

# Terrafame's operating result was at a good level in a challenging market

The financial information presented about Terrafame Ltd in this media release consists of unaudited IFRS figures. The figures in brackets refer to the corresponding period in the previous year unless otherwise stated.

## January–March 2024 in brief:

- Net sales were EUR 130.0 (172.7) million, representing a decrease of 24.7% year-on-year.
- Net sales from the battery chemicals business decreased to EUR 35.6 (66.2) million, or 27.4% (38.3) of the company's total net sales. Net sales were negatively affected by a decrease in the market price of nickel sulphate as well as lower production and delivery volumes.
- Net sales from the metal intermediates business were EUR 94.4 (106.5) million. Net sales were burdened by the weak market environment. Production volumes were at a high level.
- EBITDA decreased to EUR 39.9 (42.8) million, or 30.7% (24.8) of net sales.
- The operating result was EUR 23.6 (27.4) million.
- Free cash flow from operating activities was EUR -29.6 (11.9) million. Cash flow was negatively affected by the ongoing significant investment programme and the increase in working capital due to the political strikes.
- The total accident frequency rate on the industrial site was 5.0 (5.4).

Financial key figures, EUR million	1–3 /2024	1–3 /2023	Change	10–12 /2023	2023
Net sales	<b>130.0</b>	172.7	-24.7%	154.8	<b>560.9</b>
Battery chemicals business	35.6	66.2	-46.2%	41.2	167.5
Metal intermediates business	94.4	106.5	-11.4%	113.6	393.4
EBITDA	<b>39.9</b>	42.8	-6.8%	36.2	<b>100.6</b>
Operating result	<b>23.6</b>	27.4	-13.8%	20.0	<b>37.9</b>
Work in progress	<b>261.8</b>	248.1	5.5%	258.6	<b>258.6</b>
Free cash flow from operating activities <sup>1</sup>	<b>-29.6</b>	11.9	n.a.	-5.0	<b>-52.5</b>
Total capital expenditure	<b>60.2</b>	22.6	166%	41.9	<b>138.2</b>
Sustaining capital expenditure	33.1	20.3	63.1%	33.6	112.4
Investments in productivity improvement and capacity growth	27.1	2.3	n.a.	8.2	25.7
Shareholders' equity	<b>782.0</b>	625.3	25.1%		<b>809.0</b>
Balance sheet total	<b>1,344.3</b>	1,191.4	12.8%		<b>1,307.2</b>
Own personnel, active, # of people	<b>853</b>	780	9.4%		<b>842</b>

Partner companies' personnel, FTE, # of people	<b>1,175</b>	937	25.4%	<b>1,038</b>
Total accident frequency rate, 12-month LTIFR1	<b>5.0</b>	5.4	-7.4%	<b>4.8</b>
Own personnel	<b>5.3</b>	2.9	82.8%	4.5
Partner companies' personnel	<b>4.7</b>	7.7	-39.0%	5.0

The financial information for 2023–2024 consists of unaudited IFRS figures. For the business reviews in the financial year 2024, the pertinent pieces of the information regarding the 2023 comparison period have been subsequently adjusted to comply with the IFRS principles.

1) Free cash flow from operating activities after sustaining capital expenditure = EBITDA - change in net working capital - sustaining capital expenditure

## Seppo Voutilainen, CEO

Terrafame's financial result in the first quarter of 2024 was at a rather good level in a challenging operating environment. Net sales decreased significantly due to lower selling prices as well as the declined delivery volumes of the battery chemicals plant caused by the political strikes in Finland. EBITDA decreased slightly compared to the strong comparison period in 2023 but increased from the fourth quarter of 2023.

The market situation in the first quarter was quite as expected. The market prices of nickel and nickel sulphate experienced strong fluctuation during the review period and remained on average at a clearly lower level compared to a year ago. However, we managed to compensate for the impact of the imbalance in the Asian nickel sulphate market on our result by delivering more sulphide intermediates to the Western markets thanks to new contracts.

