

Terrafame's net sales and operating result continued to grow in January–March 2023

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

January–March 2023 in brief:

- Net sales from the battery chemicals business operations increased to EUR 66.2 (44.0) million, or around 38% of the company's total net sales.
- Net sales from the metal intermediates business operations totalled EUR 106.5 (83.0) million.
- Total net sales were EUR 172.7 (127.0) million, representing an increase of 36% year-on-year. Net sales increased as a result of the ramp-up of the battery chemicals business operations and strong basic production.
- As a result of a strong increase in net sales. EBITDA grew to EUR 42.5 (27.7) million, or 24.6% (21.8) of net sales. The operating result was EUR 27.5 (13.5) million.
- Free cash flow from operating activities was EUR 11.9 (-23.7) million.
- The combined accident frequency rate of the industrial site was 5.4 (9.7), the lowest in the company's history. The work to further develop the safety culture continues.

Key financial figures	Q1 2023	Q1 2022	Change	2022
Net sales, EUR million	172.7	127.0	36%	584.4
Battery chemicals business	66.2	44.0	50%	207.1
Metal intermediates business	106.5	83.0	28%	377.3
EBITDA, EUR million	42.5	27.7	53%	152.1
Operating result, EUR million	27.5	13.5	104%	93.9
Work in progress, EUR million	248.1	208.2	18.5%	241.8
Free cash flow, EUR million ¹⁾	11.9	-23.7	n.a.	9.8
Capital expenditure, total, EUR million	22.6	17.7	28%	83.0
Sustaining capex, EUR million	20.3	12.4	64%	69.9
Development and growth capex, EUR million	2.3	5.3	-57%	13.1
Equity, EUR million	539.4	306.9	76%	439.1
Total assets, EUR million	1,127.2	1,051.8	7%	1,128.1
Own personnel (active)	780	827	5.7%	763
Partner companies' personnel, FTE	937	633	48%	783
Combined accident frequency rate, 12-month LTIFR1	5.4	9.7	-44%	6.4
Own personnel	2.9	7.1	-59%	4.3
Partner companies' personnel	7.7	12.2	-37%	8.5

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

Joni Lukkaroinen, CEO of Terrafame:

“The first quarter of 2023 was favourable for Terrafame in terms of both financial performance and occupational safety. Our net sales and EBITDA increased, thanks to good progress in the ramp-up of the battery chemicals plant and strong volumes in basic production. The net sales of the battery chemicals plant continued to grow, and, as a result of this, Terrafame is more strongly integrated into the sustainable European battery industry supply chain.

The demand for electric cars continued to grow in early 2023, and in January–February a total of 1.5 (1.2) million electric cars were sold worldwide, representing an increase of around 25% year-on-year. The nickel market has stabilised, and prices have settled at a new higher level since speculation arising from the war in Ukraine caused the price of nickel to increase to an unusually high level temporarily in March 2022. In the first quarter of 2023, the average market price of nickel and the price of nickel sulphate for batteries remained close to the level of the comparison period.

Thanks to strong basic production and the continued good growth of the battery chemicals operations, Terrafame’s net sales increased by 36% to EUR 172.7 (127.0) million. Net sales from the battery chemicals business operations increased to EUR 66.2 (44.0) million, or around 38% of Terrafame’s total net sales. Net sales from the metal intermediates business operations totalled EUR 106.5 (83.0) million. Thanks to the strong increase in net sales, EBITDA increased to EUR 42.5 (27.7) million, or 24.6% (21.8) of net sales. The operating profit was EUR 27.5 (13.5) million.

Terrafame continues to implement its strategy by focusing on the needs of electrification in transport. This is reflected in the multiyear nickel sulphate supply agreements signed with Stellantis and Umicore at the beginning of 2023. Commercial deliveries continue, and delivery volumes will increase during 2023.

In the permit process concerning the exploitation of the Kolmisoppi ore body and the expansion of the mining concession, following the decision of the Regional State Administrative Agency for Northern Finland to not process the permit issue in its original scope, we have decided to proceed in two phases. We have also started recruitment related to the decision made in late 2022 on an investment of around EUR 20 million to start uranium recovery by the summer of 2024. In addition, the guarantee arrangement related to the environmental and water management permit concerning all Terrafame’s operations was negotiated during the review period.

The development of operational efficiency and safety at work will continue in line with the principles of continuous improvement (Operational Excellence). The results have been clearly positive, and the combined 12-month accident frequency rate on the industrial site at the end of March was 5.4 (9.7), which is the lowest rate in the company’s measurement history.

In 2023, we will continue our work towards the goal of completing the ramp-up of the battery chemicals plant, as well as our systematic long-term work to improve occupational safety and reduce our carbon footprint.”

Market environment

Electric vehicle and battery markets

The global sales of electric vehicles continued to be strong. In January–February 2023, a total of about 1.5 (1.2) million electric cars were sold worldwide, which represents an increase of around 25% year-on-year.

Around 0.8 (0.7) million electric vehicles were sold in China in January–February 2023. This represents around 54% of their global sales. Sales grew by 17% year-on-year. The sales of electric cars were particularly strong in the United States and Canada, where the total sales of electric passenger cars and light commercial vehicles increased by 71%. In Europe, the sales of these vehicle categories grew by 6.2% year-on-year.

