



»» Business review January–December 2020

Joni Lukkaroinen

CEO

25 Feb 2021

Terrafame

» January–December 2020 in brief

	2020 Q4	2019 Q4	2020	2019	Change
Net sales, EUR million	103.7	66.8	338.3	310.4	9.0%
EBITDA, EUR million	17.7	0.7	23.8	32.0	-25.6%
Operating result, EUR million	6.8	-9.1	-16.9	-5.6	n.a.
Free cash flow, EUR million ⁽¹⁾	39.7	-6.3	13.8	-20.6	n.a.
Nickel produced, t	8,600	6,418	28,740	27,468	4.6%

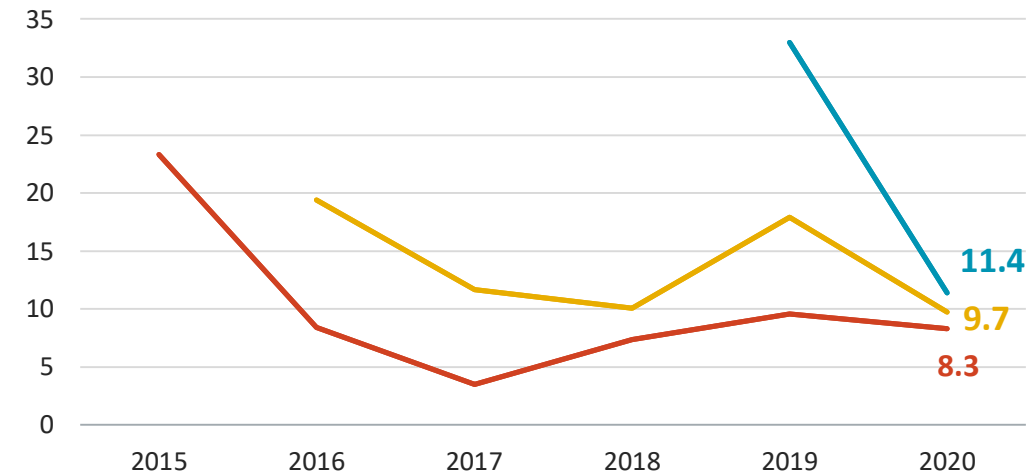
1) Free cash flow from operating activities after sustaining capex = EBITDA - change in net working capital - sustaining capex without right-of-use assets.

» Safety is one of our key values



» Good results were achieved in developing partner companies' safety culture

Rolling 12 kk lost-time injury frequency (LTIFR)



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



Terrafame

870

employees at the end of the period (754)



Partner companies

1 166

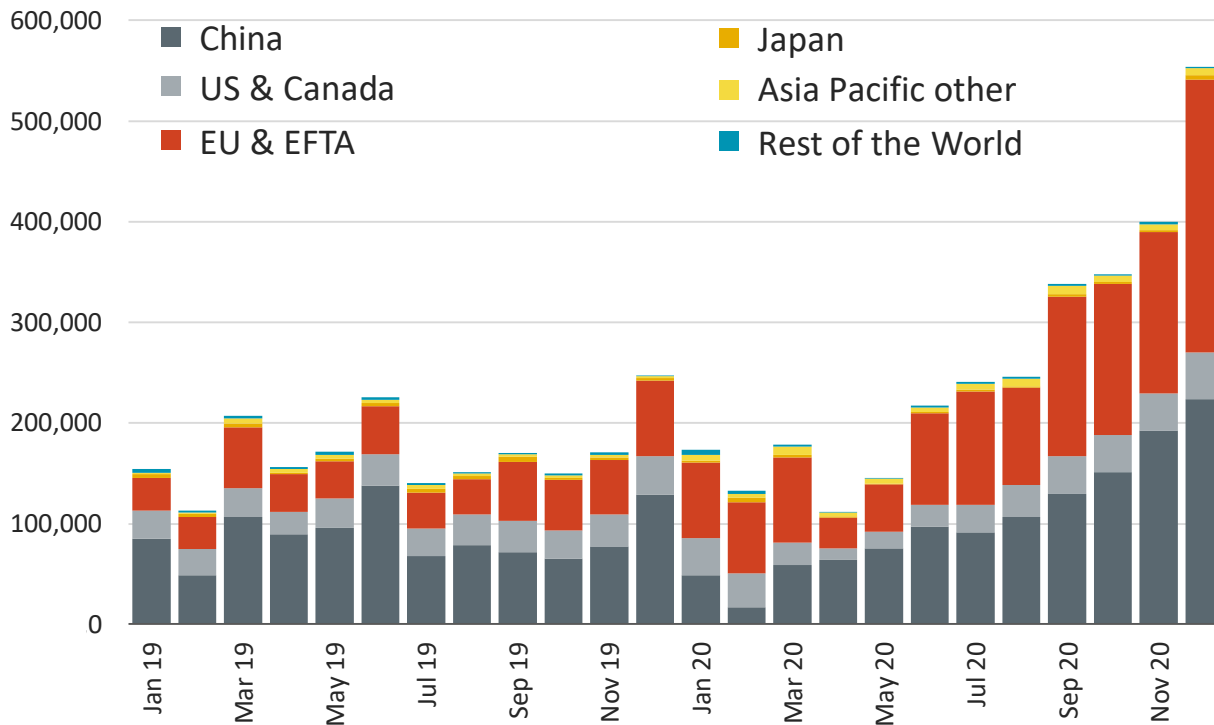
employees on average during the period (735)

