

Terafame's operating result for January-June 2024 improved year-on-year

The financial information presented about Terafame 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.

April-June 2024 in brief:

- Net sales were EUR 116.0 (91.4) million, representing an increase of 21.2% year-on-year.
- Net sales from the battery chemicals business decreased to EUR 29.4 (32.1) million, or 25.3% (35.1) of the company's total net sales. Net sales were negatively affected by lower production and delivery volumes as well as a decrease in the market price of nickel sulphate.
- Net sales from the metal intermediates business were EUR 86.6 (59.3) million, as production volumes remained at a high level.
- EBITDA was EUR -2.4 (-17.4) million, or -2.1% (-19.0) of net sales. EBITDA increased mainly due to improved cost efficiency.
- The operating result was EUR -20.3 (-32.9) million.
- Free cash flow from operating activities was EUR -14.9 (-33.9) million.

January-June 2024 in brief:

- Net sales were EUR 246.0 (264.1) million, representing a decrease of 6.9% year-on-year.
- Net sales from the battery chemicals business decreased to EUR 65.0 (98.3) million, or 26.4% (37.2) of the company's total net sales. Net sales were negatively affected by lower production and delivery volumes as well as a decrease in the market price of nickel sulphate.
- Net sales from the metal intermediates business were EUR 181.0 (165.8) million, as production volumes remained at a high level.
- EBITDA increased to EUR 37.5 (25.4) million, or 15.2% (9.6) of net sales.
- The operating result was EUR 3.3 (-5.5) million.
- Free cash flow from operating activities was EUR -44.5 (-22.0) 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 4.3 (5.7).

Financial key figures

EUR million	4-6 2024	4-6 2023	Change	1-6 2024	1-6 2023	Change	2023
Net sales	116.0	91.4	21.2%	246.0	264.1	-6.9%	560.9
Battery chemicals business	29.4	32.1	-9.2%	65.0	98.3	-33.9%	167.5
Metal intermediates business	86.6	59.3	31.5%	181.0	165.8	9.2%	393.4
EBITDA	-2.4	-17.4	n.a.	37.5	25.4	47.7%	100.6
Operating result	-20.3	-32.9	62.1%	3.3	-5.5	n.a.	37.9
Work in progress	260.4	249.2	4.3%	260.4	249.2	4.3%	258.6
Free cash flow from operating activities ¹	-14.9	-33.9	n.a.	-44.5	-22.0	n.a.	-52.5
Total capital expenditure	74.6	36.6	50.9%	134.8	59.2	127.7%	138.2
Sustaining capital expenditure	59.4	30.4	48.8%	92.5	50.7	82.4%	112.4
Investments in productivity improvement and capacity growth	15.2	6.2	59.2%	42.3	8.5	n.a.	25.7
Shareholders' equity				764.2	647.7	18.1%	809.0
Balance sheet total				1,385.7	1,271.0	9.0%	1,307.2
Own personnel, active, # of people				935	887	5.4%	842
Partner companies' personnel, FTE, # of people				1,248	1,046	19.3%	1,038
Total accident frequency rate, 12-month LTIFR1				4.3	5.7	-24.6%	4.8
Own personnel				3.7	4.3	-14.0%	4.5
Partner companies' personnel				4.6	6.7	-31.3%	5.0

Financial information for 2023–2024 are unaudited IFRS figures. For the business reviews in the financial year 2024, the pertinent pieces of 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

Despite the external challenges, Terrafame's EBITDA increased in January–June 2024, driven by the favourable development of the cost efficiency, whereas the net sales slightly decreased.

The production halt at the battery chemicals plant in April had an impact on the result. Due to the political strikes in Finland, we were unable to execute the export deliveries of the products of the battery chemicals plant, leading to increased inventories. We also carried out a scheduled maintenance shutdown of the battery chemicals plant in the second quarter. Operations at the battery chemicals plant were resumed in June, and we will continue reducing the increased inventories in the third quarter.

The market prices of nickel and nickel sulphate fluctuated during the review period and remained on average at a clearly lower level compared to a year ago, although there were some signs of recovery in

the second quarter. Thanks to our flexible production process, we managed to further compensate for the impact of the imbalance in the Asian nickel sulphate market on our result by delivering more metal intermediates to the Western markets.

