



» Business Review January–June 2020

Joni Lukkaroinen
CEO
24 July 2020

Terrafame

>> January–June 2020 in brief



- Net sales grew by 22.3 per cent to EUR 172.6 (141.2) million.
- EBITDA was EUR 19.1 (1.5) million, which accounts for 11.1 (1.1) per cent of net sales.
- Operating profit amounted to EUR -0.6 (-16.1) million.
- The increase in net sales was driven by good production volumes during early 2020 and hedges. Deliveries continued as normal despite the coronavirus pandemic.



- Nickel production increased by 13.8 per cent to 15,462 (13,584) tonnes.
- Zinc production increased by 10.7 per cent to 29,929 (27,036) tonnes.
- The construction of the battery chemicals plant progressed as planned.
- During the review period, the coronavirus pandemic did not adversely affect Terrafame's operations.
- The investment in the battery chemicals plant has increased the number of employees.



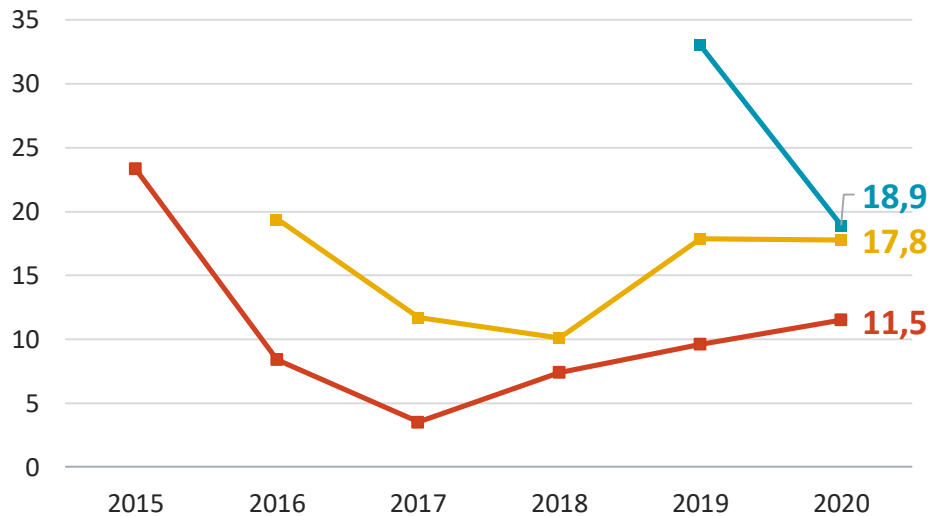
- Guidelines for avoiding a coronavirus pandemic have been followed in the industrial site.
- Improving results have been achieved in occupational safety, especially for contractors. Work continues.
- Terrafame has defined its Sustainability Programme with targets for 2020–2024.



»» Work to change a safety culture has been done systematically

» Investments in the safety culture of the battery chemicals plant project are beginning to show

Lost-time injury frequency, rolling 12 month



- Partners of the construction of battery chemicals plant
- Partners of production and maintenance
- Terrafame



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848

employees at the end
of the period (745)



