Third quarter results 2021
10 November 2021

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Rana Gruber in brief

- Norwegian mining company
- Annual production capacity of 1.8mt
- Fully invested infrastructure and operations
- Metallurgical and chemical use-cases
- Flagship brand COLORANA®
- Zero CO2 emissions by 2025

Key figures

NOK 1,334m Revenues 2020[1]	**509mt** Resources available
NOK 666m EBITDA 2020[1]	**33.5%** Average iron content[4]
70% Target dividend pay-out of net income[2]	**2.8x** Mining factor

[1] 2020 numbers are actuals [2] Dividend policy 50%-70% [3] Mine plan includes L91 Ørtfjell underground and Steinsundtjern [4] Average grade of iron content in deposit

Increased governmental spending on infrastructure projects globally continues to be a positive driver for Rana Gruber's products

Key demand drivers

- Environmental concerns lead to continued shift towards more high-quality products
- Transition of car fleet to electrical cars
- Global infrastructure projects

End users

Hematite

- The end markets are processed steel to primarily buildings, infrastructure and automotive industry
- Key costumers are large steel manufacturers

Magnetite

- Key customers are the chemical industry yielding premium prices compared to the steel industry

Colorana®

- Used for both colorants and highly advanced products such as brake linings, magnetic stripes and chemical processes
- Customers are fragmented all over the world

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Easing market prices for iron ore, partly fended off by stable production and financial hedges

Highlights Q3 2021

- Revenues of NOK 263 million (NOK 317 million), impacted by the negative shift in the market for iron ore and increased freight costs
- Market fundamentals remain solid on a global level
- Increased production of iron ore concentrate supported by continued operational improvements
- Cash cost impacted by increased activity in the open pit mine, higher energy costs and increased corporate activity related to strategic initiatives
- Net profit amounted to NOK 56.2 million (NOK 59.7 million), including net gains from hedges of NOK 58 million.
- Board resolution to pay out NOK 1.05 /share in dividend, corresponding to 70 per cent of EPS at NOK 1.51

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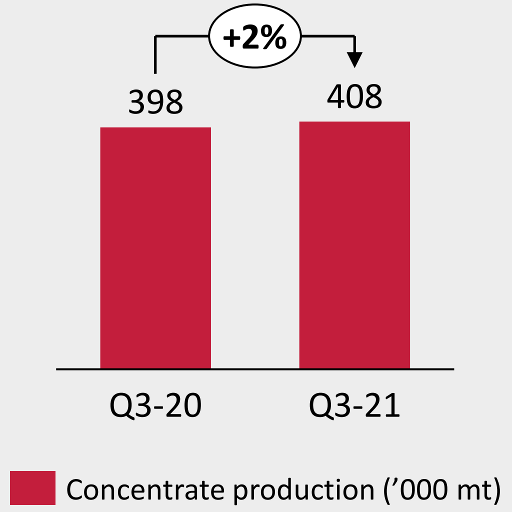
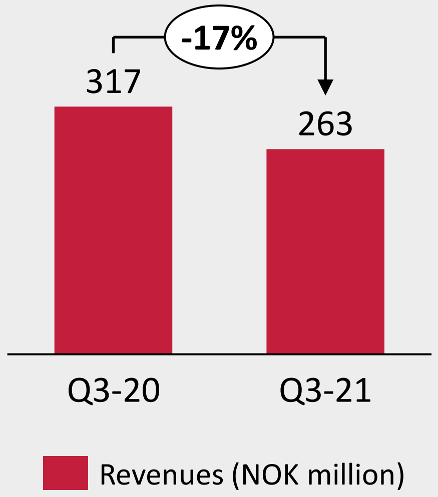
Q3-21 financial highlights