In February 2023, including all vehicle categories, the sales-weighted average pack size was 48.7 (45.5) kWh. The market share of NCM 811 batteries, which have a high nickel content, decreased to 17% in February 2023 (19 % in February 2022). The market share of NCM 622 batteries was 18% in February 2023 (23% in February 2022), and the market share of NCM 712 batteries was 6% in February 2023 (6% in February 2022).

In terms of gigawatt hours, however, the market share of NCM 811 batteries increased to 6.8 GWh from 4.7 GWh and the market share of NCM 622 batteries increased to 7.2 GWh from 5.6 GWh. The market share of NCM 712 batteries was 2.4 GWh in February 2023, up from 1.4 GWh in the year ago.

Nickel market

The price of nickel on the London Metal Exchange (LME) in the first quarter of 2023 was almost at the same level as in the first quarter of 2022. Speculation arising from the war in Ukraine in 2022 caused the price of nickel to increase to an unusually high level temporarily, but the price development of nickel began to normalise after the London Metal Exchange used exceptional means (disruption event) to restrict trading. In the first quarter of 2023, the price of nickel sulphate for batteries was at the same level as in the comparison period, although the spot price of nickel sulphate (SPOT China) has not been fully linked to the LME price since March 2022.

The average market price of nickel in January–March 2023 was 26,065 (26,309) USD/t. Compared with the fourth quarter of 2022, the average market price of nickel increased by 3.1%.

The total combined nickel stocks on the London Metal Exchange (LME) and the Shanghai Futures Exchange (SHFE) at the end of March 2023 were 44,875 tonnes, which is significantly lower than at the end of March 2022 (80,947). Nickel stocks have decreased sharply since the second quarter of 2021, and the stock level at the end of March was also lower than the stock level at the end of 2022 (57,878). The stock level at the end of March 2022 corresponded to demand for 0.7 (1.4) weeks.

Net sales and financial performance

Net sales in January–March were EUR 172.2 (127.0) million, representing an increase of 36% year-on-year. Net sales increased as a result of the ramp-up of the battery chemicals business operations and good basic production. Net sales from the battery chemicals business operations totalled EUR 66.2 (44.0) million, or around 38% (35) of the company's total net sales. Net sales from the metal intermediates business operations totalled EUR 106.5 (83.0) million.

EBITDA was EUR 42.5 (27.7) million, or 24.6% (21.8) of net sales. The increase was due to strong growth in net sales.

The operating result was EUR 27.5 (13.5) million, and the free cash flow from operating activities^(*) was EUR 11.9 (-23.7) million.

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

Key events in January–March

In January 2023, Terrafame and Stellantis announced that they had signed an agreement on the supply of nickel sulphate for electric vehicle batteries. Beginning in 2025, Terrafame will supply nickel sulphate to Stellantis over the five-year term of the agreement. The agreement with Terrafame is part of Stellantis' decisive electrification strategy and will cover a significant portion of the company's need for sustainable locally sourced nickel.

In February 2023, Umicore and Terrafame announced that they had signed a long-term agreement on the supply of nickel sulphate. Commercial deliveries have already started after a successful product approval process, and delivery volumes will be increased during 2023.

The guarantee arrangement related to the environmental and water management permit concerning all Terrafame's operations was negotiated during the review period. The value of the arrangement is EUR 365 million.

Governance

Terrafame's Annual General Meeting (AGM) was held on 17 March 2023. The AGM adopted the financial statements for 2022, 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, Tuomo Mäkelä, Julian Sanchez and Jyrki Vainionpää as members 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 Antti Kääriäinen as the principal auditor.

Personnel and partner network

Around 1,500 people work regularly on Terrafame's industrial site. Terrafame had 780 (827) employees at the end of March 2023. The change in the number of personnel resulted from the cost-saving programme implemented in 2022 and the related personnel reductions.

An average of 937 (633) people employed by contractors and subcontractors worked on the industrial site during the review period (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 is the second ore deposit within Terrafame's mining concession, and it is still unexploited. Taking Kolmisoppi into account, Terrafame's mining concession in Sotkamo is the home of Europe's largest nickel ore resource. 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 proceed 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. In the second phase, it will apply for a permit to expand the mine into the water area, with mining scheduled for 2040–2050. Between 2033 and 2040, mine will take place in the current Kuusilampi mine.

Key events after the end of the review period

Terrafame had no significant events after the review period.

Outlook for 2023

- The ramp-up of production at the battery chemicals plant continues.
- The price development of base metals and battery chemicals involves considerable uncertainty.
- The development of operational efficiency and occupational safety continues in accordance with the principles of continuous improvement (Operational Excellence).
- Terrafame continues recruitment related to the decision made in late 2022 on an investment of around EUR 20 million to start uranium recovery by the summer of 2024.

For further information, please contact:

Joni Lukkaroinen, CEO, Terrafame Ltd, tel. +358 20 7130 800 (switchboard),
joni.lukkaroinen(at)terrafame.fi

A webcast in Finnish for media representatives will be held on 28 April 2023 at 1:00 pm. At the event, Joni Lukkaroinen, CEO of Terrafame, and Ville Sirviö, CFO, will discuss the company's performance. The webcast can be followed live at terrafame.videosync.fi/q1-2023. 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 car batteries is located on Terrafame's industrial site. The

plant is capable of producing nickel sulphate for around 1 million electric cars 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 2022 were EUR 584 million. Around 1,500 people work on its industrial site, half of whom are employees of partner companies.