In June, we started the recovery of natural uranium on our industrial site. With Terrafame's operations, Finland became the only European Union member state that produces uranium. Consequently, we help in achieving climate goals and building Europe's energy self-sufficiency. The investment also highlights our modern production process which enables the recovery of even more metals cost-effectively.

Sustainability is at the core of our operations, and we believe that its development gives us a competitive edge in the battery chemicals market. Related to the financing arrangements signed at the end of 2023, we defined three key sustainability performance indicators together with the banks, which, if achieved, would decrease our financing costs. We also continued the preparations for complying with the EU corporate sustainability reporting standards (CSRD), and we will report in accordance with the regulation from 2025 onwards. In June 2024, we published our latest sustainability review.

We will continue developing our operational activities. The profitability programme, which was initiated at the beginning of the year aiming for annual savings of EUR 10 million, is progressing according to plans. In addition, during the review period, we appointed two new members to the Leadership Team and updated some members' responsibilities.

Our near-term focus areas include the ramp-up of uranium recovery as planned and the implementation of significant investment projects. These projects are related to the new secondary leaching area and the preparations for the exploitation of the Kuusilampi mine in the next phase. We will also apply for a strategic status for the other, yet unexploited, Kolmisoppi ore deposit in the area, as part of the EU critical raw materials supply chain in accordance with the CRMA regulation.

Supported by these measures and investments that are significant also on Finland's scale, we will ensure the continuity of our operations long into the future while strengthening Terrafame's competitiveness and forerunner position as part 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 5.5 (4.6) million electric passenger cars and light commercial vehicles were sold worldwide in January–May 2024. This represents an increase of around 21% 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	1–5/2024	1–5/2023	Change, %	Change 2022–2023, %
China	3.25	2.47	32	32
USA and Canada	0.65	0.61	7	59
Europe	1.18	1.13	4	18
Other countries	0.45	0.35	31	77
Total	5.54	4.56	21	35

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, albeit at a slightly more moderate pace than before. Sales are expected to increase by around 24% to 16.8 million cars.

In May 2024, including all vehicle categories, the sales-weighted average pack size was 52.0 (50.8) 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, was 21% in May 2024, remaining at the previous year's level. The market share of LFP batteries was 47% in May 2024 (40% in May 2023).

In January–May 2024, 2.9 (2.4) million electric vehicles utilising NCM battery technology were sold. Sales increased by around 18% compared to the corresponding period of the previous year. Sales of electric vehicles utilising LFP battery technology increased by 31% to 2.3 (1.8) million cars sold.

In terms of gigawatt hours, the demand for NCM batteries increased by around 18% to 148.9 (125.9) GWh in January–May 2024 compared to the corresponding period of the previous year. The share of NCM 811 batteries increased by around 33% to 62.2 (46.8) GWh. The share of LFP batteries increased by around 31% to 120.5 (91.1) GWh. (Source: Rho Motion Monthly EV Battery Chemistry Assessment)

Nickel market

The price of nickel on the London Metal Exchange (LME) in the first half of 2024 was markedly lower than in the corresponding period in 2023. The average market price in January–June 2024 was 17,487 (24,212) USD/t, which is around 28% lower than in the corresponding period in 2023. The average market price of nickel in April–June 2024 was 18,415 (22,308) USD/t, which is around 17% lower than in the corresponding period in 2023. Compared with the first quarter of 2024, however, the average market price of nickel increased by around 11%.

The price of nickel sulphate (SPOT China) also fell markedly, and the average price in January–June 2024 was 17,039 (20,789) USD/t, which is around 22% lower than in the corresponding period of the previous year. The average price in April–June 2024 was 22,308 (28,940) USD/t, which is around 12% lower than in the corresponding period of 2023. Compared with the first quarter of 2024, the average market price of nickel sulphate increased by around 11%. 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 June 2024 were 117,872 tonnes, which is nearly three times higher than in the corresponding period in 2023 (41,641). 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 June 2024 were around 19.5% higher than at the end of March 2024 (98,605). The stock level at the end of June 2024 corresponded to demand for 1.8 weeks (0.7).

Net sales and financial performance

April-June 2024

Net sales were EUR 116.0 (91.4) million, representing an increase of 21.2% year-on-year. The increase was mostly driven by the high production and delivery volumes of the metal intermediates business.