Partner companies

1 022

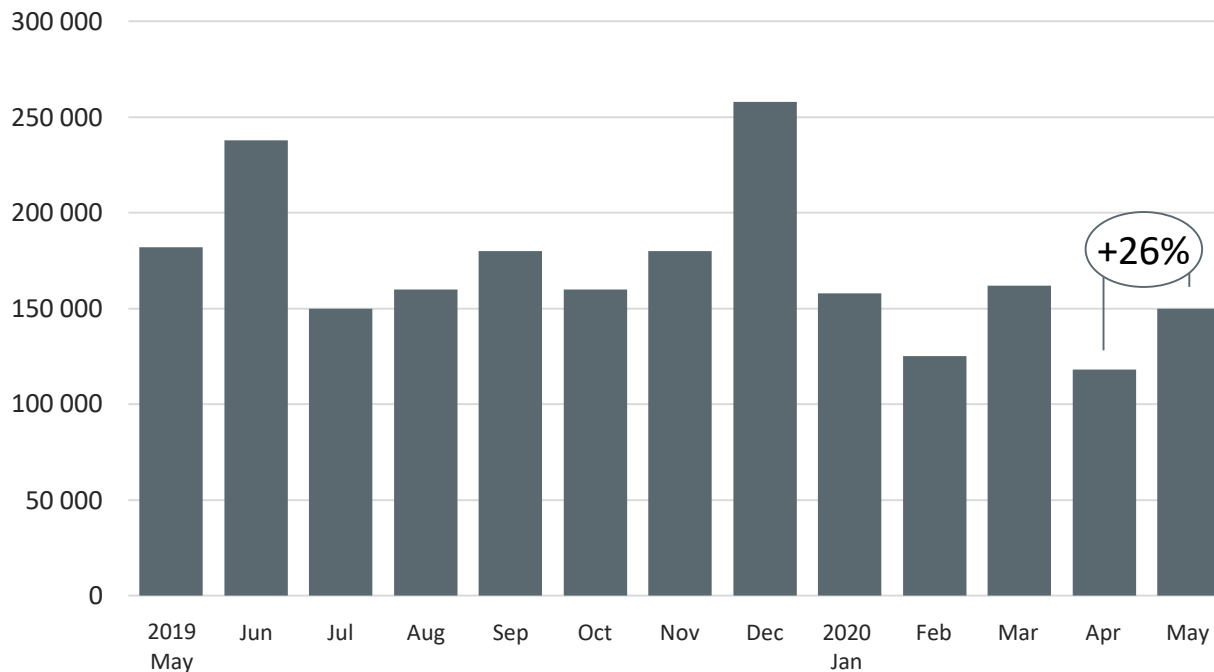
employees in average
during the period (654)



»» The construction work of the battery chemical plant is being finalized

» The coronavirus pandemic slowed also EV sales in the beginning of the year – sales are expected to recover