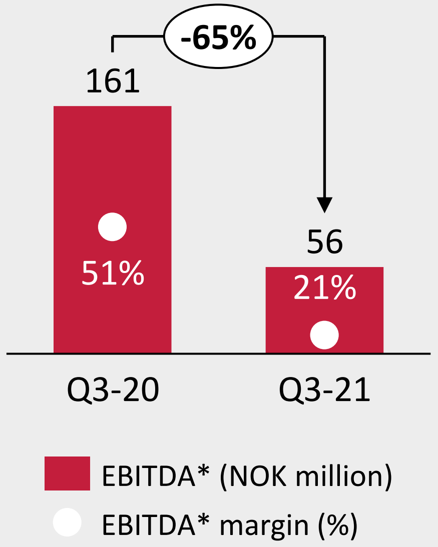
Continued operational improvements



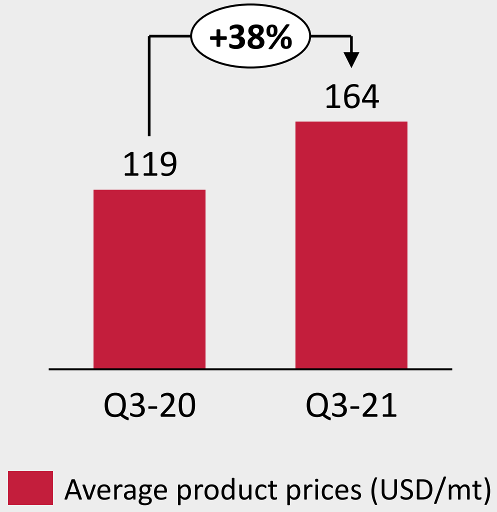
Revenues decline from negative shift in the market for iron ore and increased freight costs



EBITDA reduced from lower realized prices and higher costs



Iron ore market prices trended downwards during the quarter, still above Q3-20



* EBITDA defined as EBIT + depreciation + amortization of operational development

Impact from market volatility on realised prices

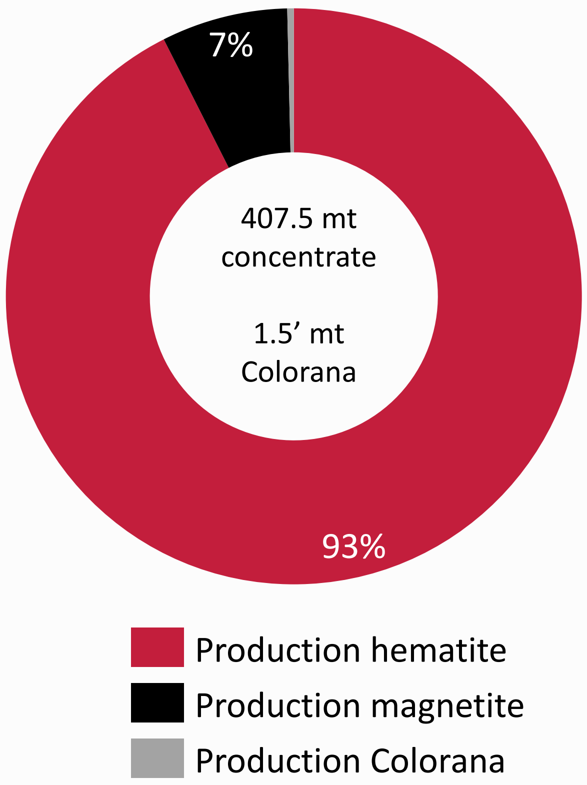
Q3-21			Q4-21		
July	August	September	October	November	December
				Q3-21 report 10th Nov	
Shipment 1 →			Settled on Oct average (Platts)	Realised revenues included in Q-report	
Shipment 2 →			Settled on Oct average (Platts)	Realised revenues included in Q-report	
	Shipment 3 →			-Booked at Sept average -Settled at Nov average (post reporting. Impact Q4)	
	Shipment 4 →			-Booked at Sept average -Settled at Nov average (post reporting. Impact Q4)	
		Shipment 5 →		Booked at Sept average	Settled on Dec average (Impact Q4)
		Shipment 6 →		Booked at Sept average	Settled on Dec average (Impact Q4)

