



Year-end report

2020

Resounding 2020 for Kaunis Iron!

Net sales for 2020 grew to 1,957 MSEK, and income after financial items amounted to no less than 613 MSEK. Cash flow from current business was 688 MSEK.

2020 was a turbulent year due to the global effects of Covid-19. Despite the pandemic, the price of iron ore surged to record levels. Since 2018 the price has followed an upward trend except for a temporary downturn in late summer 2018.

NET SALES:

1,957

million SEK, year 2020

1,619

million SEK, year 2019

Net sales and operating profit

MSEK	2019	2020
Net sales	1,619	1,957
Operating profit	397	621
Profit/loss before tax	389	613
Profit	307	483
Operational cash flow	491	688
Investments in tangible assets	171	103
Write-offs	-72	-94
Production of iron ore products, Kt	1,901	2,084
Return on equity, %	58.2%	57.6%
Net debt/ equity ratio, %	59.4%	52.8%

When the pandemic spread across the world, the climb in iron ore prices stopped temporarily, restarting shortly afterwards, and during the year the price reached its highest level in five years.

Kaunis Iron started its mining operations in July 2018. The long-term goal was to produce an annual total of 2 million tonnes of high quality iron ore for the global steel industry. For 2020, production amounted to approximately 2.1 million tonnes. Both product quality and production costs are in line with expectations. Kaunis Iron has customers in Europe, the Middle East, China and Japan. Throughout the year, shipments to China increased.

Kaunis Iron grew in numbers

In the past year, Kaunis Iron has increased the proportion of its own employees and reduced the proportion of contractors in operations. Since autumn 2020, we have been operating both the concentrator and transport in the mine area on an own-account basis. By the turn of the year, the workforce numbered 340 – representing an increase of 150 employees compared to the same date in 2019.



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

The iron ore industry has shown positive development despite the pandemic

The pandemic has affected many people and industries. The iron ore sector, however, is one of few industries to have enjoyed positive development, largely due to higher iron ore prices, continued strong demand in China and production challenges for iron ore producers in South America. We, as a relatively junior mining company, have of course been favoured by this.

Through 2020, we have achieved our production goals and definitely surpassed our expectations in practically every area, economically speaking. We have seen a clear change in China, where demand for iron ore with high iron grade has increased markedly. This is a consequence of both strong growth in China and increased focus on environmental and sustainability issues. For us, the timing has of course been favourable.

Klas Dagertun
CEO, Kaunis Iron

Major investment in safety

One important milestone for safer road transport was reached in September 2020 when the Swedish Transport Administration and Kaunis Iron signed an agreement – the so-called MaKs Project. The group is co-financing to the tune of 127 MSEK for better and safer roads between the mine in Kaunisvaara and the reloading terminal in Pitkäjärvi. In all, the investment amounts to about 1,200 MSEK. This historic and important infrastructure investment will significantly increase safety.

Future prospects?

The prospects for 2021 continue to look good. There is no indication in the short term of reduced global demand for iron. Steel prices rose sharply during the second half of 2020 and China remains a locomotive, with growth in the fourth quarter of 2020 that exceeded market expectations. Europe, too, has largely recovered from the business slowdown that occurred in the wake of the pandemic. Overall, the world is partially in a recovery phase after the pandemic and this is expected to further strengthen as vaccinations are administered on a broad front during the first half of 2021.

As regards Kaunis Iron, 2021 means an even greater focus on the long term, so the company is launching an extensive exploration programme to identify and develop deposits in the area.

"In both 2019 and 2020 the focus was to start up mining operations in Kaunisvaara as planned. Luck and skills have together made us considerably more successful than we could have foreseen. Now it is important that we lift our gaze and work for long-term mining operations in Tornedalen, which makes it natural to prioritise exploration."

Åsa Allan, Deputy CEO of Kaunis Iron

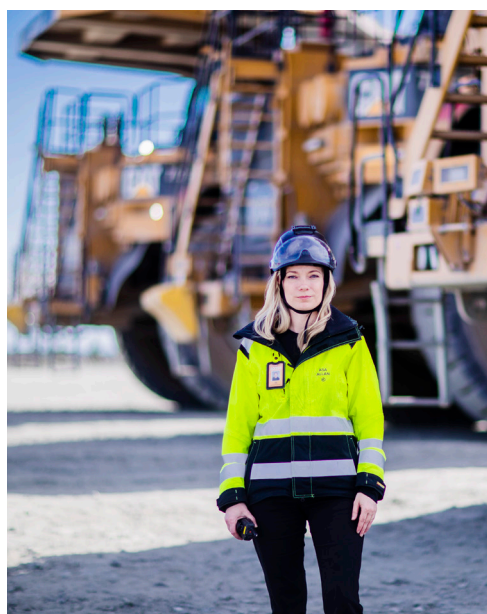
To build long-term and responsible mining operations also requires a focus on sustainability issues and climate neutrality. It is the vision of Kaunis Iron to deliver the world's most sustainable iron ore concentrate, and that requires strategic cooperation with important partners and suppliers. At the beginning of the year therefore, the newly-signed strategic letter of intent with Vattenfall was made public – an important step on that journey.

For more information

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Major investment in safer roads. Photo: Petra Älvstrand



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

KEY RATIOS 2020:

Net margin **31.3 %**
Equity ratio **65.4 %**
Working capital ratio **289.3 %**
Quick ratio **258.2 %**
Overall profitability ratio **57.6 %**
Equity **1 306 MSEK**