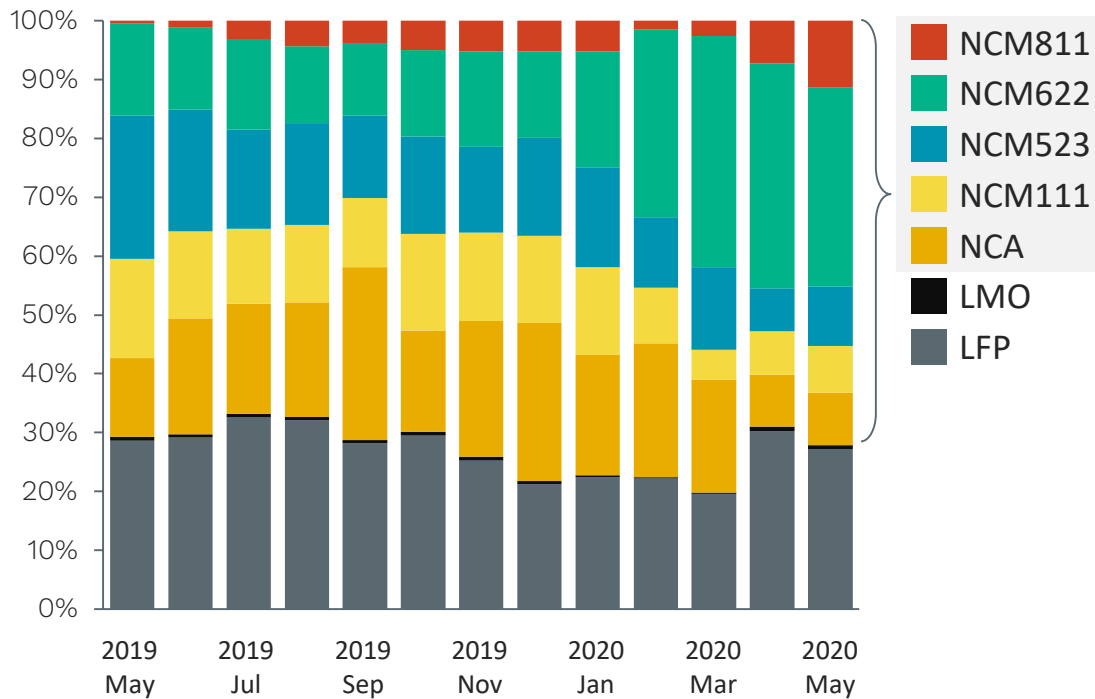
Global EV sales



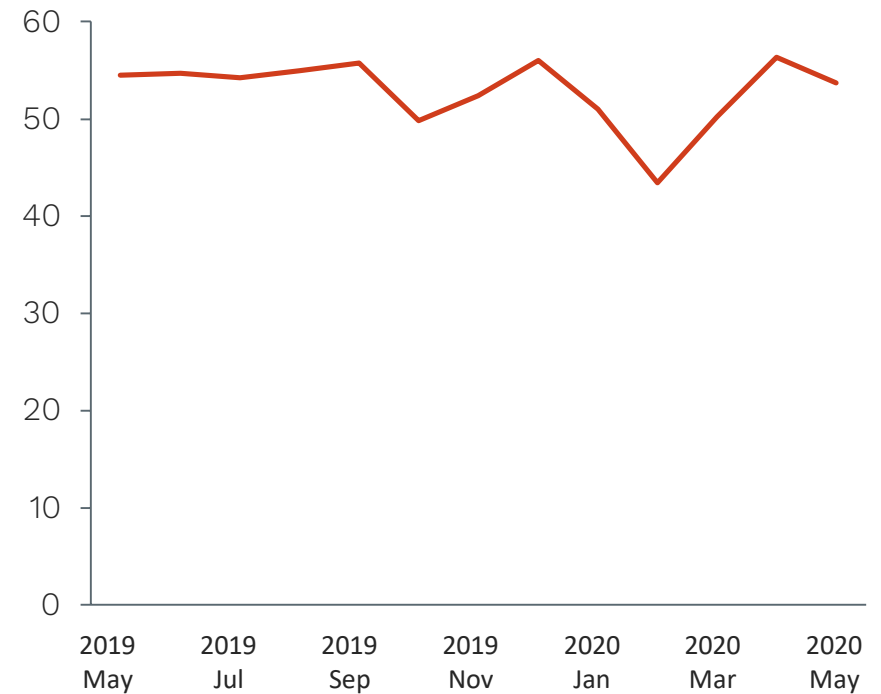
- The global EV sales declined by appr. 13 % in January–May 2020 year-on-year and were appr. 738,000 (852,000) units.
- The impact of the coronavirus pandemic was first visible in China where sales figures declined heavily in February.
- In Europe, EV sales stayed strong in early 2020 but declined markedly in April.
- In May EV sales have started to recover in all major markets.

» The share of high-nickel batteries continues to grow

Monthly weighted average EV battery chemistry



Monthly sales weighted average EV battery pack sizes (kWh)