Regarding the stacking of ore to the primary leaching and nickel production, our production continued at a high level, and our unique bioleaching technology worked flawlessly even though the weather was more rainy than usual. In addition, our target of starting uranium recovery by the summer is progressing as planned.

During the review period, we began implementing a profitability programme aiming for EUR 10 million in annual savings. During the change negotiations conducted as part of the programme, Terrafame and its employee representatives discovered various measures that will improve the company's profitability. Unfortunately, the change negotiations also impacted our personnel as we were forced to make a reduction of 34 person-years as a result of the change negotiations. At the start of the negotiations, our initial estimate of reductions was a maximum of 75 person-years.

After the review period in early April, we decided to halt the production of our battery chemicals plant for approximately four weeks due to the political strikes that had continued in Finland for several weeks. During the strikes, we were unable to execute the export deliveries of the products of the battery chemicals plant and were forced to store the products at our industrial area. The financial effects of the shutdown will be reflected especially in Terrafame's reporting in the second quarter.

Terrafame is currently implementing significant investment programmes that are necessary for the continuation of its operations. With the profitability programme, we will improve Terrafame's competitiveness and ensure the successful implementation of the investment programmes. Thus, we will continue to strengthen the company's forerunner position as a partner of the global battery industry.

## Market environment

### Electric vehicle and battery markets

According to Rho Motion’s Monthly EV Battery Chemistry Assessment report, a total of around 1.9 (1.5) million electric passenger cars and light commercial vehicles were sold worldwide in January–February 2024. This represents an increase of around 31% from the corresponding period in 2023. In 2023, sales increased by approximately 35% from 2022.

#### Sold electric passenger cars and light commercial vehicles

Million pcs	1–2/2024	1–2/2023	Change, %	Change 2022–2023, %
China	1.06	0.79	34	32
USA and Canada	0.29	0.22	34	59
Europe	0.42	0.35	21	18
Other countries	0.16	0.12	36	77
<b>Total</b>	<b>1.93</b>	<b>1.47</b>	<b>31</b>	<b>35</b>

Source: Rho Motion Monthly EV Battery Chemistry Assessment

Manufacturers of battery cells and cathode materials have announced investments in giga factories that will strengthen the North American and European battery markets. According to Rho Motion, the global sales of electric vehicles are expected to continue to increase in 2024. Sales are expected to increase by around 30% to 17.7 million cars.

In February 2024, including all vehicle categories, the sales-weighted average pack size was 53.0 (49.6) kWh.

The electric vehicle battery market is divided between high-nickel-content NCM batteries and LFP batteries. The market share of NCM 811 batteries, which have a high nickel content, increased from 19% in February 2023 to 24% in February 2024. The market share of LFP batteries was 33% in February 2024 (39% in February 2023).

In January–February 2024, 1.0 (0.8) million electric vehicles utilising NCM battery technology were sold. Sales increased by around 33% compared to the corresponding period of 2023.

In terms of gigawatt hours, the demand for NCM batteries increased by around 18% to 22.3 (18.9) GWh compared to February 2023. The share of NCM 811 batteries increased by around 39% to 10.7 (7.7) GWh. The share of LFP batteries decreased by around 8.1% to 14.8 (16.1) GWh. (Source: Rho Motion Monthly EV Battery Chemistry Assessment)

### Nickel market

The price of nickel on the London Metal Exchange (LME) in Q1 2024 was markedly lower than in Q1 2023. The average market price in January–March 2024 was 16,589 (25,996) USD/t, which is around 36% lower than in the corresponding period in 2023. Compared with the fourth quarter of 2023, the average market price of nickel decreased by around 3.8%.

The price of nickel sulphate (SPOT China) also fell markedly, and the average price in January–March 2024 was 15,418 USD/t, which is around 31% lower than in the corresponding period in 2023. Compared

with the fourth quarter of 2023, the average market price of nickel sulphate decreased by 6.3%. The spot price (SPOT China) of nickel sulphate has not been fully linked to the LME price since 2022.

