

Terrafame's net sales and EBITDA decreased in a challenging market

The financial information presented about Terrafame 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.

July–September 2024 in brief:

- Net sales were EUR 104.8 (142.0) million, representing a decrease of 26.2% year-on-year.
- Net sales from the battery chemicals business increased to EUR 32.6 (28.0), or 31.1% (19.7) of the company's total net sales.
- Net sales from the metal intermediates business decreased by 36.7% to EUR 72.2 (114.0) million. Net sales were negatively affected by lower market prices of metals.
- EBITDA was EUR 12.7 (39.0) million, or 12.1% (27.5) of net sales. EBITDA decreased due to lower market prices of metals as well as a decrease in production and delivery volumes.
- The operating result was EUR -14.3 (23.4) million.
- Free cash flow from operating activities was EUR -43.1 (-25.5) million.

January–September 2024 in brief:

- Net sales were EUR 350.8 (406.1) million, representing a decrease of 13.6% year-on-year.
- Net sales from the battery chemicals business decreased to EUR 97.6 (126.3) million, or 27.8% (31.1) 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 decreased by 9.5% to EUR 253.2 (279.8) million. A decrease in the market prices of metals had a negative impact on net sales.
- EBITDA decreased to EUR 50.2 (64.4) million, or 14.3% (15.9) of net sales.
- The operating result was EUR -11.0 (17.9) million.
- Free cash flow from operating activities was EUR -87.6 (-47.5) million. Cash flow was negatively affected by the weak market situation and the ongoing significant investment programme.
- The total accident frequency rate on the industrial site was 5.1 (5.1).

Financial key figures

EUR million	7-9 2024	7-9 2023	Change	1-9 2024	1-9 2023	Change	2023
Net sales	104.8	142.0	-26.2%	350.8	406.1	-13.6%	560.9
Battery chemicals business	32.6	28.0	16.4%	97.6	126.3	-22.7%	167.5
Metal intermediates business	72.2	114.0	-36.7%	253.2	279.8	-9.5%	393.4
EBITDA	12.7	39.0	-67.4%	50.2	64.4	-22.0%	100.6
Operating result	-14.3	23.4	n.a.	-11.0	17.9	n.a.	37.9
Free cash flow from operating activities ¹⁾	-43.1	-25.5	-69.1%	-87.6	-47.5	-84.5%	-52.5
Total capital expenditure	49.0	37.1	32.1%	183.8	96.3	90.9%	138.2
Sustaining capital expenditure	41.8	28.1	48.8%	134.3	78.8	70.4%	112.4
Investments in productivity improvement and capacity growth	7.2	9.0	-20.0%	49.5	17.5	182.9%	25.7
Shareholders' equity				734.5	663.8	16.5%	809.0
Work in progress				271.5	252.1	7.7%	258.6
Balance sheet total				1,387.5	1,274.9	8.2%	1,307.2
Own personnel, active, # of people				826	806	2.5%	842
Partner companies' personnel, FTE, # of people				1,402	1,044	34.3%	1,038
Total accident frequency rate, 12-month LTIFR1				5.1	5.1	0.0%	4.8
Own personnel				4.4	4.8	-8.3%	4.5
Partner companies' personnel				5.5	5.2	5.8%	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

Terrafame's net sales and EBITDA decreased in January–September 2024 in a difficult market situation. However, our EBITDA showed a profit in July–September, compared to a loss in the second quarter of the year.

Compared to estimates, the electrification of mobility has progressed more slowly, especially in Europe, which has affected the demand for the battery chemicals produced by Terrafame. Also, the imbalance in the Asian nickel sulphate markets has continued, but we have again managed to compensate its effect on our result by delivering more metal intermediates to the Western markets, thanks to our flexible production process.

During the review period, the market prices of nickel and nickel sulphate continued to fluctuate somewhat and were on average at a clearly lower level compared to a year ago. This had a negative impact on net sales and the result, although successful price hedging partly offset the impact.

The continuous development of our operational activities is important to us. Launched in early 2024, the profitability programme aiming for annual savings of EUR 10 million is progressing according to plans, and improved cost efficiency had a positive impact on our result during the review period. We have also started a larger-scale profitability programme than the original goal. According to the current estimate, the potential is clearly higher than previously estimated.

Production and delivery volumes declined during the review period. The decrease in production was partly caused by a planned maintenance shutdown implemented on our industrial site in September. In addition, the production ramp-up phase was slightly held up by a fire, although it was quickly subdued without any personal injuries by Terrafame’s industrial fire brigade. The inventories of the battery chemicals plant grew in early 2024 and the reduction of the inventories continued slightly more slowly than expected in the prevailing weak market situation.

In August, we applied for a strategic status for the other, yet unexploited, Kolmisoppi ore deposit as part of a supply chain that complies with the EU’s Critical Raw Materials Act (CRMA). The application is currently being processed, and we expect a decision on the matter in the first half of 2025.