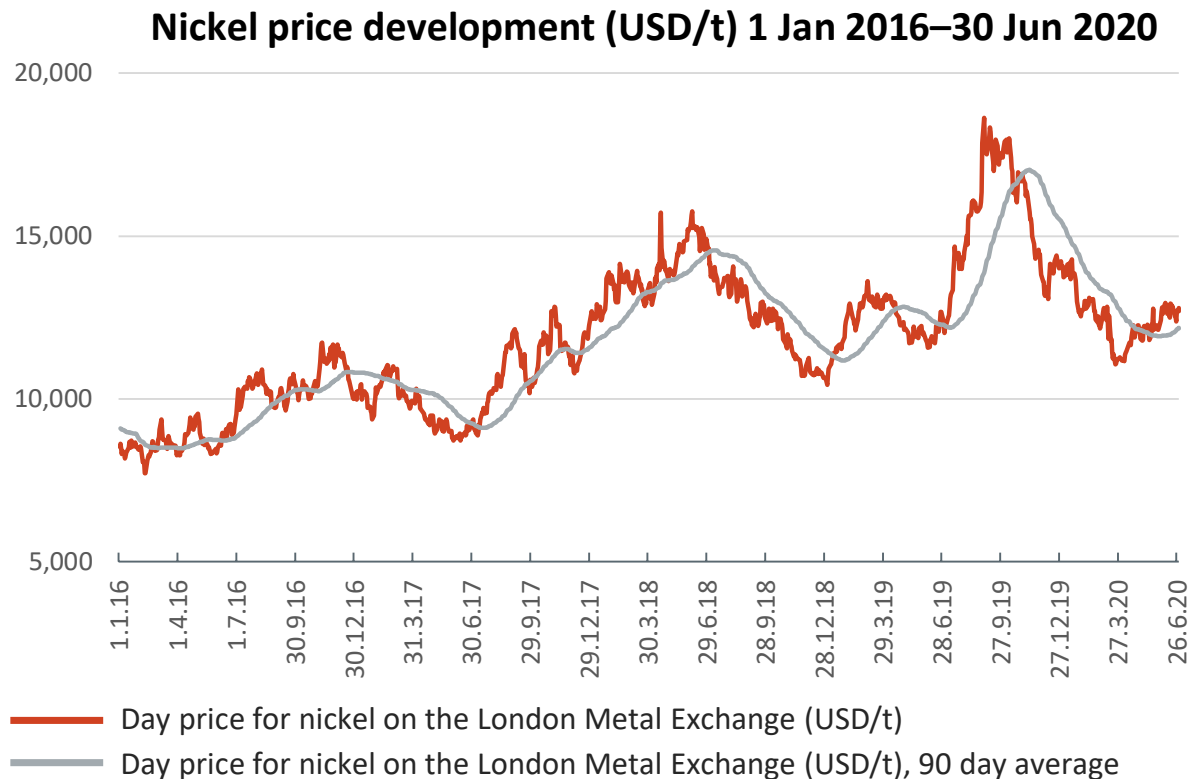
Source: Rho Motion

7 NCMXXX = N nickel, C cobalt, M manganese and their mutual relations

» **Key figures**
January–June 2020



» Nickel market price development



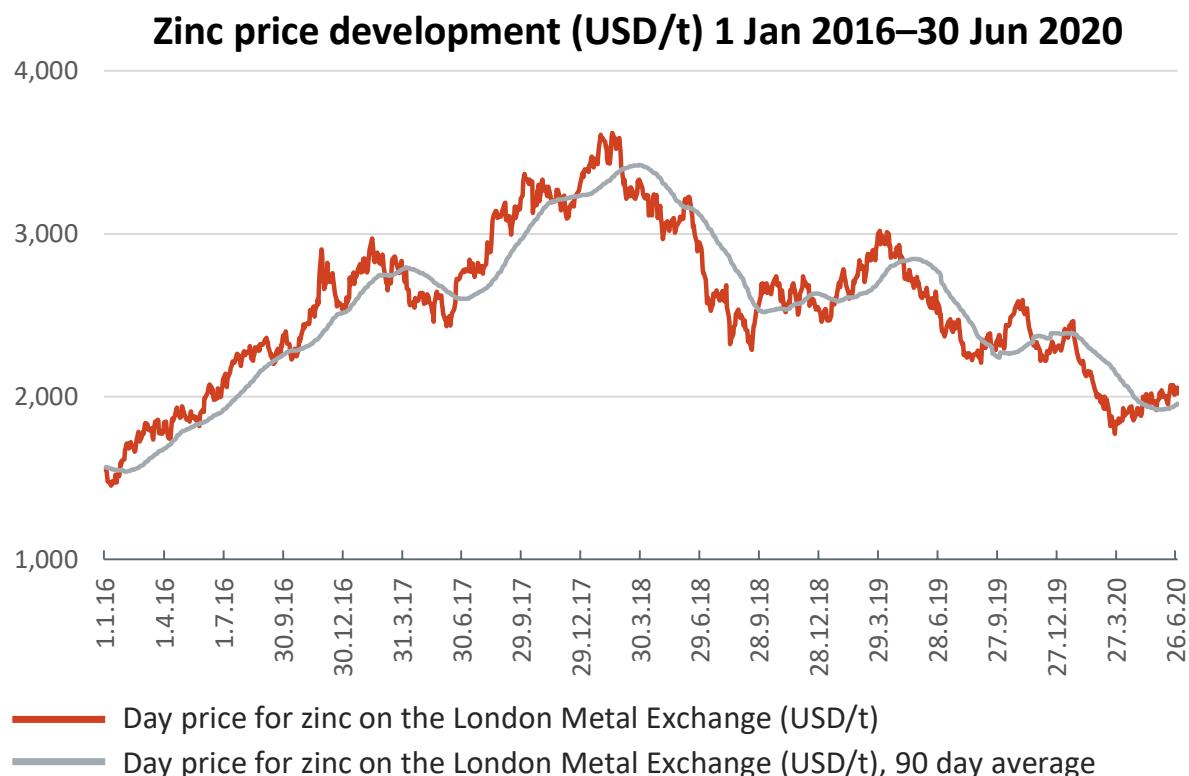
- Following the steep decline due to the coronavirus pandemic earlier in the year, the market price development of nickel has recently stabilised thanks to production cuts and the recovery of the Chinese markets.
- In January–June 2020, nickel average price was 12,483 USD/t, which was 1.4 % higher than in corresponding period in 2019.
- In April–June 2020, nickel average price was 12,243 USD/t, which was 3.8 % lower than in January–March.
- At the end of June 2020, combined LME and SHFE nickel stocks corresponded to appr. Just below 6 (4) week's demand.

