

# Terrafame 2023: The operating result decreased in a challenging market, but basic production continued close to a record level

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

## October–December 2023 in brief:

- Net sales from the battery chemicals business decreased to EUR 41.2 (70.6) million, or 26.6% (38.0) of the company's total net sales. Net sales were affected by a decrease in the market price of nickel sulphate and limited production volumes.
- Net sales from the metal intermediates business totalled EUR 113.6 (115.1) million. A decrease in the market prices of nickel and zinc had a negative impact on net sales.
- Total net sales were EUR 154.8 (185.7) million, representing a decrease of 16.6% year-on-year.
- EBITDA excluding non-recurring items decreased to EUR 35.9 (59.5) million, or 23.2% (32.0) of net sales.
- The operating result excluding non-recurring items was EUR 20.2 (44.5) million. An increase in an environmental provision had a negative impact of EUR 15.1 million on EBITDA and the operating result in October–December 2023.
- Free cash flow from operating activities was EUR -5.0 (16.7) million.

## January–December 2023 in brief:

- Net sales from the battery chemicals business decreased to EUR 167.5 (207.1) million, or 29.9% (35.4) of the company's total net sales. Net sales were affected by lower capacity utilisation rates due to the market situation and lower market prices.
- Net sales from the metal intermediates business totalled EUR 393.4 (377.3) million. Production volumes were close to the previous year's record levels.
- Total net sales were EUR 560.9 (584.4) million, representing a decrease of 4.0% from the financial year 2022.
- EBITDA excluding non-recurring items decreased to EUR 99.4 (152.1) million, or 17.7% (26.0) of net sales.
- The operating result excluding non-recurring items was EUR 38.4 (93.9) million. An increase in an environmental provision had a negative impact of EUR 15.1 million on EBITDA and the operating result in October–December 2023.

- The decrease in EBITDA and the operating result was caused by lower market prices and limited production volumes at the battery chemicals plant. In addition, the increase of work-in-progress inventory was clearly lower than the previous year.
- Free cash flow from operating activities was EUR -52.5 (9.8) million.
- The total accident frequency rate on the industrial site was 4.8 (6.4).

Financial key figures (EUR million)	10-12/ 2023	10-12/ 2022	Change	1-12/ 2023	1-12/ 2022	Change
Net sales	<b>154.8</b>	185.7	-16.6%	<b>560.9</b>	584.4	-4.0%
Battery chemicals business	41.2	70.6	-41.6%	167.5	207.1	-19.1%
Metal intermediates business	113.6	115.1	-1.3%	393.4	377.2	4.3%
EBITDA <sup>1</sup>	<b>20.8</b>	59.5	-65.1%	<b>84.3</b>	152.1	-44.6%
EBITDA excl. non-recurring items	<b>35.9</b>	59.5	-39.7%	<b>99.4</b>	152.1	-34.7%
Operating result <sup>1</sup>	<b>5.1</b>	44.5	-88.5%	<b>23.3</b>	93.9	-75.2%
Operating result excl. non-recurring items	<b>20.2</b>	44.5	-54.5%	<b>38.4</b>	93.9	-59.1%
Work in progress	<b>258.6</b>	241.8	6.9%	<b>258.6</b>	241.8	6.9%
Free cash flow from operating activities <sup>2</sup>	<b>-5.0</b>	16.7	N/A	<b>-52.5</b>	9.8	N/A
Total capital expenditure	<b>41.9</b>	24.5	71.0%	<b>138.2</b>	83.0	66.5%
Sustaining capital expenditure	33.6	21.5	56.5%	112.4	69.9	60.9%
Investments in productivity improvement and capacity growth	8.2	3.0	173.3%	25.7	13.1	96.2%
Shareholders' equity				<b>718.4</b>	439.1	63.6%
Balance sheet total				<b>1,242.6</b>	1,128.1	10.1%
Own personnel, active				<b>842</b>	763	10.4%
Partner companies' personnel, FTE				<b>1,038</b>	783	32.6%
Accident frequency rate, 12-month LTIFR1				<b>4.8</b>	6.4	-25.0%
Own personnel				4.5	4.3	4.7%
Partner companies' personnel				5.0	8.5	-41.2%

1) An increase in an environmental provision recognised in the fourth quarter of 2023 had a negative impact of EUR 15.1 million on EBITDA and the operating result.