Net sales from the battery chemicals business totalled EUR 29.4 (32.1) million, or 25.3% (35.1) of the company's total net sales. Production volumes were negatively impacted by the production halt at the battery chemicals plant in April due to the political strikes as well as a scheduled maintenance shutdown. In addition, the decrease in the market price of nickel sulphate burdened net sales. In the corresponding period, there was a two-month shutdown at the battery chemicals plant due to a drop in the market in China.

Net sales from the metal intermediates business totalled EUR 86.6 (59.3) million. Production and delivery volumes were at a high level, which balanced the lower market prices.

EBITDA was EUR -2.4 (-17.4) million, or -2.1% (-19.0) of net sales. The operating result was EUR -20.3 (-32.9) million. Improved cost efficiency and high production and delivery volumes of the metal intermediates business had a positive impact on the result. In addition, price hedging softened the impact of lower sales prices on net sales and the result. Lower market prices and decreased production and delivery volumes at the battery chemicals plant had a negative impact on the result.

Free cash flow from operating activities* was EUR -14.9 (-33.9) million. Cash flow was negatively affected by the ongoing significant investment programme.

January-June 2024

Net sales were EUR 246.0 (264.1) million, representing a decrease of 6.9% year-on-year. The decrease resulted from the declined production and delivery volumes of the battery chemicals plant and lower market prices of metals.

Net sales from the battery chemicals business totalled EUR 65.0 (98.3) million, or 26.4% (37.2) of the company's total net sales. The production halt at the battery chemicals plant in April impacted production volumes negatively. In addition, the decrease in the market price of nickel sulphate burdened net sales. The first quarter of the comparison period was strong, but the two-month shutdown at the battery chemicals plant due to a drop in the market in China had a negative impact on the second quarter.

Net sales from the metal intermediates business totalled EUR 181.0 (165.8) million. Production and delivery volumes were at a high level, which balanced the lower market prices.

EBITDA was EUR 37.5 (25.4) million, or 15.2% (9.6) of net sales. The operating result was EUR 3.3 (-5.5) million. The increase in EBITDA and the operating result was driven by improved cost efficiency. In addition, price hedging softened the impact of lower sales prices on net sales and the result. Lower market prices and decreased production and delivery volumes at the battery chemicals plant had a negative impact on the result.

Free cash flow from operating activities* was EUR -44.5 (-22.0) 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 April-June

Terrafame concluded its change negotiations

On 5 April 2024, Terrafame announced that it had concluded the change negotiations initiated in February. As a result of the negotiations, Terrafame will make 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 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 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 did not affect Terrafame's metal intermediates production.

Appointments to Terrafame's Leadership Team

Mr David Garcia-Balbuena, M.Sc., was appointed as the Chief Production Officer and a member of the Leadership Team as of 1 June 2024. He moved to the Leadership Team from his position as the Head of Production, Bioleaching and Water management. Before his appointment, Garcia-Balbuena has held various managerial roles in the bioleaching and water management as well as geology and mine planning departments.

Mr Kristian Granit, M.Sc. (Process technology), was appointed as the Chief Services Officer and a member of the Leadership Team as of 1 June 2024. He moved to the Leadership Team from the position of the Deputy Chief Production Officer. Before this, he has held various managerial and leadership positions in electrical and automation maintenance, the metals extraction plant, and the battery chemicals plant.

Former Chief Technology Officer Antti Arpalähti continues in the Leadership Team as the Chief Technology, Strategy and Projects Officer, focusing on research and development, strategy, and projects.

Terrafame started uranium recovery

On 18 June 2024, Terrafame started recovering natural uranium on its industrial site in Sotkamo, Finland. The company's production process enables the low concentration of natural uranium found in the ore to be used as a by-product. The uranium recovered by Terrafame will be transported abroad for further processing, after which it will be used in nuclear energy production. In total, the preparations required investments of approximately EUR 20 million. After the ramp-up phase, the recovery of uranium will increase Terrafame's net sales by approximately EUR 30–40 million per year, accounting for a few percent of Terrafame's estimated net sales in the coming years.

Capital expenditure

Capital expenditure totalled EUR 134.8 (59.2) million in January–June 2024. Of this total, EUR 42.3 (8.5) million was used to improve productivity and increase capacity, and EUR 92.5 (50.7) million was used to sustain production.