The total combined nickel stocks on the London Metal Exchange (LME) and the Shanghai Futures Exchange (SHFE) at the end of March 2024 were 98,605 tonnes, which is more than twice as much as at the end of March 2023 (44,875). The strong decrease in nickel stocks, which began in the second quarter of 2021, turned around in the third quarter of 2023, and the stocks at the end of March 2024 were around 26.5% higher than at the end of 2023 (77,923). The stock level at the end of March 2024 corresponded to demand for 1.5 weeks (0.7).

## Net sales and financial performance

### January–March 2024

Net sales were EUR 130.0 (172.7) million, representing a decrease of 24.7% year-on-year. The decrease resulted from lower market prices of metals and the declined production and delivery volumes of the battery chemicals plant caused by the political strikes in Finland.

Net sales from the battery chemicals business totalled EUR 35.6 (66.2) million, or 27.4% (38.3) of the company's total net sales. The decrease in the market price of nickel sulphate and lower production and delivery volumes had a negative impact on net sales.

Net sales from the metal intermediates business totalled EUR 94.4 (106.5) million. Net sales were burdened by the weak market environment. Production volumes were at a high level, which balanced the lower market prices.

EBITDA was EUR 39.9 (42.8) million, or 30.7% (24.8) of net sales. The operating result was EUR 23.6 (27.4) million. The decrease in EBITDA and the operating result was caused by lower market prices and limited production volumes at the battery chemicals plant. The stable production volumes of the metal intermediates business had a positive impact on the result. Price hedging softened the impact of lower sales prices on net sales and the result.

Free cash flow from operating activities\* was EUR -29.6 (11.9) million. Cash flow was negatively affected by the ongoing significant investment programme and the increase in working capital due to the political strikes.

\*) Free cash flow from operating activities after sustaining capital expenditure = EBITDA – change in net working capital – sustaining capital expenditure

## Key events in January-March

### Terrafame received two interim decisions from the Vaasa Administrative Court

On 24 January 2024, Terrafame announced that the company had received two interim decisions from the Vaasa Administrative Court, one relating to the company's main permit and the other to the KL1 waste rock area.

The Northern Finland Regional State Administrative Agency issued an environmental permit decision in the permit case concerning all Terrafame's operations in the summer of 2022 and in the case concerning the KL1 waste rock area in the summer of 2023. Both permit decisions included a permission to start the operations specified in the permit decision despite any appeals. Both permit decisions have been

appealed and are being processed by the Vaasa Administrative Court. Terrafame expects final decisions by the Vaasa Administrative Court on both issues during 2024.

The interim decisions do not have an immediate impact on Terrafame's production, but they affect waste rock dumping plans and ongoing construction projects. If the final decisions by the Vaasa Administrative Court are delayed, the interim decisions may also have an impact on extraction volumes and, consequently, on production and net sales.

## **Terrafame strengthened its financing**

On 25 January 2024, Terrafame announced that the company had strengthened its financing. In connection with this, the funds managed by Galena Asset Management and Mandatum Holding Ltd exercised the option rights previously granted to them. The funds raised by means of the option rights have been used to repay long-term loans of EUR 142 million granted by Trafigura and Mandatum. As part of the shareholders' financing arrangement, Finnish Minerals Group increased the working capital facility granted to Terrafame from EUR 40 million to EUR 65 million and extended its maturity until June 2025.

In addition, Terrafame agreed on a new loan arrangement of EUR 250 million. The loan package is unsecured, with a maturity of four years. It includes a bullet loan of EUR 100 million and a revolving credit facility of EUR 150 million. The bullet loan is for refinancing Terrafame's existing liabilities. The revolving credit facility is for working capital needs and the company's general financing needs.

The above transactions were completed in December 2023 and have been recognised on the company's balance sheet on 31 December 2023 insofar as the financing arrangements had been used.

## **Terrafame initiated a profitability programme**

On 21 February 2024, Terrafame announced that it had decided to initiate a profitability programme, aiming for EUR 10 million in annual savings. The goal is to improve the company's international competitiveness and profitability.

As part of the profitability programme, Terrafame issued an invitation to change negotiations concerning all personnel groups on production-related and financial grounds in accordance with the Finnish Co-operation Act. Terrafame has over 800 permanent employees, and the negotiations affect all employees. According to the initial estimate of the company, the maximum personnel reduction need would be in total 75 person-years. The possibility of layoffs was also considered in the negotiations.