For illustration purposes. The illustration assumes evenly distribution of shipments throughout the quarter

Continued operational improvement lifted production

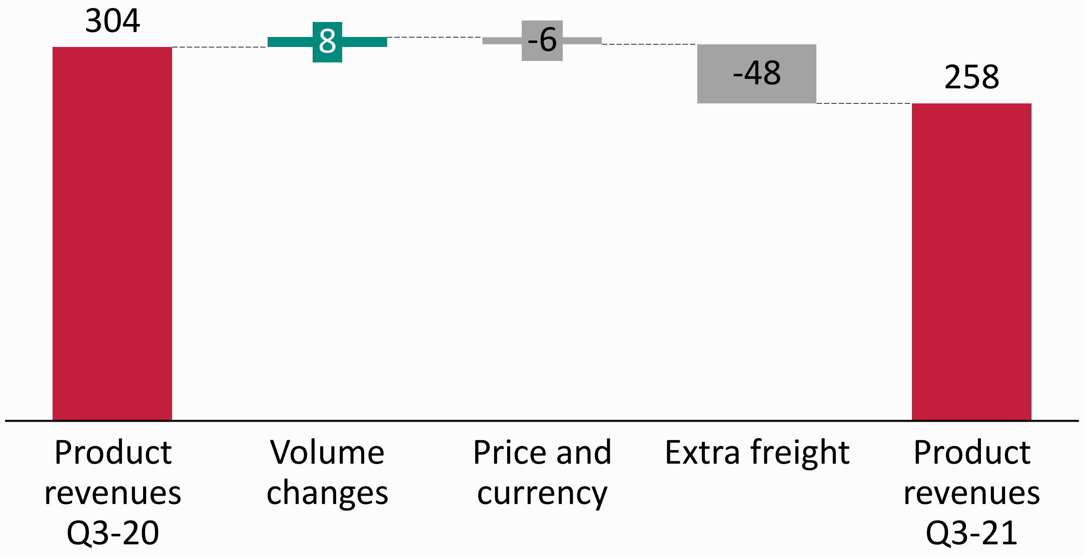
- **Production totalled 407.5' metric tons of iron ore concentrate**, an increase of 2 per cent compared with the same period in 2020. **The positive production trend is a result of continued operational improvements.**
- Hematite concentrate accounts for ~90 per cent of the production. **Total hematite production increased to 378.5' metric tons**, an increase of 3 per cent from Q3-20.
- Total production of ore was marginally lower in Q3-21 vs Q3-20. **Production shifted from underground to open pit**, mainly as a result of the movement from one underground mining level to another.
- Over the past quarters production has been lifted from one mining level to another. **Normally, a new mining level implies increased variability in production**.