Data source: Metal Bulletin

9 LME = London Metal Exchange, SHFE = Shanghai Futures Exchange

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» Zinc price development



- The effects of the coronavirus pandemic were also reflected in the zinc market price.
- In January–June 2020, zinc average price was 2,046 USD/t, which was 25.1 % lower than in corresponding period in 2019.
- In April–June 2020, zinc average price was 1,964 USD/t, which was 7.7 % lower than in January–March.
- At the end of June 2020, combined LME and SHFE zinc stocks corresponded to appr. one week's demand.

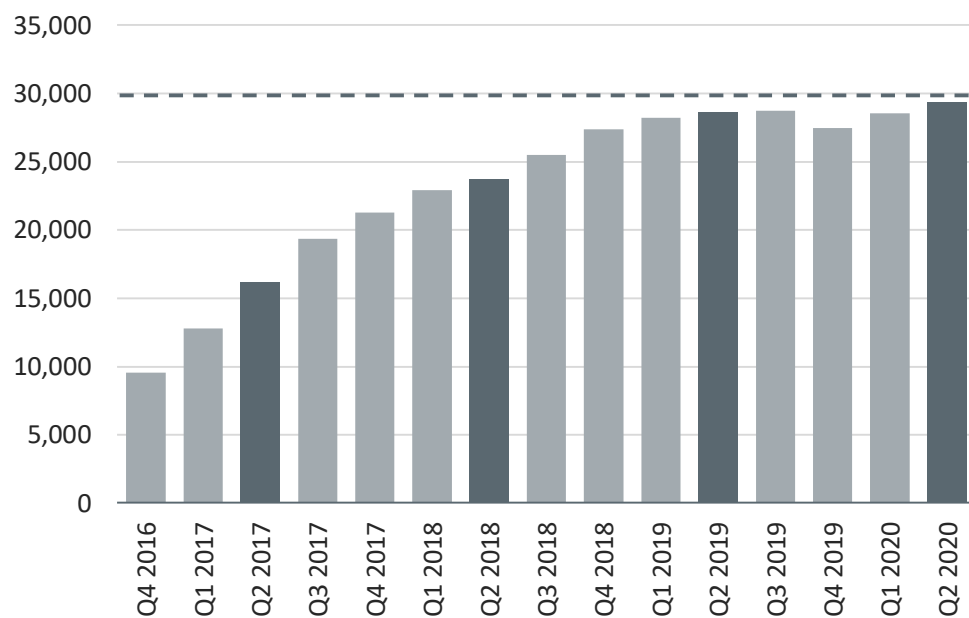
Data source: Metal Bulletin

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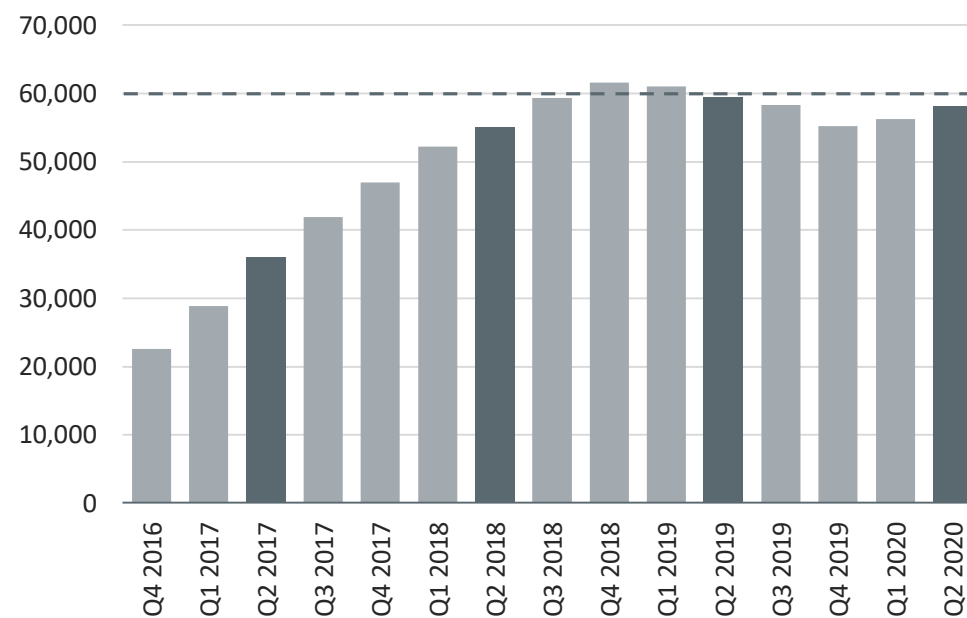
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» In January–June 2020 nickel was produced 15,462 tonnes in total