» Terrafame is well placed to support e-mobility with battery chemicals



>> Global EV sales increased by around 50% from 2019

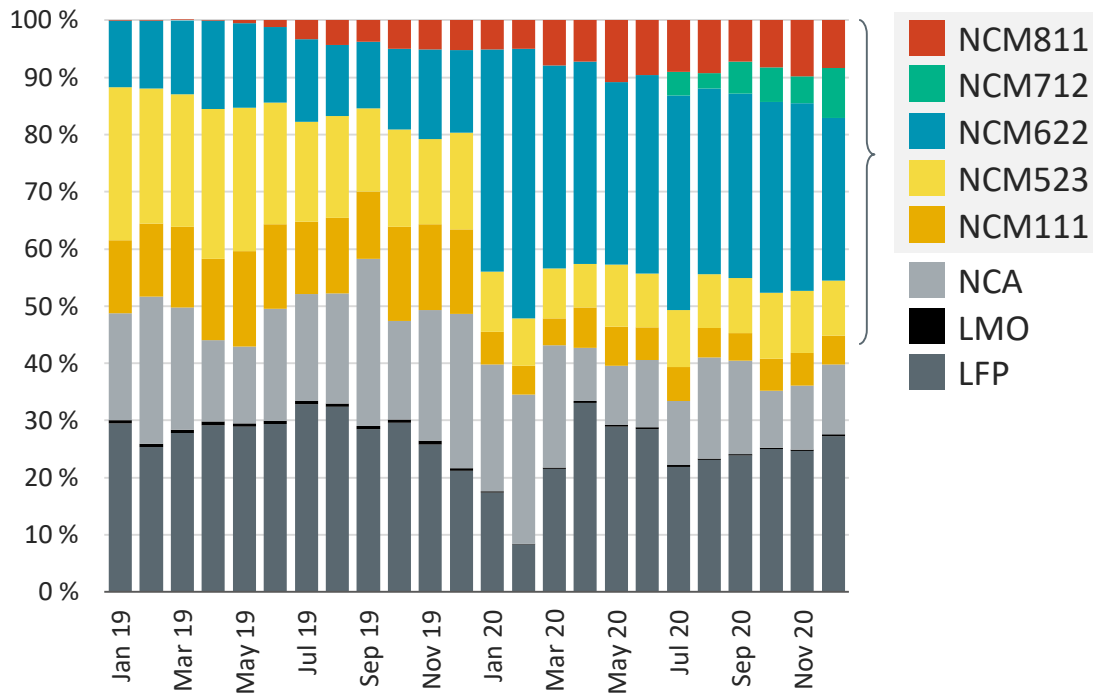
Global EV* sales



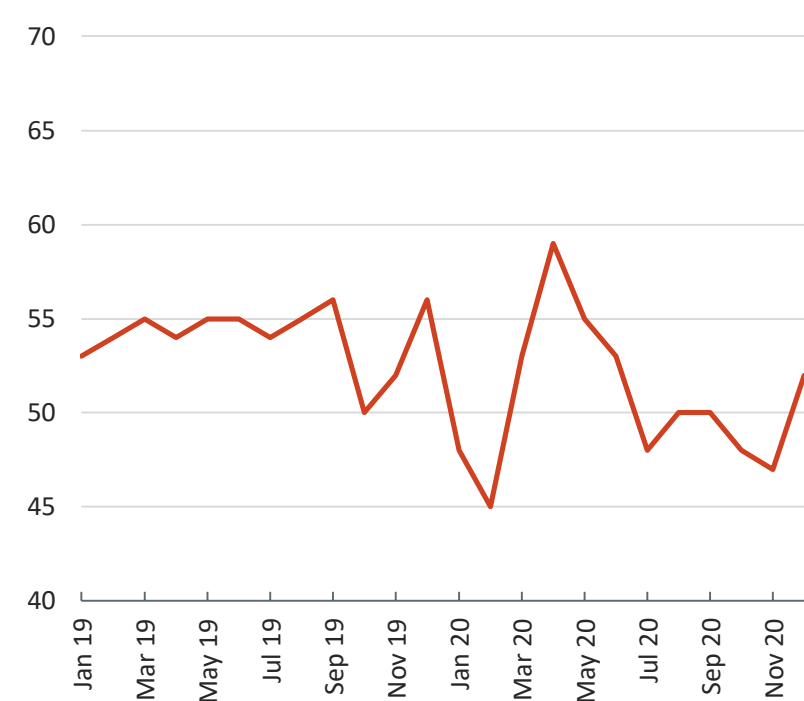
- Global EV sales* increased by around 50% from 2019 and were around 3.2 (2.2) million units.
- In early 2020, EV sales decreased significantly in China because of the coronavirus pandemic.
- Sales started to recover rapidly in the spring. Towards the end of the year, sales increased particularly strongly in Europe, and their growth continued steadily in China as well.