2 per cent increase in concentrate production in Q3-21

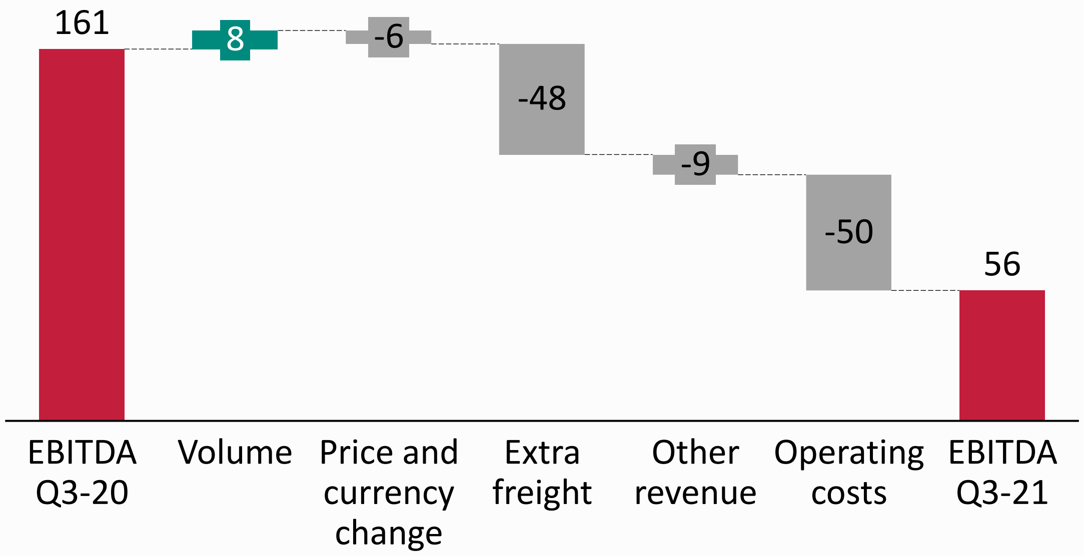


Increased freight and operating costs impact financial performance

Product revenues impacted by increased freight costs



EBITDA reduction due to increased freight and operating costs



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Transfer from freight fixed price to spot price exposure

- Rana Gruber **competes in a global market** for iron ore concentrates, with quality and freight costs as key elements in the competition.

- **Settlements between iron ore producers and steel mills are based on freight spot market prices**. This has been important for Rana Gruber converging to this pricing regime.

- Hence, the company decided to **change to freight spot market exposure** from a fixed price deduction. A part of our extended partnership with Cargill **was updating the freight cost exposure, to converge to industry standards.**

- Freight spot prices would over time **strengthen the company's competitiveness**. Extraordinary shipping rates lowered revenues by approximately NOK 48 million for Q3-21 compared with the previous fixed rate regime of NOK 20.25 per wet mt. **The transition is expected to improve competitiveness and revenues over time when shipping markets normalize.**

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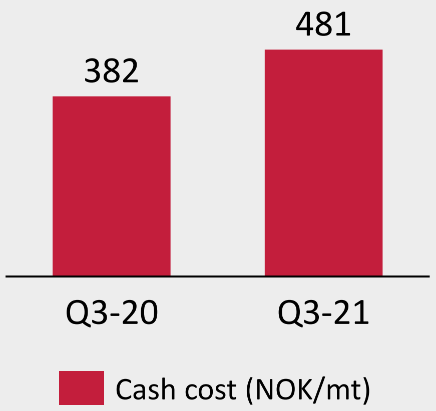
Higher cash cost driven by open pit activity, energy prices and strategic initiatives

Cash cost per mt increased due to higher activity levels

*For main product areas hematite and magnetite**



- Total cash cost for Q3-21 increased to NOK 203.4 million (NOK 160.4 million)
- Increase is caused by higher activity in the open-pit-mine, as a result of the movement from one underground mining level to another
- In addition, the recent surge in energy prices lifted prices for fuel and power consumption
- Increased corporate activity related to the key strategic initiatives and the company’s transfer to Oslo Børs’ main list required more human resource capacity in the quarter.

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- for hematite and magnetite, the cash cost is not separated. The processing is done in the one combined processing plant, using a closed slurry setup.

Cash cost: COGS – amortisation of development drifts + other costs

Key figures

	Q3-21	Q3-20	Change (%)	FY-20
Revenue	262.6	316.9	(17%)	1 333.6
COGS	(96.6)	(78.8)	23%	(347.6)
Amortization of development drifts	8.3	10.3	(19%)	40.0
Other costs	(115.0)	(91.8)	25%	(367.7)
Change in inventories	(2.9)	4.4	(165%)	8.0
EBITDA	56.3	160.9	(65%)	666.2
Depreciation	(33.7)	(26.2)	29%	(107.1)
Amortization of development drifts	(8.3)	(10.3)	(19%)	(40.0)
EBIT	14.3	124.4	(89%)	519.0
Hedging iron ore gain/(loss)	58.3	(45.1)	(229%)	(134.0)
Other net financials	(0.5)	(2.7)	(82%)	(214.2)
Pre-tax-profit	72.1	76.6	(6%)	170.8
Tax	(15.9)	(16.8)	(6%)	76.9
Net profit	56.2	59.7	(6%)	273.0
EPS (NOK)	1.51	1.60	(6%)	7.30
DPS (NOK)	1.05	-	N/A	-
Payout ratio (%)	70%	-	N/A	-