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

## Seppo Voutilainen, Interim CEO:

Terrafame's financial performance weakened in 2023 due to a very challenging market environment. In terms of production, however, the year was successful, and we managed to develop our operations and improve the quality of our products.

The year 2023 was close to the previous year's record level both in term of stacking ore to primary heap leaching and nickel production. Our unique bioleaching technology worked flawlessly throughout the year even though the weather was more rainy than usual.

The ramp-up of the battery chemicals plant progressed well in the challenging market situation. Following the fall in the price of nickel sulphate, we took advantage of the downtime in the summer by removing bottlenecks in production and focusing on improving product quality.

Terrafame's net sales and operating profit decreased in 2023 due to of lower market prices and limited production volumes at the battery chemicals plant. This was also visible in the fourth quarter of the year.

The volume of basic production was at the previous year's record level, which balanced the financial result for the period. In the second half of the year, we were able to supply a nickel sulphide intermediate under new contracts, which compensated for the decrease in the price of nickel sulphate in the Chinese market. This highlights the flexibility and capability of our production and supply chain.

The total accident frequency rate on the industrial site continued to decrease during the year. The safety performance of the partner companies operating on our industrial site developed quite favourably, and the occupational safety of our own personnel continued to be stable. The continuous development of the safety culture will remain an important focus area for us in 2024.

We strengthened our financing position towards the end of the year. The financing arrangement consists of the repayment of EUR 142 million of shareholder loans with the exercise of option rights and an unsecured EUR 250 million loan agreement with a Nordic banking group. The maturity of the new loan package is four years. 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.

I became Terrafame's interim CEO in January 2024. My task is to implement the company's existing strategy with determination in cooperation with the Leadership Team and Terrafame's employees. Terrafame focuses on lowering the carbon footprint of transport as a responsible producer of battery materials. We will continue the operational development of the battery chemicals plant during the year, so that we are ready for significant direct nickel sulphate deliveries from 2025 onwards in accordance with the agreements we have previously signed. We believe that the battery and electric vehicle industry will grow significantly in the coming years in Europe, and that region will become Terrafame's main market.

I would like to take this opportunity to thank all Terrafame employees for their solid performance and our customers and other stakeholders for their good partnership in 2023.

## Market environment

### Electric vehicle and battery markets

According to Rho Motion's EV Battery Chemistry Assessment report, a total of around 13.6 (10.1) million electric passenger cars and light commercial vehicles were sold worldwide in 2023. This represents an increase of almost 35% from 2022.

Around 7.9 (6.0) million electric passenger cars and light commercial vehicles were sold in China in 2023. This represents around 58% of their global sales. In China, the sales started to grow again in the second half of the year after a fall in the first quarter.

The sales were particularly strong in the United States and Canada, where the total sales of electric passenger cars and light commercial vehicles increased by 59% in 2023. In Europe, the sales of these vehicle categories grew by 18% year-on-year. 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 December 2023, the sales-weighted average EV battery size, including all vehicle categories, was 51.8 (51.9) kWh.

The EV battery market is clearly becoming 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 20% at the end of 2022 to 22% at the end of 2023. The market share of LFP batteries was 42% in December 2023 (39% in December 2022).

7.2 (5.6) million electric vehicles utilising NCM battery technology were sold in 2023. The sales increased by 29% year-on-year.

In terms of gigawatt hours, the demand for NCM batteries increased by 22% to 36.5 (29.8) GWh compared to December 2022. The share of NCM 811 batteries increased by around 62% to 17.8 (11.0) GWh. The share of LFP batteries increased by around 27% to 33.4 (26.4) GWh.

### Nickel market

The price of nickel on the London Metal Exchange (LME) in 2023 was markedly lower than in 2022. The average market price in 2023 was 21,477 (25,585) USD/t, which is around 16% lower than in 2022. The average market price of nickel in October–December 2023 was 17,247 (25,289) USD/t, which is around 32% lower than in the corresponding period in 2022. Compared with the third quarter of 2023, the average market price of nickel decreased by around 15% in October–December.