» Share of nickel rich batteries increases steadily

Monthly weighted average EV battery cathode chemistry



Monthly sales weighted average EV battery pack size (kWh)

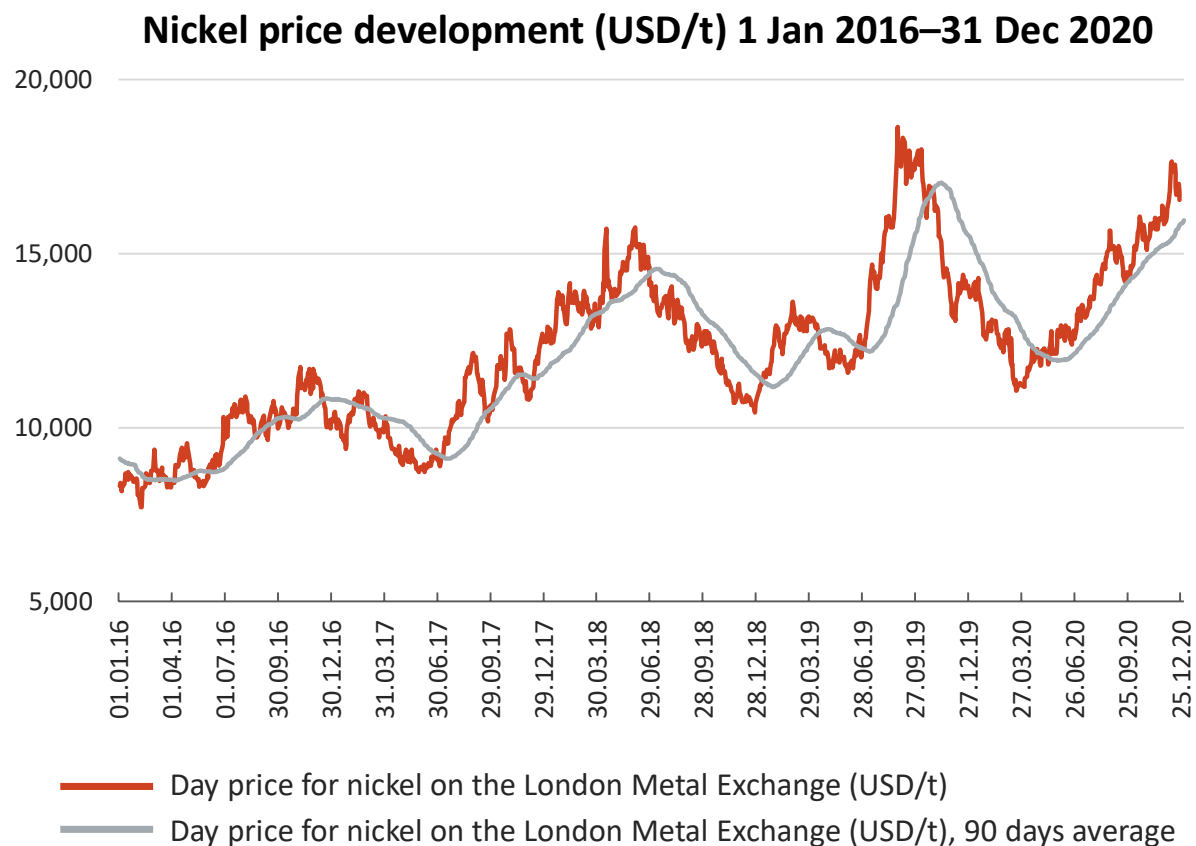


Source: Rho Motion

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



» Nickel price development

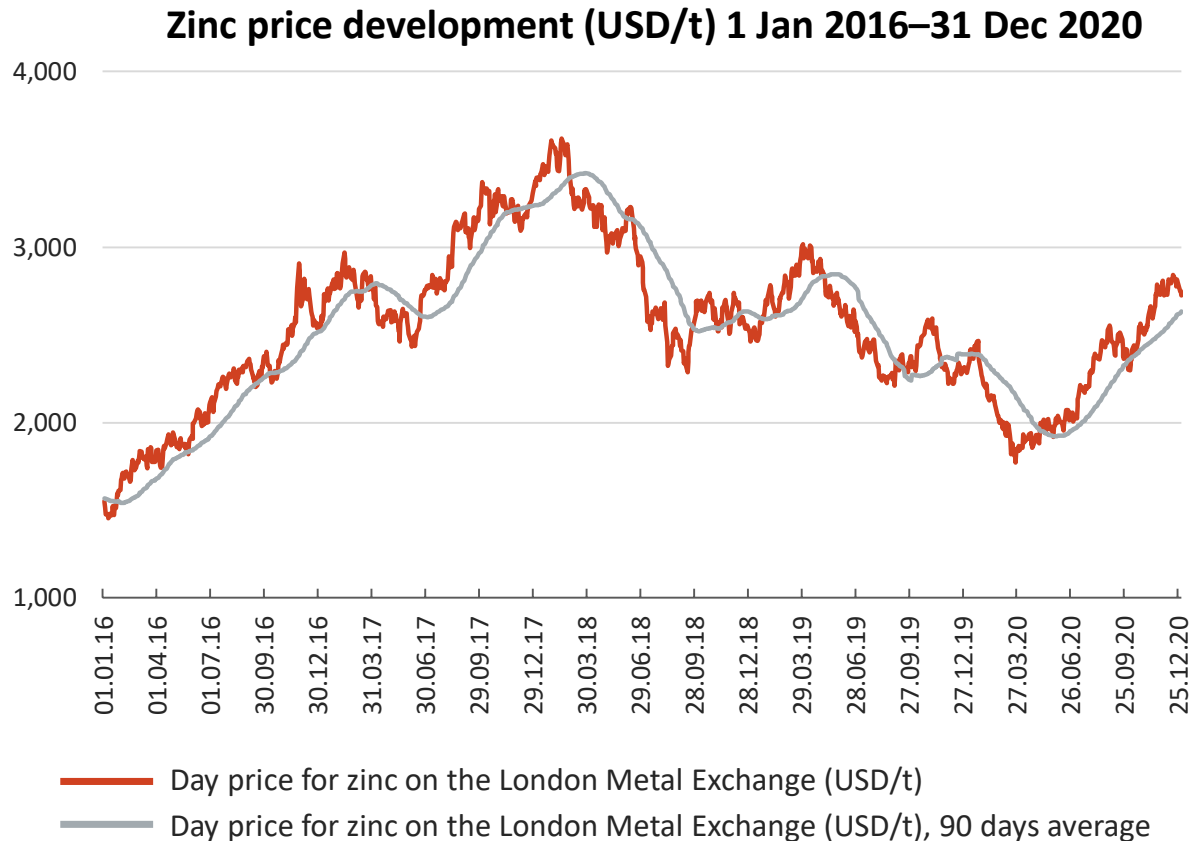


- After a steep decrease in the Q1 2020, the price of nickel started to increase as a result of demand for stainless steel in China. The growth of the electric car market contributed to the increase in demand for nickel.
- In 2020 nickel average price was 13,789 USD/t, which was 1.0% lower than 2019.
- In October–December 2020, nickel average price was 15,930 USD/t, which was 12.1% higher than in July–September.
- At the end of December 2020, combined LME and SHFE nickel stocks equalled just below 6 (4) week's demand.

Data source: Metal Bulletin

LME = London Metal Exchange, SHFE = Shanghai Futures Exchange

» Zinc price development



- The increase in the price of zinc was affected by the rapid reaction of producers to the impacts of the coronavirus pandemic, as well as the maintenance shutdowns implemented in China.
