stable and even to increase. As industry after industry gets back on its feet after the pandemic, the situation looks encouraging. Even though at year-end we continue to have high infection rates worldwide, vaccinations have taken effect and the impact on business will probably decrease. For our part, 2022 also means major focus on the long term, where we hope to begin work on two planned open pits near the present one. We are also looking forward to the main hearing on our new permit which is to form the basis for the long-term mining operations that we are striving for.

For more information

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Battery-powered vehicle tests were carried out. Photo: Tomas Bergman.



Åsa Allan, Deputy CEO, Kaunis Iron. Photo: Petra Älvstrand.

KEY RATIOS 2021:

Net margin **42,6 %**
Equity ratio **60,3 %**
Cash and cash equivalents **214 %**
Return on equity **71,7 %**
Equity capital **1,430 mSEK**