Capital expenditure, EUR million	1–6 2024	1–6 2023	Change
Sustaining capital expenditure	92.5	50.7	82.4%
Investments in productivity improvement and capacity growth	42.3	8.5	n.a.
Total capital expenditure	134.8	59.2	127.7%

Investments in sustaining production mainly consisted of preparatory work related to the exploitation of the next sections of the Kuusilampi mine. Other significant investments included the start-up of the construction of a new section of the waste rock area, preparatory work for the new secondary sections (5–6) and purchasing new mining equipment.

The most significant investments in productivity improvement and capacity growth were related to the preparations for uranium recovery and preparatory work to enable the exploitation of the Kolmisoppi deposit.

In August 2023, Terrafame decided to invest more than EUR 200 million in a new secondary leaching area, which is planned to be introduced in 2026. New leaching areas are required on the industrial site when old ones become full.

Shares and shareholders

Terrafame has one series of shares. At the end of June 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 (647.7) million.

At the end of June 2024, Finnish Minerals Group (FMG), a special-assignment company of the state of Finland, owned 56.1% (66.9), Galena funds managed by Trafigura 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. 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 Schumacher 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. In addition, the Chair and a member of the Board is paid EUR 600 for each Board meeting or Board committee meeting they attend.

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 935 (887) employees at the end of June 2024. The increase was related to starting uranium recovery and the around 120 summer employees working at Terrafame this summer season.

An average of 1,248 (1,046) people employed by contractors and subcontractors worked on the industrial site during the reporting period (FTE). The increase was related to the construction of the new secondary leaching area as well as the haulage of waste rock at the Kuusilampi open pit mine.

Sustainability

All Terrafame's operations are based on sustainability and continuous improvement. Terrafame's Board of Directors has approved the sustainability programme for 2022–2024 and its objectives, including carbon neutrality in the company's own operations by 2039.

At Terrafame, sustainability covers the environment, social responsibility and good governance extensively. The themes of the sustainability programme are linked to the UN Sustainable Development Goals as far as applicable. Terrafame is also committed to the UN Global Compact initiative, which provides an internationally approved framework for demonstrating sustainability. The ten principles of the initiative are based on international agreements on human rights, labour rights, the environment and anti-corruption.

In addition, Terrafame's employees and partners, as well as its suppliers of services and materials, must comply with its Code of Conduct and the principles of its sustainability policy. Policy implementation is supported by Terrafame's certified management system (ISO 9001, ISO 45001 and ISO 14001) and more detailed operating guidelines.

Terrafame's latest Sustainability Review was published in June 2024 and is available at www.terrafame.com > Company > Reports and Publications.

Occupational safety indicators

Safety is one of Terrafame's values, and the continuous development of a safety culture has been one of the main priorities since the company was established. Operations within the industrial site must be safe for both the company's own employees and those of its partners in all circumstances and situations. Partner companies' accident frequency rate decreased markedly as a result of the long-term cooperation of Terrafame and its partner companies to improve safety at work. We aim for zero accidents.

Accident frequency rate, 12-month LTIFR1	30 June 2024	30 June 2023	Change
Accident frequency rate, Terrafame employees	3.7	4.3	-14.0%
Accident frequency rate, partner companies	4.6	6.7	-31.3%
Total accident frequency rate on the industrial site	4.3	5.7	-24.6%

Environmental monitoring

Terrafame monitors the state of the environment on the industrial site in accordance with the permit decisions and the monitoring programme approved by the authorities. Terrafame's annual environmental monitoring reports are available in Finnish on its website at www.terrafame.fi > [Naapureille > Ympäristötarkkailuraportit](#). The report for 2023 was published in May 2024.

Sulphate loading of natural waterways is one of the most significant environmental impacts of Terrafame's production. The increase in sulphate loading in January–June 2024 was caused by increased discharges of purified water, but the loading was clearly below annual permit limits.

Key indicators related to discharge waters	1–6/2024	1–6/2023
Purified discharge waters, Mm ³	5.6	3.8
Sulphate in discharge waters, tonnes (permit quota 17,000 tonnes)	6,057	4,016

Other key indicators of sustainable development are available in the company's sustainability review at www.terrafame.com > [Company > Reports and publications](#).

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, also zinc, cobalt and copper are 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 vehicle 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.

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.

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.

Key events after the financial period

Terrafame had no significant events after the review period.

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 enables flexible operations also 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.
- The production ramp-up of the uranium recovery.

For further information, please contact:

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A Finnish-language webcast will be held on 26 July 2024 at 12:00 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/q2-2024. 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 regularly, slightly over half of whom are employees of partner companies.