The change negotiations lasted until the beginning of April, and their outcome is discussed in further detail in the section *Key events after the financial period*.

## **Seppo Voutilainen appointed as Terrafame's CEO**

On 22 March 2024, Terrafame announced that the company's Board of Directors had appointed Seppo Voutilainen as the company's CEO. Voutilainen had acted as Terrafame's interim CEO since January 2024. Voutilainen has been a member of Terrafame's Leadership Team and the company's Chief Production Officer since 2020. The previous CEO Joni Lukkaroinen stepped down from his position on 17 January 2024.

## Shares and shareholders

Terrafame has one series of shares. At the end of March 2024, the company had 5,968,655 (5,005,287) shares. Its share capital was EUR 2.0 (2.0) million, and its shareholders' equity was EUR 782.0 (625.3) million.

At the end of March 2024, Finnish Minerals Group (FMG), a special-assignment company of the state of Finland, owned 56.1% (66.9), Trafigura Galena Funds owned 39.4% (31.0) and Mandatum owned 4.5% (2.1) of Terrafame.

Finnish Minerals Group's holding may decrease to no lower than 50.1% in the future if Trafigura, Galena and Mandatum exercise all their option rights and interest on the loans is paid in shares. In such a case, the holding of Trafigura would be around 45.0%, and the holding of Mandatum around 5.0%.

## Governance

Terrafame's Annual General Meeting (AGM) was held on 20 March 2024. The AGM adopted the financial statements for 2023, decided on profit distribution in accordance with the Board of Directors' proposal and discharged the members of the Board and the CEO from liability.

The AGM confirmed the number of Board members as seven and re-elected Lauri Ratia, Matti Hietanen, Jesus Fernandez, Riitta Mynttinen, Julian Sanchez and Jyrki Vainionpää as members of the Board. Peter Schuhmacher was elected as a new member of the Board. Tuomo Mäkelä had announced that he was not available to be elected as a member of the Board. Lauri Ratia was elected as Chair of the Board and Matti Hietanen as its Vice Chair.

The AGM decided to keep the Board members' fees unchanged. The annual fee for the Chair of the Board is EUR 72,000. The annual fee for each member of the Board is EUR 36,000. In addition, the Chair and members of the Board are paid a meeting fee of EUR 600 based on their attendance.

KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor, with Toni Aaltonen as the principal auditor.

## Personnel and partner network

Around 1,900 people work regularly on Terrafame's industrial site. Terrafame had 853 (780) employees at the end of March 2024. The increase was related to preparations for starting uranium recovery by the summer of 2024.

An average of 1,175 (937) people employed by contractors and subcontractors worked on the industrial site during the year (FTE).

## Permits

On 20 June 2022, Terrafame announced that it had submitted its environmental permit application for the exploitation of Kolmisoppi and the expansion of the mining concession to the Regional State Administrative Agency for Northern Finland. Kolmisoppi, which remains unexploited, is the second ore deposit located in Terrafame's mining concession. Including Kolmisoppi, Europe's largest nickel ore reserves are located in Terrafame's mining concession in Sotkamo. In addition to nickel, zinc, cobalt and

copper are also recovered from the ore. Since 2021, nickel and cobalt have been processed into battery chemicals at the company's battery chemicals plant for use in electric car batteries.

On 17 February 2023, the Regional State Administrative Agency for Northern Finland decided to not process the Kolmisoppi project permit application. A key obstacle to processing the permit application in accordance with the scope of the application submitted in June 2022 was the fact that the procedure to deviate from the objectives of the water management plan requires a legislative amendment, which is still under preparation.

Terrafame has decided to change the Kolmisoppi project plans so that the project will proceed in two phases. In the first phase, the company will apply for a permit to exploit the ore deposit in the Kolmisoppi land area, with mining scheduled for 2028–2033. The first-phase permit application was submitted to the Regional State Administrative Agency of Northern Finland in the summer of 2023. In the second phase, Terrafame will apply for a permit to expand the mine into the water area, with mining scheduled for 2040–2050. Between 2033 and 2040, mining will take place in the current Kuusilampi mine.