Nickel production, rolling 12 month (t)

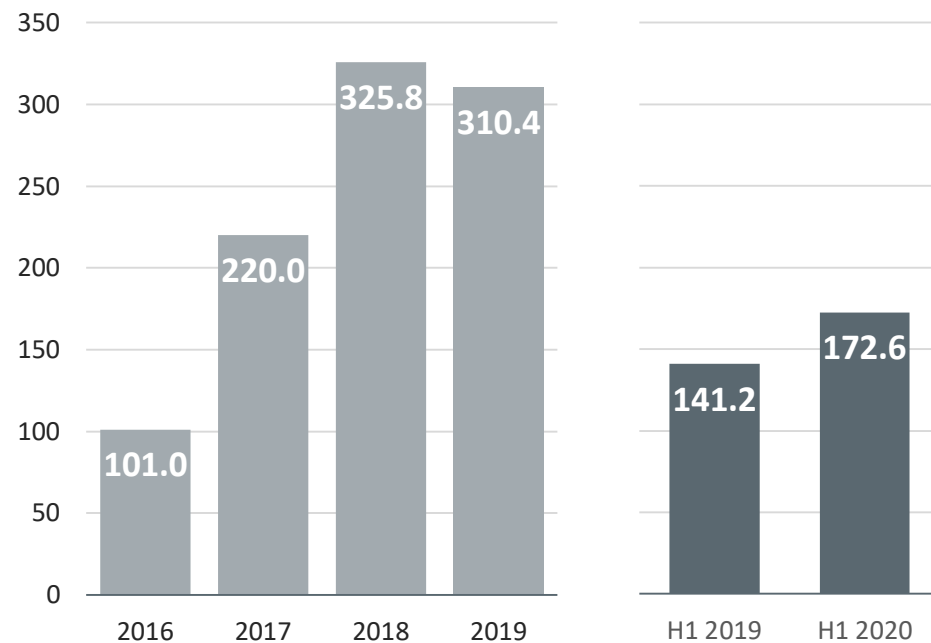


Zinc production, rolling 12 month (t)



» Net sales for January–June increased by 22.3% compared to the first half of 2019

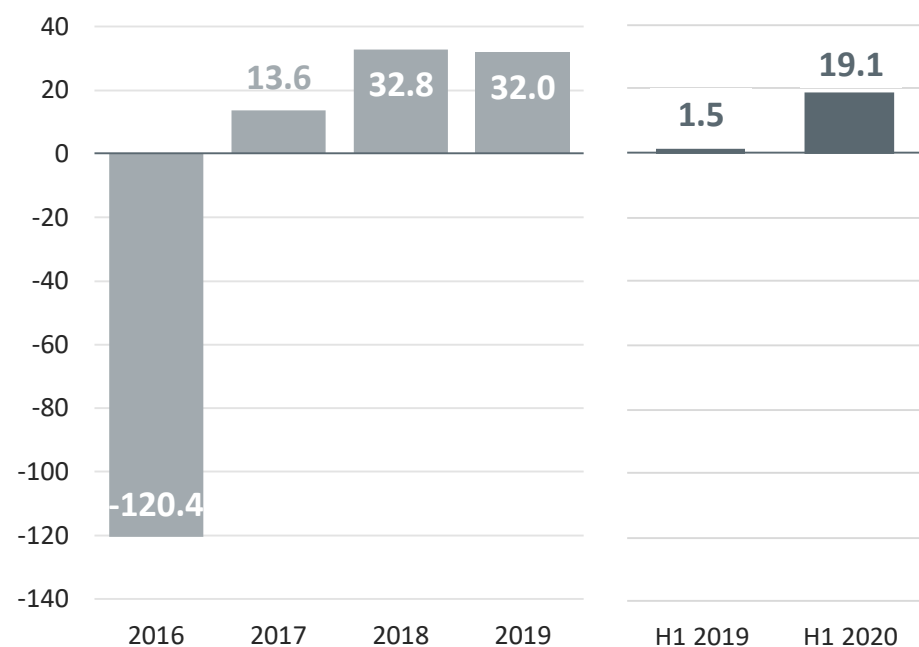
Net sales (EUR million)