- In 2020 zinc average price was 2,267 USD/t, which was 11.0% lower than 2019.
- In October–December 2020, zinc average price was 2,628 USD/t, which was 12.6% higher than in July–September.
- At the end of December 2020, combined LME and SHFE zinc stocks equalled just appr. 1 (below 1) week's demand.

Data source: Metal Bulletin

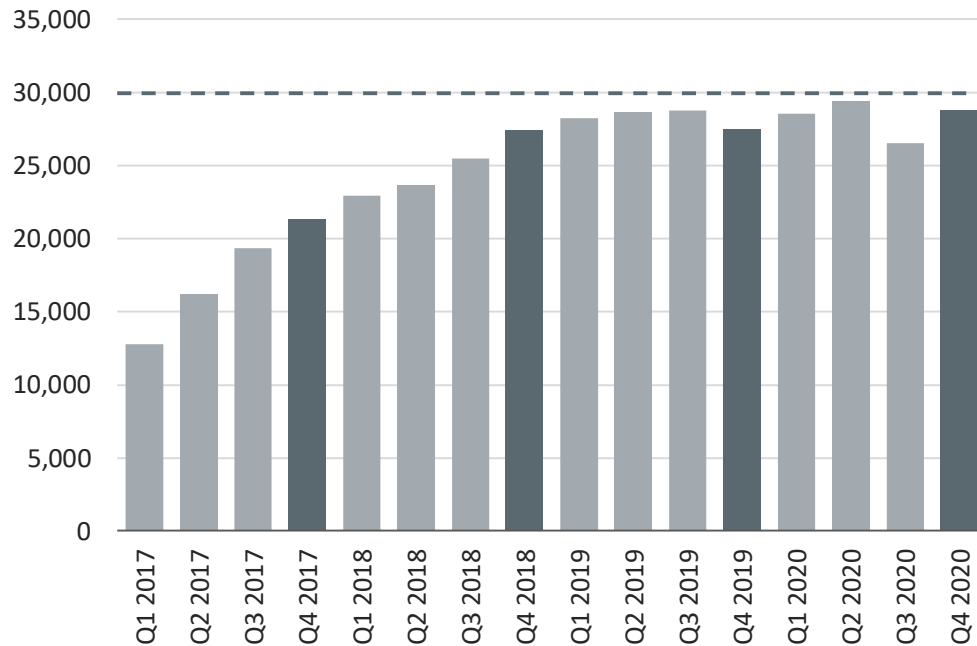
LME = London Metal Exchange, SHFE = Shanghai Futures Exchange

A photograph of an industrial facility, likely a refinery or chemical plant, under a clear blue sky. The scene is dominated by a complex network of silver metal pipes, scaffolding, and structural steel. In the foreground, two large, cylindrical, corrugated metal storage tanks are visible, their tops covered in a layer of snow. To the right, a tall, vertical pipe structure rises, also partially covered in snow. In the background, a long, low industrial building with a grey facade is visible, with a curved metal vent pipe protruding from its roof. The overall atmosphere is one of a well-maintained industrial site in a cold climate.