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Note: Amounts in NOK million, except where indicated otherwise. Quarterly figures are unaudited.

* EBITDA defined as EBIT + depreciation + amortization of operational development

Hedging provides increased visibility in volatile markets

1/3 of hematite production for FY21 & FY22 secured at an average of USD 137/mt

- In Q3-21, Rana Gruber entered into a new Iron Ore 62% Fe, CFR China (TSI) forward contract according to which Rana Gruber will sell a total of 330,000 mt in 2021 and 2022 at an average price of 143 USD/mt.
- Following quarter-end, agreements have been made to sell a total of 60,000 mt in November and December at an average price of 120 USD/mt and 210,000mt in Q1-22 and Q2-22 at an average price of 104.6 USD/mt.

Forward contracts *Amounts in NOK thousand*	Amount	Monthly maturity	Average price	Unrealised gain/(loss)
Forward contracts for hedging future sales	210 000 metric tons	Q1-22	155 USD	11 070
Forward contracts for hedging future sales	180 000 metric tons	Q2-22	147 USD	9 720
Forward contracts for hedging future sales	30 000 metric tons	Q3-22	157 USD	12 960
Forward contracts for hedging future sales	30 000 metric tons	Q4-22	157 USD	13 770

** Contracts entered after 30. September 2021 is not included*

Historic hematite prices
Platts, IODEX 62% Fe CFR North China

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Satisfactory liquidity in volatile market conditions

Cash flow from operations

	Q3-21	Q3-20	FY-2020
Net cash flow from operations	**187.5**	161.9	403.0
Net cash flow used in investing activities	**(30.7)**	(28.4)	(86.9)
Net cash flows used in financing activities	**(154.1)**	(135.3)	(301.1)
Total cash flow	**2.7**	**(1.8)**	**15.0**
Cash holdings	**427.2**	6.6	24.6

Capex level secures momentum on strategic projects

- Capex for the third quarter totalled NOK 31.8 million
  - NOK 5 million in development capex mainly related to new mining areas, exploration drilling and strategic projects
  - NOK 9 million related to maintenance in the period
  - NOK 18 million related to buyback of Rana Gruber administration building from Mo Industripark AS
- Capex related to the administration building is expected to reduce operating expenses by approximately NOK 1.4 million per year
- Capex is classified under fixed assets in the company's balance sheet

Note: Amounts in NOK million, except where indicated otherwise. Quarterly figures are unaudited.

Solid financial position

Equity ratio of 52.5 per cent

	Q3-21	Q2-21	Change (%)	FY-20
Total assets	1 168	1 169	-	1 033
Total equity	613	597	+3%	491
Equity ratio (%)	52.5%	51.1%	1.4pp	47.6%
Cash and cash equivalents	427	425	+1%	25
Interest bearing debt	116	126	-8%	269

Further reduction in long-term debt

- Except for leasing obligations, the company's debt towards financial institutions consists of an unused credit facility of NOK 100 million as well as a single USD loan of NOK 50 million.
- Due to the strong financial position of Rana Gruber the board of directors has decided to repay the entire USD loan of NOK 50 million in the fourth quarter of 2021.

Note: Amounts in NOK million, except where indicated otherwise. Quarterly figures are unaudited.