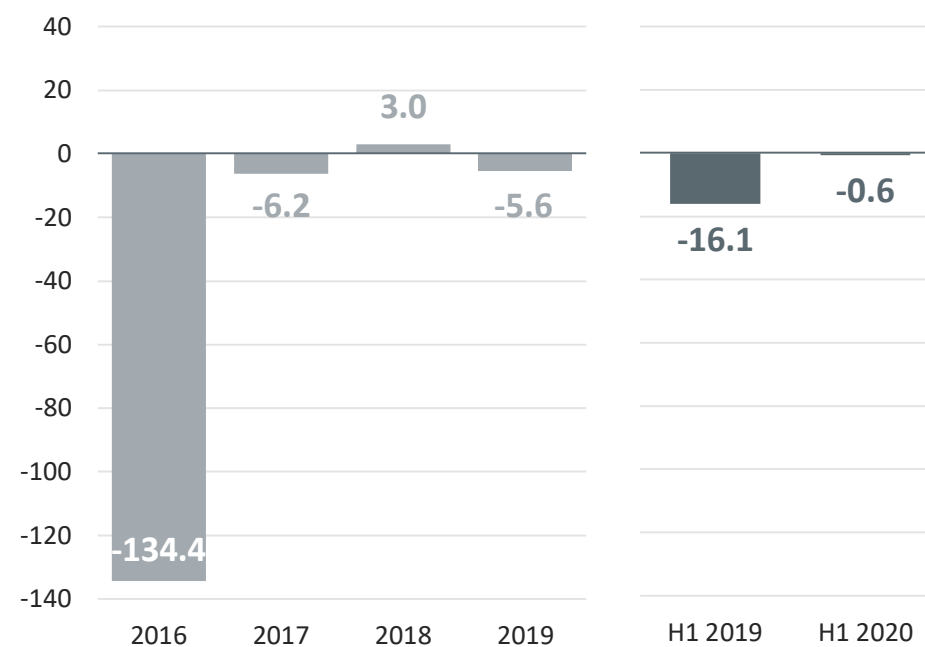
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» EBITDA for the review period increased year-on-year

EBITDA (EUR million)

