



Year-end Report

2022

A huge team effort in 2022!

Net sales for 2022 amounted to SEK 2,724 million, with a net profit after financial items of SEK 827 million. Cash flow from operating activities amounted to SEK 705 million.

The year began with strong global demand for iron ore, with rising iron ore prices as a consequence.

Then, during the spring, the level of financial uncertainty escalated globally, inflation soared and the economy slowed down. The reasons for these developments varied in different parts of the world. In Europe, for example, developments were largely characterised by the continent's energy-related dependency on Russia. At an overall level, however, the effects on the global economy have basically been the same – high inflation, higher interest rates and a general economic downturn. As a result, the price of iron ore varied significantly during the year.

NET SALES:

2,724
million SEK for 2022

2,901
million SEK for 2021

Net sales and operating profit

MSEK	2022	2021
Net sales	2,724	2,901
Net operating profit	821	1,245
Net profit before tax	827	1,237
Net profit for the year	691	982
Operating cash flow	705	1,117
Investments in tangible fixed assets	168	144
Depreciation	-156	-135
Production of iron ore products, Kt	2,271	2,167
Return on equity, %	45.3%	86.5%
Equity ratio, %	66.6%	60.3%

The Group's revenues and profits are directly linked to the global iron ore price. Our performance during the first half of the year was therefore very strong, although the second half of the year saw a significant drop off. Production has proceeded satisfactorily, and the quantity of iron ore concentrate produced during the year was the largest since the start of operations in 2018. Certain direct effects of price increases have impacted the Group's cost structure, in particular with regard to fuel, blasting agents and other producer goods.

Judgement a victory

The company's environmental permit has been questioned since the start of operations. On 13 January 2022 a judgement was issued regarding the Swedish Environmental Protection Agency's request for our current permit to be recalled. The judgement – in which the Swedish Land and Environment Court rejected the Environmental Protection Agency's claim – marked a victory for Kaunis Iron. The judgement was subsequently appealed to the Land and Environment Court of Appeal, where it was decided in the autumn not to grant leave to appeal.

On 1 December 2022 a judgement was then rendered in the case concerning a new environmental permit following a main hearing in the Land and Environment Court during the month of September. This judgement represented yet another success, as the court supported our reasoning in all material respects and found that our application, environmental impact assessment and proposed protective measures were sufficient for the granting of a permit to mine a further two new open pits and construct additional process steps in the concentration plant. The new permit is valid for 35 years.



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

“Yet another profitable year – despite everything!”

When the Land and Environment Court's judgement of 1 December 2022 comes into force, we will be able to actively commence the next phase of building a sustainable mining industry for future generations. The two new open pits, Sahavaara and Palotieva, will provide us with the time horizon we need to develop additional new mineable deposits – an insight that gives cause for optimism.

In summarising 2022, we can note that we have succeeded with the year's ambitions and goals, despite an uncertain world situation. We have managed to produce and deliver a product of the right quality and quantity to our customers. We have managed the economic challenges we have faced and are able to look back on yet another positive and profitable year. This is important for us, for the communities in which we operate and for Sweden's green industrial transition as a whole.

Klas Dagertun
CEO, Kaunis Iron

New record levels

In summary, the past year has been turbulent and uncertain. However, the Group has managed to navigate this difficult period well and has always had sales channels for the iron ore concentrate that has been produced. Cash flow and profits have been satisfactory despite significant cost increases. In the long term, the successes achieved in relation to the permit-related issues are of greatest importance in terms of being able to lay the foundation for long-term sustainable mining operations in the Tornedalen region.

When it comes to production and deliveries, it is extremely pleasing to note that we were able to achieve new record levels in 2022, with no less than 2,271 thousand tonnes passing through the concentration plant and 2,253 thousand tonnes delivered to customers.

This is the result of firm focus and hard work in all parts of the company, with exemplary teamwork that everyone at Kaunis Iron can be proud of. Our most important “raw material” is, without doubt, our fantastic staff – our human capital.

“During the year we have commenced work on Sweden’s largest wetland restoration project – a project where we contribute to both social and ecological sustainability by developing the know-how of our local contractors who are carrying out the work while also contributing to an improved climate and increased biodiversity.”

Åsa Allan, Deputy CEO of Kaunis Iron



Kaunis Iron is currently undertaking Sweden’s largest wetland restoration.



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

What does the future hold?

Despite everything, our prospects for 2023 are bright. Global demand for iron ore has increased in recent times, resulting in an increase in the global market price.

It must, of course, be stated that current forecasts are uncertain due to the unusually turbulent situation in the world at present, with factors such as war, pandemic and recession, but we still have reason to believe in continuing good demand and a positive price trend.

For more information

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KEY RATIOS 2022:

Net margin **30.3 %**

Equity ratio **66.6 %**

Quick ratio **263 %**

Return on equity **45.3 %**

Equity **1,826 million SEK**