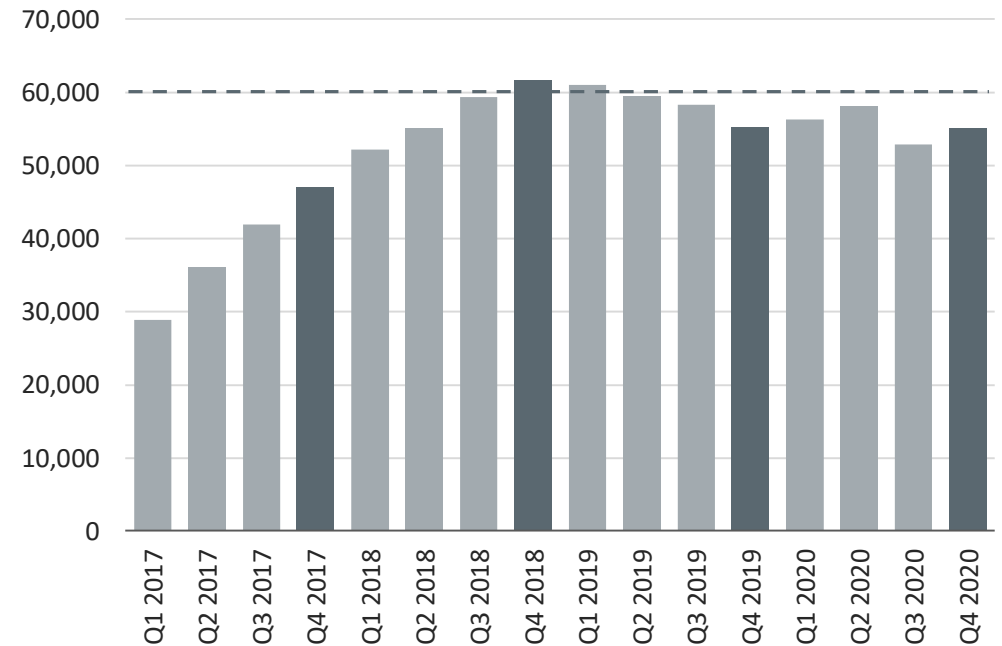
**» Key figures
January–December
2020**

» Annual nickel production approaching 30,000 t full capacity – new annual production record 28,740 t

Nickel production, rolling 12 month (t)

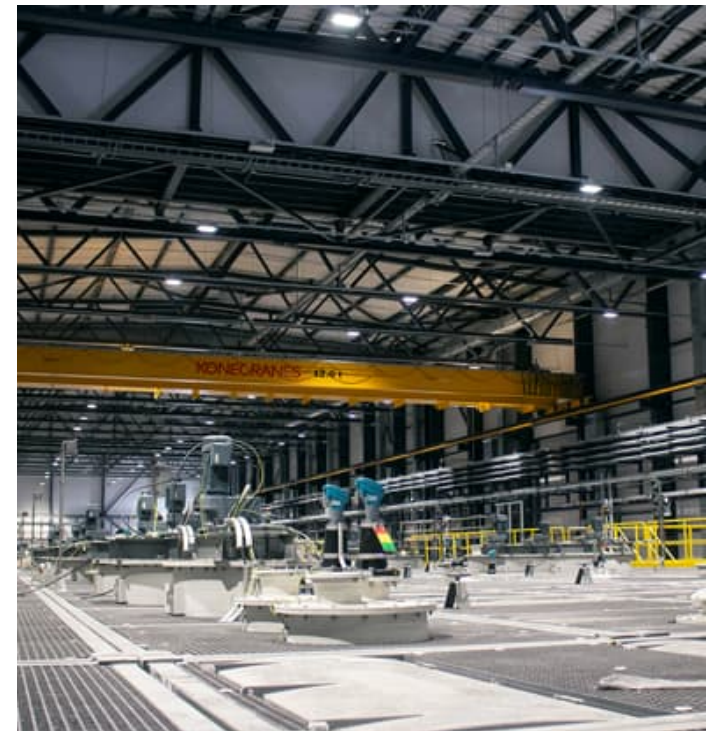
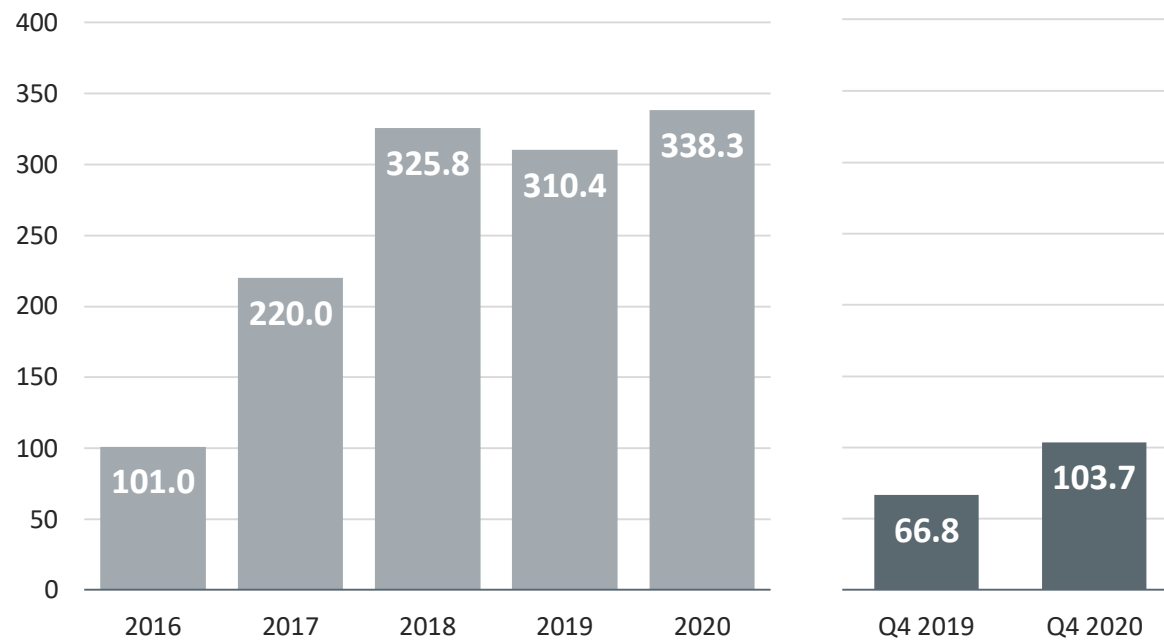


