



# Second quarter results 2021 26 August 2021

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# Rana Gruber in brief



Norwegian mining company



Annual production capacity of 1.8mt



Fully invested infrastructure and operations



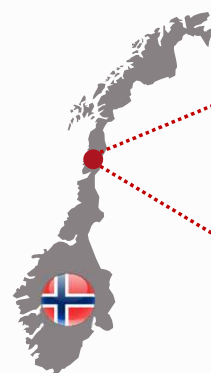
Metallurgical and chemical use-cases



Flagship brand COLORANA®



Zero CO2 emissions by 2025



## Key figures

**NOK 1,334m**

Revenues 2020<sup>1</sup>

**509mt**

Resources available

**NOK 666m**

EBITDA 2020<sup>1</sup>

**33.5%**

Average iron content<sup>4</sup>

**70%**

Target dividend pay-out of net income<sup>2</sup>

**2.8x**

Mining factor



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

## Supported by strong market fundamentals



- Environmental concerns lead to continued shift towards more high-quality products



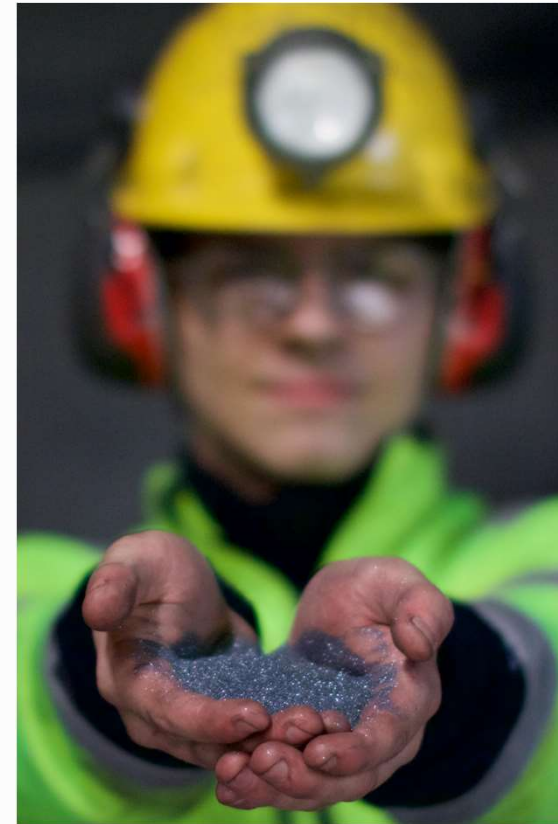
- Transition of car fleet to electrical cars



- Post Covid-19 economic stimulus packages implemented



- Strong market fundamentals despite stricter steel production regulations in China



Highlights Q2-21:

## Reaching new heights, volumes secured until 2030



### Highlights Q2 2021

- Doubling of quarterly revenues to NOK 574 million, driven by solid production and a continued strong market for iron ore
- Strong price momentum for iron ore continued
  - Average hematite prices of USD 199.9/mt (Platts, IODEX 62% Fe CFR North China).
- Concentrate production increased by 7 per cent from Q2-20 to reach 398.9' mt in Q2-21
- Higher prices lifted EBITDA to NOK 411 million (Q2-20: NOK 144 million), corresponding to an EBITDA margin of 72 per cent
- Board resolution to pay out NOK 3.86 /share in dividend, corresponding to 70 per cent of EPS at NOK 5.51
- Offtake agreement with Cargill extended until 2030



# Vital off-take agreement with Cargill extended until 2030

AAA partner guarantees off-take for entire hematite production minimising Rana Gruber's financial risk

- Existing offtake agreement extended by five years to 2030 → Cargill committed to marketing and buying Rana Gruber's entire hematite production
- Agreement covers more than 90 per cent of Rana Gruber's total production capacity of ~1.7 million mt.
- 85 per cent sent to European steel mills - contracts settled based on market prices
- Agreement involves access to Cargill's global network, marketing and risk management resources
- Joint strategy to reduce carbon emission with high quality iron ore products

Cargill - one of the world's largest commodity traders



**155,000**

employees

**70**

countries

**150**

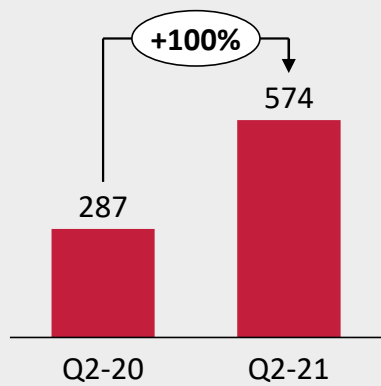
years' history

*Industrial partner for food, agriculture, financial and industrial customers*

*Cargill Metals provides services and solutions for the global ferrous supply chain*

