



YEAR-END REPORT 2024



Reduced demand and global uncertainty

The year has been characterised by a challenging market with falling iron ore prices as a consequence of reduced global demand, in particular for high-grade iron ore. The main reason is that economic developments have not progressed as expected in China, which is the most important market for iron ore. Even though China's stimulus package, which was announced in the second half of the year, has given rise to a certain degree of optimism, its concrete effects have not yet been realised, leading to a cautious stance among members of the industry. At the same time, the widespread unrest in the Middle East, with disruptions in the Suez Canal and increased transportation costs, has negatively affected our margins. This, together with the interruptions on the Malmbanan railway line, has had a significant impact on revenue flows and financial stability. To meet these financial challenges, comprehensive measures have been implemented to streamline operations and ensure long-term sustainable development.

NET SALES:

1,805
million SEK for 2024

2,831
million SEK for 2023

Effects of logistics disruptions

The year has been characterised by logistics-related challenges. The troubled situation surrounding the Suez Canal has contributed to an increase in shipping costs by around 30 percent. At the same time, the historic and extensive stoppages on the Malmbanan railway line between December 2023 and June 2024 have challenged the entire Group, with a major impact on our profitability and liquidity. To manage these rail disruptions, it was necessary to quickly build substantial storage capacity, which resulted in increased costs. Additionally, the disruptions have also led to lost revenues as they occurred during a period when iron ore prices were more favourable than at present. In total, the financial consequences of these challenges can be placed at close to half a billion Swedish kronor.

Net sales and operating profit

SEK million	2024	2023
Net sales	1,805	2,831
Net operating profit	-181	784
Net profit before tax	-150	825
Comprehensive income for the year	-205	690
Operating margin, %	-10,0 %	27.7%
Cash flow from operating activities	-228	1,025
Investments	452	650
Production of iron ore products, Kt	1,924	2,283
Return on equity, %	-6,1 %	28.5%
Equity ratio, %	76,9 %	75.4%

2024 resulted in a net loss for the year of SEK -205 million, with a net loss after financial items of SEK -150 million. In terms of production we ended up on 1,924 thousand tonnes, compared to 2,283 thousand tonnes in the previous year.

Responsibility today – sustainability in the long term

To meet the financial challenges, comprehensive measures have been implemented to streamline operations and ensure long-term sustainability. Cost savings have been achieved through staff reductions and a review and streamlining of costs. At the same time, investments have been reprioritised, which has meant that certain planned projects and exploration activities have been scaled down. Furthermore, the Group's short-term strategy has been adapted to prevailing market conditions, with focus on creating a stable foundation for continued operations and future growth.



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

We are taking responsibility for the future

In November, the main hearing was held in the Land and Environment Court of Appeal regarding our new environmental permit, which also includes the open-pit mines in Sahavaara and Palotieva. The outcome of this process is crucial to ensuring the Group's long-term operations. A ruling is expected to be announced in February 2025.

In light of the changed market situation, the further development of deposits has been limited as a natural priority. At the same time, active measures are ongoing to develop our position in the value chain so that we can deliver a more refined raw material to the steel industry. Our letter of intent regarding involvement in a future pellet plant in Narvik is one example of this. Such an investment would provide significant cost savings through a more efficient logistics chain and is expected to meet the increasing demand for direct reduction pellets, a key component for more sustainable steel production in our region in the future.

During the year, we have also worked intensively on preparing Kaunis Holding AB for a possible public listing. This work has involved a review of the Group's financial and operational structures.

With the efficiency improvements and initiatives we are implementing to develop our position in the value chain, we are better equipped to navigate a more competitive global market.

Klas Dagertun, CEO, Kaunis Iron

Lower iron content and flotation start-up

When it comes to production, 2024 has been more challenging than previous years, especially with regard to the amount of concentrate produced. Lower iron content in the ore from the mine has negatively affected the production of concentrate. The lower iron content, as well as the commissioning of the flotation plant, has also negatively affected the yield. In total, 1,924 thousand tonnes of concentrate were produced.

In terms of productivity throughout the production chain, the operations have however developed positively during the year, in particular with regard to mining activities and road transport logistics. The flotation plant, which was put into operation during the year, is a central part of optimising the production process and, above all, increasing the quality of our iron ore. This technology enables the enrichment of ore with higher sulphur content, which not only improves the product quality but also creates opportunities to reach new markets and customers. Hot testing of the flotation plant started in February, and the plant's performance has gradually improved during the year.



Linus Styrman, CFO, Kaunis Iron. Photo: Petra Älvstrand

”The market for iron ore has been cautious and more weak than strong, largely due to the continued uncertainty in China, where the steel industry is struggling with low margins due to lower demand. The progress of developments in China over the next twelve months will largely shape the global iron ore market.”

Linus Styrman, CFO, Kaunis Iron.

Equipped for future growth

Despite a continued uncertain market situation, there are still signs of future recovery, including through China's recently launched stimulus package. To ensure continued stability, important measures have been implemented with cost savings and efficiency improvements as key factors in strengthening the business and creating value for our investors. At the same time, there are ongoing significant investments that are necessary to meet the requirements set by our environmental permit and to ensure sustainable and long-term mining operations.

Despite the challenges we are facing, we are well equipped to navigate our path forward and create conditions for continued growth and sustainable development.

KEY PERFORMANCE INDICATORS 2024:

Equity ratio **76,9 %**

Quick ratio **227 %**

Equity **2,465 million SEK**

Local purchases **65%**

For more information

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