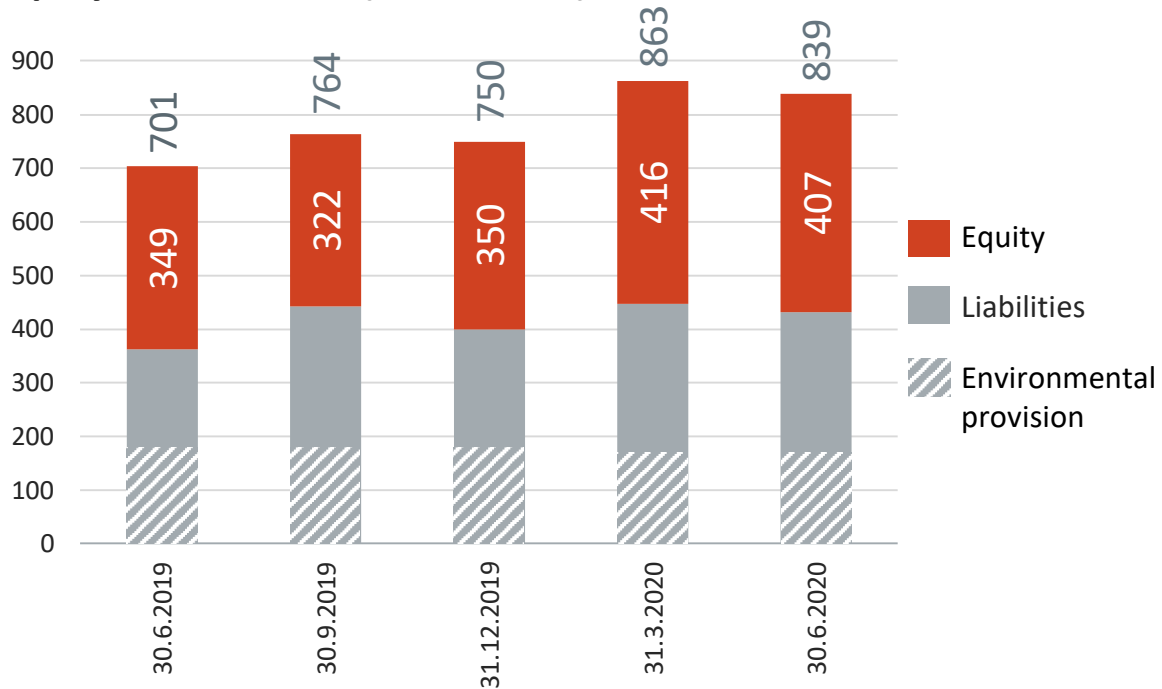


Operating result (EUR million)

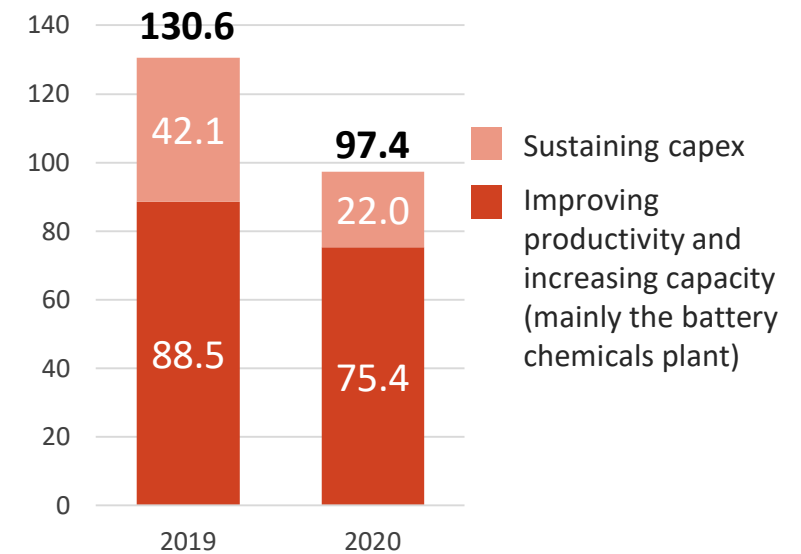


» The most important capex to increase capacity related to the construction of the battery chemicals plant which will start in 2021

Equity and liabilities (EUR million)



Capital expenditure (EUR million)



» Assessment of near-term risks caused by the coronavirus pandemic on Terrafame's operations

- The coronavirus pandemic has not adversely affected Terrafame's operations during the review period.
- The scheduled annual maintenance break normally held in May, was postponed to August due to the coronavirus-related restrictions on gatherings.
- In Finland, the coronavirus epidemic is currently stable. Terrafame intends to start easing restrictions in phases starting in the beginning of August. However, operations will be updated to reflect any changes in the overall situation, if necessary.
- There has been some delays in material and equipment deliveries for the battery chemicals plant project, but production is still scheduled to commence in the first half of 2021.



»» Significant events after the end of the financial period

- On 6 July 2020, Terrafame announced that Mr. Seppo Voutilainen, M.Sc. (Eng.) (49), has been appointed as Chief Mining Officer and Member of the Management Team as of 1 September 2020.
- Previous Terrafame Chief Mining Officer Mr. Reijo Uusitalo, M.Sc. (Eng.), retired at the end of June 2020.



»» Near-term outlook

- Price development is impacted, inter alia, by uncertainties relating to coronavirus pandemic.
- The first trial use procedures will be initiated in the near future as the installation work in the main process areas of the battery chemicals plant progresses. The commercial production of battery chemicals will commence in early 2021.
- Terrafame will continue to take special measures to improve its safety culture, production, and cost efficiency.





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