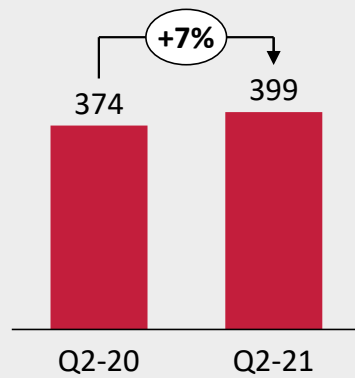
# Q2-21 financial highlights

Revenues doubled as a result of strong market fundamentals and production increase



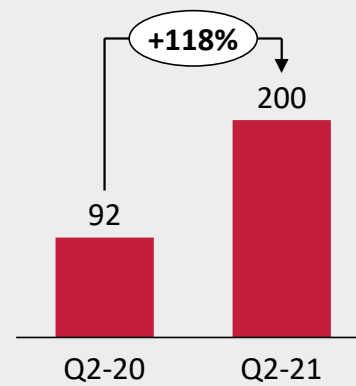
■ Revenues (NOK million)

Continued positive production trend



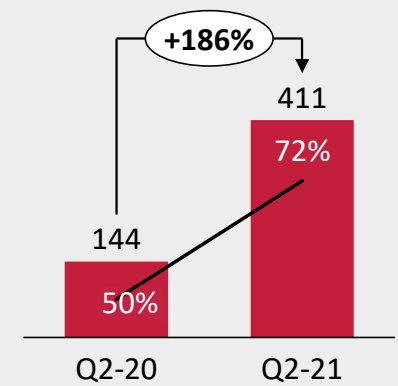
■ Concentrate production ('000 mt)

Average hematite prices more than doubled



■ Average product prices (USD/mt)

EBITDA driven by higher prices

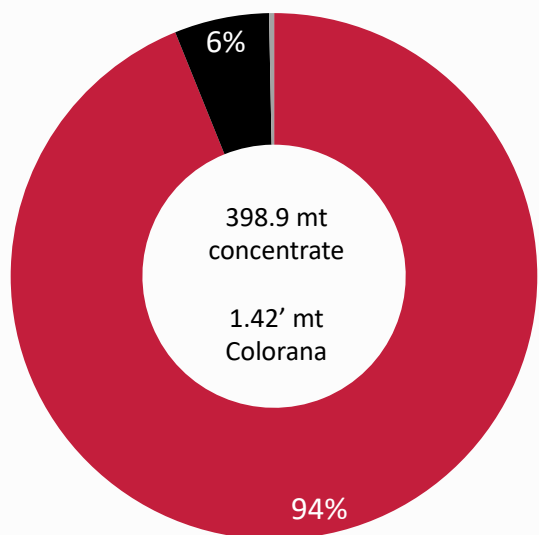


■ EBITDA\* (NOK million)  
— EBITDA\* margin (%)

## Positive production trend

7 per cent increase in concentrate production in Q2-21

Improved operational planning, high utilisation and good iron ore quality



- Production hematite
- Production magnetite
- Production Colorana

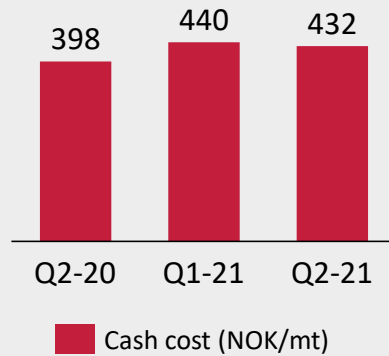
- The positive trend in concentrate production is a result of improved operational planning, high utilization at the processing plant and high iron ore quality
- Positive production trend expected to continue into Q3
- Lower production volumes from the underground mine and open pit mine in Q2-21 were related to higher raw material stocks entering the quarter, combined with higher iron ore quality



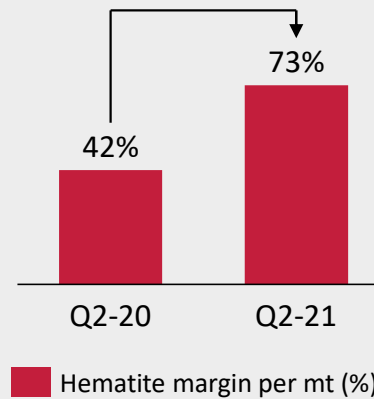
## Cash cost reduced from Q1-21; y-o-y increase driven by higher activity

Cash cost per mt increased due to higher activity levels

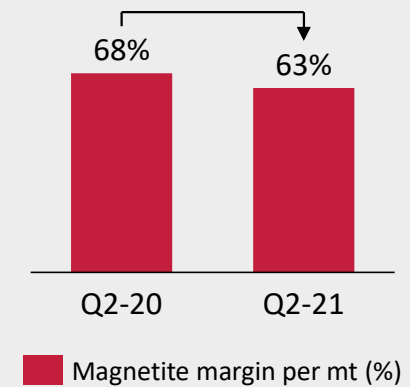
For main product areas hematite and magnetite\*