Zinc production, rolling 12 month (t)



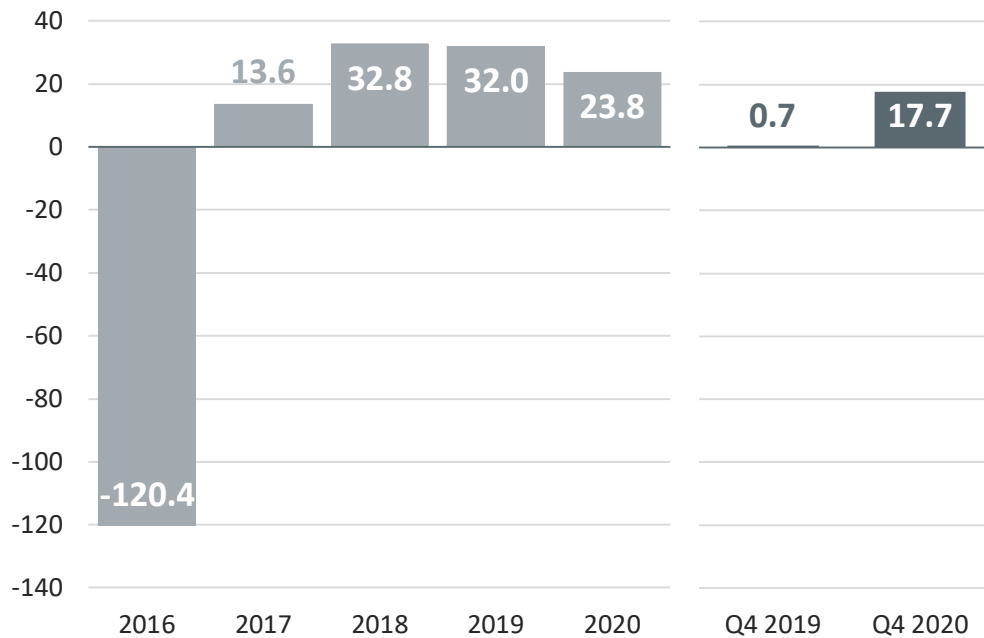
» Net sales increased by 9.0% in 2020

Net sales (EUR million)