The price of nickel sulphate (SPOT China) also fell markedly, and the average price in 2023 was 18,930 USD/t, which is around 16% lower than in 2022. The average price of nickel sulphate in October–December 2023 was 16,449 USD/t, which is around 26% lower than in the corresponding period in the previous year and 7% lower than in the third quarter of 2023. 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 2023 were 77,923 tonnes, which is around 35% higher than in the corresponding period in 2022 (57,878). 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 2023 were around 56% higher than at the end of the third quarter of 2023 (49,674). The stock level at the end of December 2023 corresponded to demand for 1.3 weeks (1.0).

## Net sales and financial performance

### October–December 2023

Net sales were EUR 154.8 (185.7) million, representing a decrease of 16.6% year-on-year. Net sales from the battery chemicals business totalled EUR 41.2 (70.6) million, or around 26.6% (38.0) of the company's total net sales. The decrease in the market price of nickel sulphate and limited delivery volumes had a negative impact on the net sales of the battery chemicals business.

Net sales from the metal intermediates business totalled EUR 113.6 (115.1) million. The decrease in the market prices of nickel and zinc had a negative impact on net sales. Price hedging softened the impact of lower sales prices on net sales.

EBITDA excluding non-recurring items was EUR 35.9 (59.5) million, or 23.2% (32.0) of net sales. The operating result excluding non-recurring items was EUR 20.2 (44.5) million. An increase in an environmental provision had a negative impact of EUR 15.1 million on EBITDA and the operating result in October–December 2023. The decrease in EBITDA and the operating result was caused by lower market prices and limited production volumes at the battery chemicals plant.

Free cash flow from operating activities\* was EUR -5.0 (16.7) million. The decrease from the comparison period was related to an increase in investments.

### January–December 2023

Net sales were EUR 560.9 (584.4) million, representing a decrease of 4.0% year-on-year. Net sales from the battery chemicals business totalled EUR 167.5 (207.1) million, or around 29.9% (35.4) of the company's total net sales. Net sales from the battery chemicals business developed favourably during the first quarter of the year, but a decrease in the market price of nickel sulphate and limited production volumes had a negative impact on full-year net sales compared with the previous year.

Net sales from the metal intermediates business totalled EUR 393.4 (377.3) million. Production volumes were close to the previous year's record level. This had a positive impact on net sales, balancing the lower market prices of nickel and zinc. Price hedging softened the impact of lower sales prices on net sales.

EBITDA excluding non-recurring items was EUR 99.4 (152.1) million, or 17.7% (26.0) of net sales. The operating result excluding non-recurring items was EUR 38.4 (93.9) million. An increase in an environmental provision had a negative impact of EUR 15.1 million on EBITDA and the operating result in October–December 2023. The decrease in EBITDA and the operating result was caused by lower market prices and limited production volumes at the battery chemicals plant. In addition, the increase in work-in-progress inventory was clearly lower than in the previous year. Stable production volumes in the metal intermediates business and the lower prices of materials had a positive impact on the result.

Free cash flow from operating activities\* was EUR -52.5 (9.8) million. The decrease mainly resulted from lower EBITDA and higher investments than in the comparison period.

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

## Capital expenditure

Capital expenditure totalled EUR 138.2 (83.0) million in 2023. Of this total, EUR 25.7 (13.1) million was used to improve productivity and increase capacity, and EUR 112.4 (69.9) million was used to sustain production.

Capital expenditure, EUR million	2023	2022	Change
Sustaining capital expenditure	112.4	69.9	60.8%
Investments in productivity improvement and capacity growth	25.7	13.1	96.2%
Total capital expenditure	138.2	83.0	66.5%

The most significant investments in productivity improvement and capacity growth were related to the elimination of production bottlenecks at the battery chemicals plant and preparatory work to enable the exploitation of the Kolmisoppi deposit.

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 of the construction of a new section of the waste rock area, changes to the conveyors in the secondary leaching area and preparatory work for the new secondary sections (5–6).

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 secondary leaching areas are needed on the industrial site when old ones become full.