Key takeaways and outlook

Easing market prices for iron ore, partly fended off by stable production and financial hedges

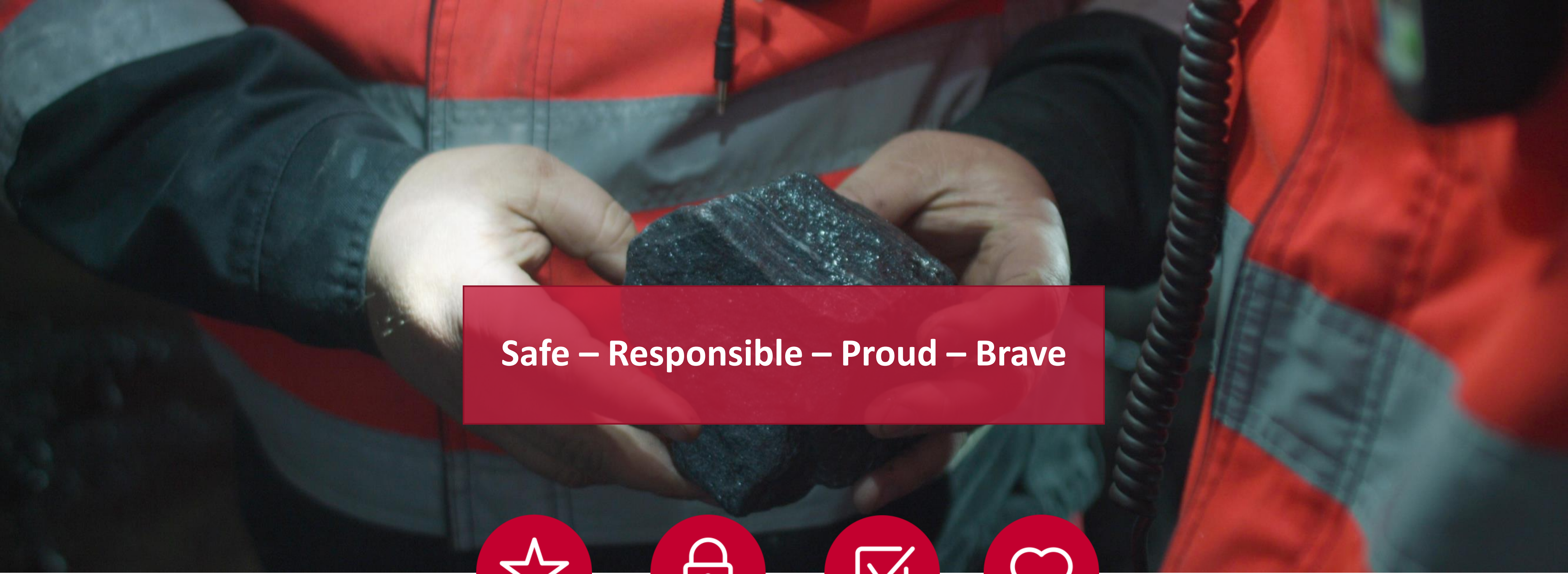
- Revenues impacted by the negative shift in the market for iron ore and increased freight costs
- Market fundamentals remain solid on a global level
- Production of iron ore concentrate supported by continued operational improvements
- Cash cost impacted by increased activity in the open pit mine, higher energy costs and increased corporate activity
- Net profit came in at NOK 56.2 million (NOK 59.7 million), including net gains from hedges of NOK 58 million.
- Board resolution to pay out NOK 1.05 /share in dividend, corresponding to 70 per cent of EPS at NOK 1.51

Strong market fundamentals on a global level

- Market fundamentals remain strong on a global level
- Increased governmental spending on infrastructure projects globally continues to be a positive driver
- Short-term outlook impacted by stricter regulations on steel producers in China
- 34 per cent of the production for 2021 and 2022 at an average price of USD 137/mt
- Strategic projects initiated involve temporarily increased cash costs, but enable higher product margins and less emissions in the longer term

Questions and answers

Contact: ir@ranagruber.no
Next report: Q4 2021 – 16 February 2022



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