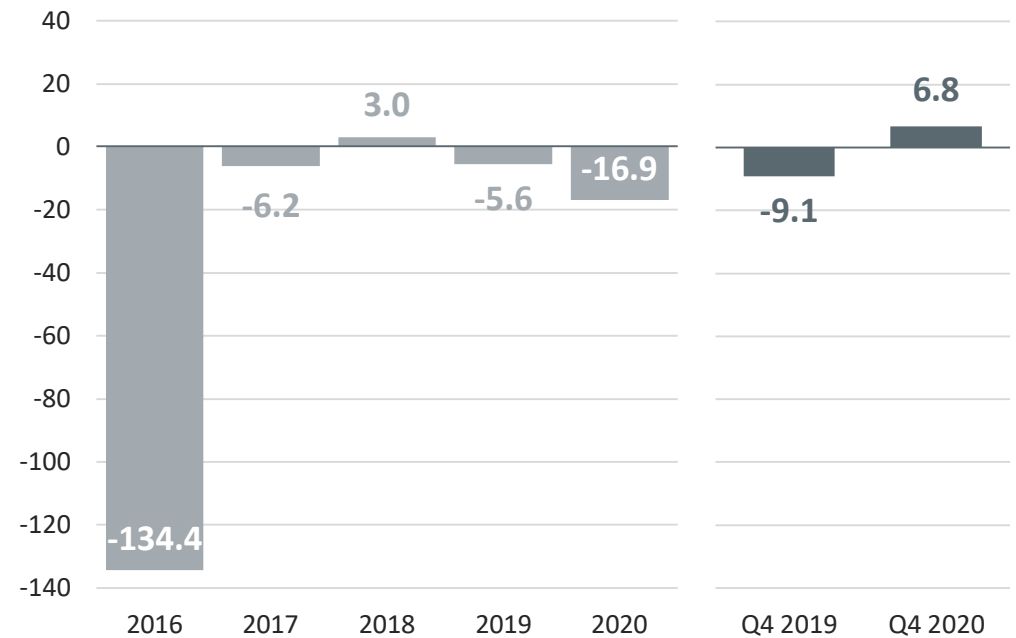


» After a strong H1 of the year, a long maintenance shutdown had a negative impact on the EBITDA in the Q3, but the strong Q4 had a positive impact

EBITDA (EUR million)

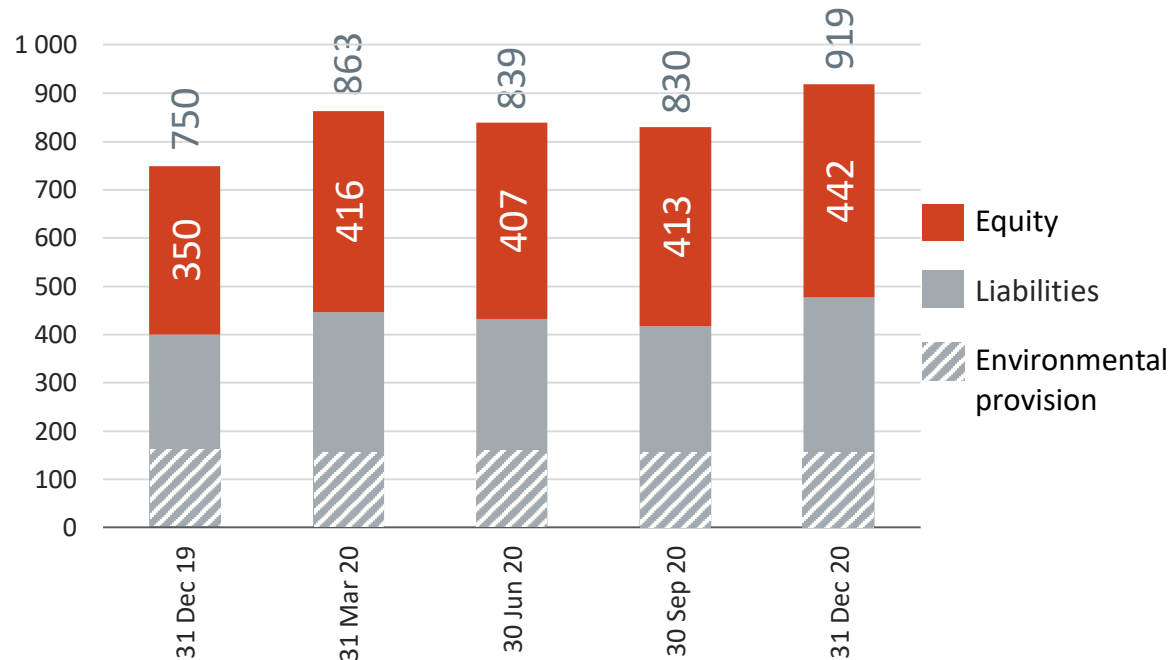


Operating result (EUR million)

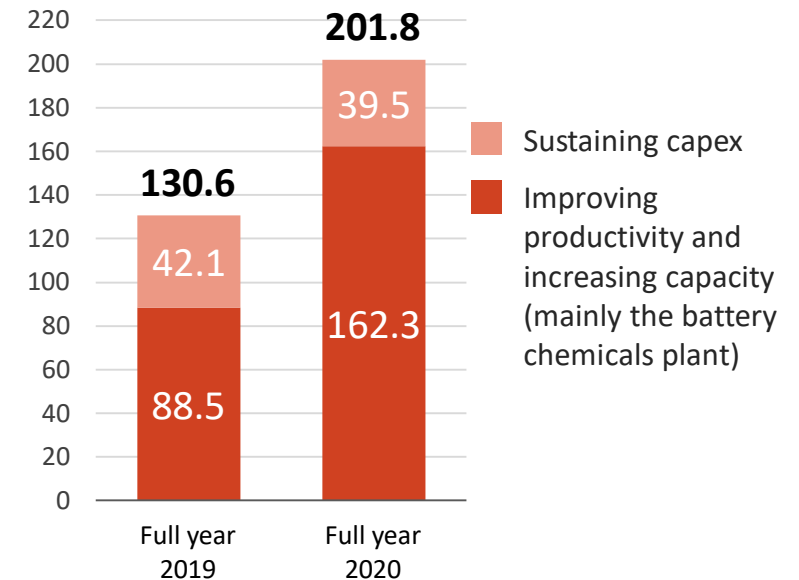


» The most important investments were related to the construction of the battery chemicals plant, which is ready for start up in late spring 2021

