

Temporary impact on revenues from global freight costs

Mo i Rana, 6 October 2021: As announced in June 2021, Rana Gruber has extended the partnership agreement with Cargill. It follows from the renegotiated agreement that shipping freight costs are accounted for in line with average market prices for the quarter with effect from April 2021, as opposed to a fixed fee which was charged as per the previous agreement.

Historically, freight costs have been deducted from realised prices (Platts, IODEX 62% Fe CFR North China) at a fixed rate of USD 20.25/mt in Rana Gruber's operating revenues. Based on historic shipping freight rates, the renegotiated terms would over time normally encompass a positive impact on Rana Gruber's revenue base, although with larger fluctuations in line with market prices.

Following Covid-19, market fundamentals have led to a global surge in shipping freight rates, impacting all businesses exposed to transportation of goods, and especially the Baltic Capesize index, C3, has risen materially. Due to the recent very strong volatility, the financial impact from shipping freight costs on revenues will be more substantial in the third quarter than it has been in previous quarters where a fixed fee was booked. This effect is combined with the strong volatility in the iron ore market.

Due to the significance of the market development, shipping freight costs will be accounted for on an ongoing basis in the third quarter instead of in arrears, in line with generally accepted accounting principles in Norway. Consequently, the effect in the third quarter will include provisions for July-September as well as settlements related to shipments in the second quarter. The total effect for the third quarter is expected to translate into a negative impact on net profit of approximately NOK 38 million.

With effect from the fourth quarter, Rana Gruber and Cargill are exploring the possibility for smoothing out shipping freight cost on market terms for the coming 2 quarters in order to ensure visibility in a volatile market.

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Rana Gruber in brief:

Rana Gruber is a Norwegian sustainable iron ore producer and supplier established in 1964, with operations based on more than 200 years of mining experience. The Company's products are based on own natural mineral resources which are upgraded and tailored for applications and exported to its customers worldwide. Rana Gruber produces and sells iron ore concentrate, primarily serving steel producers and participants in the chemical industry. The subsidiary Rana Gruber Mineral AS produces and sells micronized iron oxides and other dissemination of iron ore, and primarily serves paint manufacturers and participants in the building- and automotive industries. Rana Gruber has about 300 employees and a production capacity of 1.8 million metric tons of iron ore concentrates and specialty products.

The information included in this announcement is defined as inside information pursuant to MAR article 7 and is publicly disclosed in accordance with MAR article 17 and section 5 -12 of the Norwegian Securities Trading Act. This stock exchange announcement was published by Vegard Nerdal, Investor Relations at Rana Gruber AS on 6 October 2021 at 20:00 am CEST.