Hematite margin improvement driven by price increases



Magnetite margin decline from higher cash cost



## Key figures

	Q2-21	Q2-20	Change (%)	FY-20
Revenue	573.6	286.5	100%	1 333.6
COGS	(82.1)	(86.8)	(5%)	(347.6)
Amortization of development drifts	8.6	9.7	(12%)	40.0
Other costs	(105.0)	(77.8)	35%	(367.7)
Change in inventories	15.6	11.8	32%	8.0
EBITDA	410.6	143.5	186%	666.2
Depreciation	(31.8)	(26.2)	21%	(107.1)
Amortization of development drifts	(8.6)	(9.7)	(12%)	(40.0)
EBIT	370.3	107.6	244%	519.0
Hedging iron ore gain/(loss)	(118.8)	(27.7)	(329%)	<b>(134.0)</b>
Other net financials	12.2	(12.2)	200%	(35.5)
Pre-tax-profit	263.7	67.7	289%	349.9
Tax	(58.0)	(14.9)	(289%)	(76.9)
Net profit	205.7	52.8	289%	273.0
EPS (NOK)	5.51	1.41	290%	7.30
DPS (NOK)	3.86	-	-	-
Payout ratio (%)	70%	-	-	-

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

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

## Hedging positions secure operational cash flow for the company until end of 2022

- Hedging positions shall contribute to a stable and solid cash flow, enabling future investments and a predictable and attractive dividend strategy
- Hedging positions can comprise a maximum of 50 per cent of annual production volumes, and can be divided into positions for a duration of two years
- Current hedging portfolio consists of hedges entered in 2020, as well as new hedging positions secured in 2021
- These hedges secure operational cash flow for the company until end of 2022
- The Board will review the hedging strategy during the second half of 2021

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



Source: Platts

## Strong cash flow

### Strong cash flow from operations

	Q2-21	Q2-20	FY-2020
Net cash flow from operations	362.8	139.4	403.0
Net cash flow used in investing activities	(31.8)	(37.2)	(86.9)
Net cash flows used in financing activities	(119.6)	(95.4)	(301.1)
<b>Total cash flow</b>	<b>211.4</b>	<b>6.8</b>	<b>15.0</b>
Cash holdings	424.6	8.4	24.

### Capex level secures momentum on strategic projects

- Increased sales volumes and higher prices of hematite drove operational cash flow and increased cash
- Capex for second quarter totalled NOK 33.3 million
  - NOK 15.6 million in development capex mainly related to new mining areas, exploration drilling and strategic projects
  - NOK 17.7 million related to maintenance in the period
- For the first half-year, capex totalled NOK 70.9 million of which NOK 63.6 million were classified as fixed assets in the balance sheet, and NOK 7.3 million were classified as increased stock, relating to mine tunnelling
- Restructuring of the company's debt and settlement of receivables towards LNS Mining AS were the main drivers of the changes in financial cash flow

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

# Solid financial position and reduction in long-term debt in H1

Equity ratio of 51.1 per cent

	H1-21	FY-20	Change (%)
<b>Total assets</b>	1 169	1 033	+13%
<b>Total equity</b>	597	491	+21%
<b>Equity ratio (%)</b>	51.1%	47.6%	3.5pp
<b>Cash and cash equivalents</b>	425	25	N/A
<b>Interest bearing debt</b>	126	269	-53%

Long-term debt reduced in connection with IPO process

- In connection with the IPO process and the 50 per cent divestment from former owners LNS Mining AS, the receivables towards LNS Mining AS were settled
- The settlement was mainly used to restructure the company's long-term debt, resulting in a total change in interest-bearing debt of a negative NOK 143 million for the first half-year
- The company's debt ex leasing obligations towards financial institutions is now related to a single USD loan of 6.5 million, which is expected to be paid equally over the next two years, as well as an unused credit facility of NOK 100 million

# Key takeaways and outlook

## Reaching new heights, volumes secured until 2030...

- Record-strong revenues and EBITDA driven by solid production and a continued strong market for iron ore
- Concentrate production increased by 7 per cent despite planned maintenance
- Board resolution to pay out NOK 3.86 /share in dividend, corresponding to 70 per cent of EPS at NOK 5.51
- Extension of Cargill agreement until 2030 provides predictability and continuation of a strategically valuable partnership

## ...with strong market fundamentals

- Governmental spending on infrastructure projects globally continues to be a positive driver
- Short-term outlook impacted by stricter regulations on steel producers in China
- Iron ore market is subject to fluctuations and going into Q3 prices are somewhat lower than the levels we have seen recently
- Long-term strategic projects initiated enabling higher product margins and less emissions - leading the way for our industry



# Questions and answers

Contact: [ir@ranagruber.no](mailto:ir@ranagruber.no)



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