On 26 April 2023, the Vaasa Administrative Court issued its ruling on the environmental permit decisions concerning Terrafame's battery chemicals plant and its energy production units. The administrative court amended the battery chemicals plant's permit by removing the authorisation to recycle the iron sediment generated at the plant into bioleaching. The court deemed the related reports to be insufficient. In other respects, the appeals against the decision were rejected. Terrafame applied for a new permit for recycling from the Regional State Administrative Agency in July 2023 following the completion of the necessary studies. The administrative court also further specified the energy production units' environmental permit in terms of environmental monitoring, based on an appeal filed by Terrafame. The decision of the administrative court has not been appealed to the Supreme Administrative Court, and the decisions have therefore gained legal force.

On 29 June 2023, the Regional State Administrative Agency for Northern Finland granted an environmental permit for the new KL1 waste rock area and the Rajasuo landfill for soil, and a water management permit for construction projects related to these operations.

In January 2024, Terrafame announced that the company had received two interim decisions from the Vaasa Administrative Court, one relating to the company's main permit and the other to the KL1 waste rock area.

## Key events after the financial period

### Terrafame concluded its change negotiations

On 5 April 2024, Terrafame announced that it had concluded the change negotiations initiated in February 2024. As a result of the negotiations, Terrafame made a reduction of 34 person-years, of which 27 are redundancies, on production-related and financials grounds as well as due to operational reorganisation.

The change negotiations were related to the profitability programme initiated in February 2024. During the change negotiations, Terrafame and the employee representatives also discovered other measures that will improve Terrafame's profitability. The company estimates that the cash flow effect of the measures under the programme will amount to approximately EUR 10 million in 2024, of which the personnel reductions account for approximately EUR 1 million. From 2025, the annual cash flow impact

is estimated to be in total EUR 10–14 million, of which the impact of the personnel-related measures is approximately EUR 2 million.

## Terrafame brought its battery chemicals plant to a halt due to the national strikes in Finland

On 5 April 2024, Terrafame announced that it had decided to bring its battery chemicals plant to a halt for approximately four weeks. The decision arose from the national strikes in Finland that had continued for several weeks and were affecting the logistics chain. Due to the strikes, Terrafame was not able to execute the export deliveries of the products of its battery chemicals plant, which forced Terrafame to store the products in its industrial site.

The shutdown of the battery chemicals plant will not affect Terrafame's metal intermediates production.

## Near-term outlook

- The production ramp-up of the battery chemicals plant will be continued. The battery chemicals market will continue to be challenging in 2024, but Terrafame's production process will also enable flexible operations in the intermediates market.
- The price development of base metals and battery chemicals involves considerable uncertainty.
- The development of operational efficiency, profitability and safety at work will continue.
- Terrafame is preparing to start uranium recovery by the summer of 2024.

### For further information, please contact:

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A Finnish-language webcast will be held on 26 April 2024 at 1:00 p.m. At the event, Seppo Voutilainen, CEO of Terrafame, and Ville Sirviö, CFO, will discuss the company's performance. The webcast can be followed live at [terrafame.videosync.fi/q1-2024](https://terrafame.videosync.fi/q1-2024). Questions can be submitted using the form at the bottom of the page.

Terrafame enhances low-carbon mobility by delivering responsibly produced battery chemicals to the global battery industry. One of the world's largest production lines for chemicals used in electric vehicle batteries is located on Terrafame's industrial site. The plant is capable of producing nickel sulphate for around 1 million EVs per year. The carbon footprint of the nickel sulphate produced by Terrafame is among the smallest in the industry.

Terrafame's integrated, unique and energy-efficient production process from the mine to battery chemicals is located on a single industrial site. It provides customers with a transparent, traceable and truly European battery chemical supply chain.

Terrafame Ltd was founded in 2015. Its net sales in 2023 were EUR 560.9 million. Around 1,900 people work on its industrial site, slightly over half of whom are employees of partner companies.