## Financing arrangements

Terrafame restructured its funding during 2023. In June, the company agreed with Finnish Minerals Group on a new working capital facility of EUR 40 million. The company also repaid and restructured its shareholder loans by, for example, transferring the June 2023 and October 2023 repayments to the spring of 2024.

On 30 June 2023, the Galena funds managed by Trafigura and Sampo plc exercised their option rights and subscribed for a total of EUR 33 million in shares in Terrafame.

Sampo sold its shareholding to Mandatum Holding Ltd on 29 September 2023.

Terrafame significantly strengthened its financing position towards the end of 2023. The financing arrangement consists of the repayment of EUR 142 million of shareholder loans to Trafigura and Mandatum with the exercise of option rights and an unsecured EUR 250 million loan agreement with a Nordic banking group. The maturity of the new loan package is four years. Finnish Minerals Group increased the working capital facility granted to Terrafame in June from EUR 40 million to EUR 65 million and extended its maturity until June 2025.

The amounts presented in the following table cover all the financing items received by Terrafame from its shareholders during its time of operation, as well as debt financing items converted into equity.

EUR million	Equity financing	Debt financing	Transfer	Converted equity	Re-payments	Debt financing	Total financing
<b>Finnish Minerals Group</b>	537.3	65.0			-7.0	58.0	595.3
<b>Galena Asset Management</b>	389.6		120.0	-113.3	-6.7		389.6
<b>Trafigura</b>	0	120.0	-120.0		0.0	0	0.0
<b>Mandatum Holding</b>	47.7	26.1		-26.1	0.0	0	47.7
<b>Total</b>	<b>974.6</b>	<b>211.1</b>		<b>-139.4</b>	<b>-13.7</b>	<b>58.0</b>	<b>1,032.6</b>

Currency-denominated items have been translated into euros using the rate prevailing on the closing date of the review period.

## Shares and shareholders

Terrafame has one series of shares. At the end of 2023, the company had 5,197,154 (4,998,830) shares. Its share capital was EUR 2.0 (2.0) million, and its shareholders' equity was EUR 718.4 (439.1) million.

At the end of 2023, Finnish Minerals Group (FMG), a special-assignment company of the state of Finland, owned 64.4% (67.0), Galena funds managed by Trafigura owned 32.9% (31.0) and Mandatum owned 2.7% (2.0) of Terrafame.

Share arrangements carried out during 2023 are presented in the following table:

	Galena 2	Galena 3	Galena 4	Mandatum	FMG	Trafigura	Total
31 December 2022	602,952	733,233	215,181	98,222	3,349,242	0	4,998,830
<b>Holding 31 December 2022</b>	<b>12.1%</b>	<b>14.7%</b>	<b>4.3%</b>	<b>2.0%</b>	<b>67.0%</b>	<b>0.0%</b>	<b>100.0%</b>

Changes in the number of shares during the financial year:

Equity funding	158,676	0	0	26,109	0	0	
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Share transfer

Payment of interest and arrangement fees in shares	0	0	0	13,539	0	0	
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Registered holding 31 December 2023	761,628	733,233	215,181	137,870	3,349,242	0	5,197,154
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<b>Registered holding 31 December 2023</b>	<b>14.7%</b>	<b>14.1%</b>	<b>4.1%</b>	<b>2.7%</b>	<b>64.4%</b>	<b>0.0%</b>	<b>100.0%</b>
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Changes in the number of shares during the financial year:

Equity funding	151,538	490,587	0	122,701	0	0	
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Share transfer

Payment of interest and arrangement fees in shares	0	0	0	6,675	0	0	
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Holding after option arrangements							
31 December 2023	913,166	1,223,820	215,181	267,246	3,349,242	0	5,968,655
<b>Non-registered holding</b>							
<b>31 December 2023</b>	<b>15.3%</b>	<b>20.5%</b>	<b>3.6%</b>	<b>4.5%</b>	<b>56.1%</b>	<b>0.0%</b>	<b>100.0%</b>

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 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 APA Antti Kääriäinen as the principal auditor.

## Personnel and partner network

Around 1,900 people work regularly on Terrafame's industrial site. Terrafame had 842 (763) employees at the end of 2023. The increase was related to preparations for starting uranium recovery by the summer of 2024.