Equity and liabilities (EUR million)



Capital expenditure (EUR million)



» Commercial production of battery chemicals starts in late spring 2021

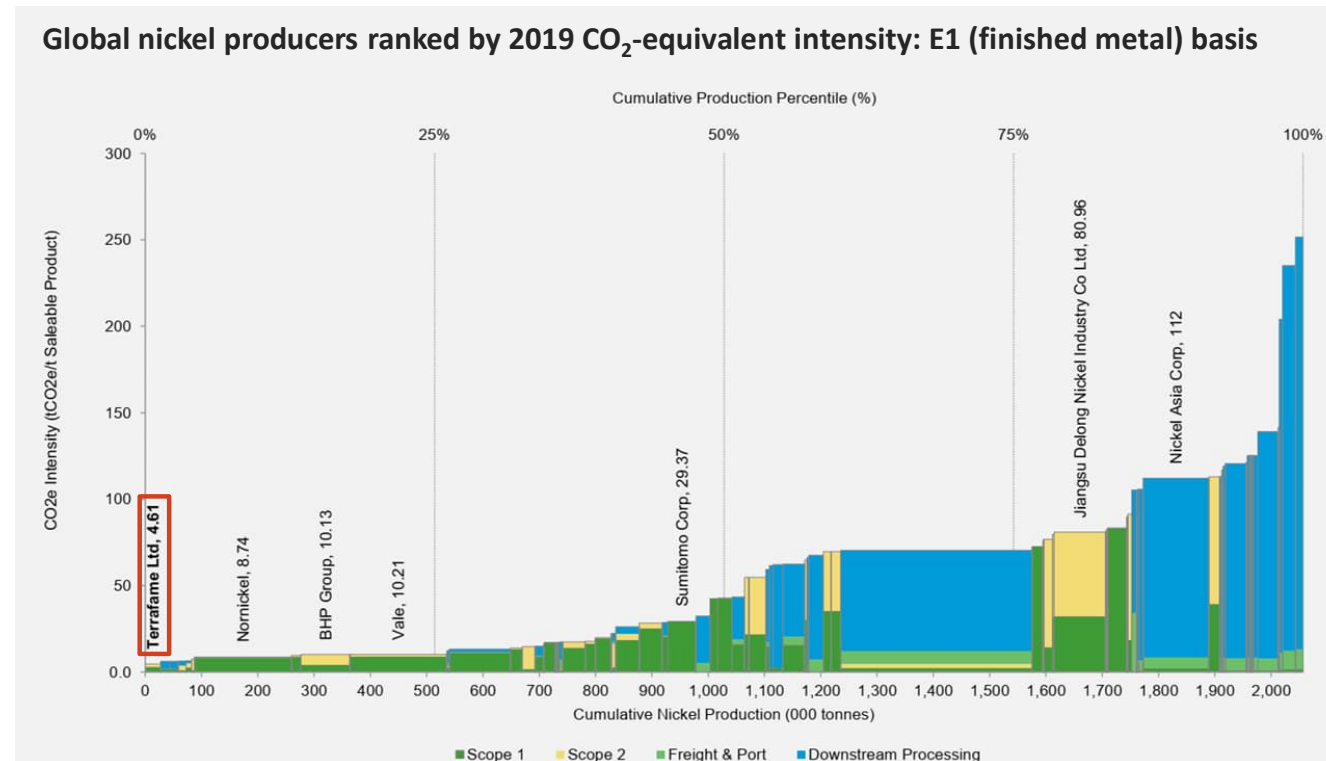
- At the end of 2020, the completion level of the construction project was 90%, and the first ramp-up measures were implemented.
- Most of the production employees were recruited in 2020, and most of their training was provided during the year. The production personnel now numbers 141.
- Battery chemicals production is expected to increase the company's net sales from the latter part of 2021 onwards.



Terrafame

»»The lowest carbon footprint - globally

- Analyses show that the nickel produced by Terrafame has the smallest carbon footprint among nickel producers globally.
- According to a life cycle analysis completed in the autumn, the carbon footprint of the nickel sulphate produced by Terrafame is more than 60% smaller than average.
- In October 2020, Terrafame was approved to join the UN Global Compact initiative.



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

- The coronavirus pandemic did not affect Terrafame's operating activities during the 2020 financial period, but there have been some delays in the installation work as well as delivery of materials and equipment in the battery chemicals plant project.
- The situation is being monitored closely, and the related measures will be updated quickly when necessary.



» Outlook for 2021

- The significant uncertainty of metal price development will continue.
- Commercial production at the battery chemicals plant will start in late spring 2021. Battery chemicals are expected to grow the company's net sales during the second part of the year.
- Power supply difficulties constrained production at the beginning of the year.
- Terrafame continues to invest in improving its safety culture, production and cost-effectiveness.





Terrafame

Enhancing low-carbon
mobility with responsible
battery chemicals.

www.terrafame.com