An average of 1,038 (783) people employed by contractors and subcontractors worked on the industrial site during the year (FTE). The increase in the number of personnel was primarily due to the scheduled maintenance shutdowns implemented during the second quarter.

## Sustainability

All Terrafame's operations are based on sustainability and continuous improvement. The implementation of Terrafame's 2024 sustainability programme continued during 2023. The programme was further specified in 2022, when the company decided to aim for carbon neutrality in its own operations by 2039. Terrafame's Board of Directors has approved the sustainability programme and its objectives.

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 the company's Code of Conduct and the principles of the 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 2023 and is available at [www.terrafame.com](http://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 Terrafame's and partner companies' long-term cooperation to improve safety at work. We aim for zero accidents.

Accident frequency rate, 12-month LTIFR1	31 Dec 2023	31 Dec 2022	Change
Accident frequency rate, Terrafame employees	4.5	4.3	4.7%
Accident frequency rate, partner companies	5.0	8.5	-41.2%
Total accident frequency rate on the industrial site	4.8	6.4	-25.0%

## 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](http://www.terrafame.fi) > [Naapureille > Ympäristötarkkailuraportit](#). The report for 2023 is expected to become available in March 2024.

Sulphate loading of natural waterways is one of the most significant environmental impacts of Terrafame's production. In 2023, sulphate loading was caused by the treatment of runoff waters and the discharge of purified water.

Key indicators related to discharge waters	2023	2022
Purified discharge waters, Mm <sup>3</sup>	10.1	9.4
Sulphate in discharge waters, tonnes (permit quota 16,300 tonnes)	11,056	12,763

Other key indicators of sustainable development are available in the company's sustainability review at [www.terrafame.com](http://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. 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 EV 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 for 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. More information about the interim decisions is provided under "Key events after the financial period".

## Key events after the financial period

### CEO Joni Lukkaroinen resigned his position

Terrafame announced on 17 January 2024 that the company's CEO Joni Lukkaroinen would resign his position. Lukkaroinen served as the CEO of Terrafame since 2016.

The company's Board of Directors appointed Seppo Voutilainen as the interim CEO of Terrafame. Voutilainen has served as Terrafame's Chief Production Officer and a member of its Board of Directors since September 2020. He will continue to serve in these roles during his term of office as the interim CEO.

## **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.

The permission granted by the Northern Finland Regional State Administrative Agency to increase the extraction of ore and waste rock annually was excluded from the interim decisions issued by the Vaasa Administrative Court. In its permit decision, the Northern Finland Regional State Administrative Agency approved an increase in the ore extraction volume from 15 million tonnes per year to 18 million tonnes per year, and an increase in the waste rock extraction volume from 30 million tonnes per year to 45 million tonnes per year. In addition, the interim decisions issued by the Vaasa Administrative Court included restrictions concerning the construction and use of the new secondary leaching area (SEK5-8) and the new waste rock area (KL1).

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 expects final decisions by the Vaasa Administrative Court on both issues during 2024.

## **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, meaning that Terrafame no longer has shareholder loans from Trafigura or 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.

After exercising the options, Finnish Minerals Group owns 56.1% of all shares in Terrafame, the Trafigura Galena Funds own 39.4% and Mandatum 4.5%.

## Terrafame pursues annual savings of EUR 10 million and initiated change negotiations

On 21 February 2024, Terrafame announced that the company has 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. The company is currently implementing significant investment programmes, which are necessary for the continuation of its operations. Terrafame estimates that if realized, the measures of the profitability programme would start to impact the company's profitability as of the second half of 2024.

As part of the profitability programme, Terrafame has on 21 February 2024 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 is also considered in the negotiations.

Terrafame will announce the outcome of the negotiations after they end.

## Near-term outlook

- The battery chemicals market will continue to be challenging by 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 1 March 2024 at 12 noon. At the event, Seppo Voutilainen, Interim CEO of Terrafame, and Ville Sirviö, CFO, will discuss the company's performance. Terrafame Ltd's Chairman of the Board, Lauri Ratia, will also be present at the event. The webcast can be followed live at [terrafame.videosync.fi/q4-2023](https://terrafame.videosync.fi/q4-2023). 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 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, half of whom are employees of partner companies.