We continued ramping up the uranium recovery started in June according to plans. Additionally, the investment projects, which are significant also on Finland’s scale, advanced as planned. These projects relate to the new secondary leaching area and the preparation of utilising the next phases of the operational Kuusilampi mine. With these investments, we will ensure the continuity of our operations long into the future.

Despite short-term market turbulence, we consider the electrification of mobility to be inevitable. In line with our strategy, our goal is to enhance low-carbon mobility by delivering responsibly produced battery chemicals, utilising our unique production process. This offers us a wealth of opportunities as we improve Terrafame’s competitiveness.

Market environment

Electric vehicle and battery markets

According to Rho Motion’s Monthly EV Battery Chemistry Assessment report, a total of around 9.8 (8.1) million electric passenger cars and light commercial vehicles were sold worldwide in January–August 2024. This represents an increase of around 21% from the corresponding period in 2023. The growth was especially driven by China, whereas sales declined in Europe. In 2023, sales increased by approximately 35% from 2022.

Sold electric passenger cars and light commercial vehicles

Million pcs	1-8/2024	1-8/2023	Change, %	Change 2022–2023, %
China	6.04	4.55	33	32
USA and Canada	1.13	1.03	9.6	59
Europe	1.89	1.96	-3.6	18
Other countries	0.76	0.59	27	77
Total	9.82	8.14	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 cars are expected to continue to increase in 2024, albeit at a slightly more moderate pace than before. Sales are expected to increase by around 23% to 17.0 million cars.

In August 2024, including all vehicle categories, the sales-weighted average pack size was 50.0 (52.0) kWh.

The electric car battery market is clearly divided between high-nickel-content NCM batteries and LFP batteries. The market share of NCM 811 batteries, which have a high nickel content, was 22% in August 2024, remaining at the previous year's level. The market share of LFP batteries was 51% in August 2024 (42% in August 2023).

In January–August 2024, 4.9 (4.3) million electric vehicles utilising NCM battery technology were sold. Sales increased by around 12% compared to the corresponding period of the previous year. Sales of electric vehicles utilizing LFP battery technology increased by approximately 35% to 4.3 (3.2) million cars sold.

In terms of gigawatt hours, the demand for NCM batteries increased by around 13% to 253.6 (225.1) GWh in January–August 2024 compared to the corresponding period of the previous year. The share of NCM 811 batteries increased by around 28% to 112.5 (88.1) GWh. The share of LFP batteries increased by around 36% to 227.6 (167.8) GWh. (Source: Rho Motion Monthly EV Battery Chemistry Assessment)

Nickel market

The price of nickel on the London Metal Exchange (LME) in January–September 2024 was markedly lower than in the corresponding period in 2023. The average market price in January–September 2024 was 17,072 (22,890) USD/t, which is around 34% lower than in the corresponding period in 2023. The average market price of nickel in July–September 2024 was 16,259 (20,344) USD/t, which is around 20% lower than in the corresponding period in 2023. Compared with the second quarter of 2024, the average market price of nickel decreased by around 12%.

The price of nickel sulphate (SPOT China) also fell markedly, and the average price in January–September 2024 was 16,031 (19,782) USD/t, which is around 23% lower than in the corresponding period in 2023. The average price in July–September 2024 was 15,562 (17,755) USD/t, which is around 12% lower than in the corresponding period in 2023. Compared with the second quarter of 2024, the average market price of nickel sulphate decreased by 8.7%. 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 September 2024 were 156,682 tonnes, which is more than three times higher than in the corresponding period in 2023 (49,674). 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 September 2024 were around 33% higher than at the end of June 2024 (117,872). The stock level at the end of September 2024 corresponded to demand for 2.4 weeks (0.8).

Net sales and financial performance

July–September 2024

Net sales were EUR 104.8 (142.0) million, representing a decrease of 26.2% year-on-year. The decrease was mostly driven by lower market prices of metals. Production volumes also declined in the metal intermediates business.

Net sales from the battery chemicals business totalled EUR 32.6 (28.0) million, or 31.1% (19.7) of the company's net sales. The decrease in the market price of nickel sulphate had a negative impact on net sales. In the corresponding period, the production at the battery chemicals plant was restarted in August after a roughly two-month shutdown implemented due to market conditions.

Net sales from the metal intermediates business totalled EUR 72.2 (114.0) million. The decrease was mostly driven by lower market prices of metals, which were partly balanced with price hedging. Production volumes also declined.

EBITDA was EUR 12.7 (39.0) million, or 12.1% (27.5) of net sales. The operating result was EUR -14.3 (23.4) million. The decrease in EBITDA and the operating result was caused by lower market prices of metals as well as a decrease in production and delivery volumes. Improved cost efficiency had a positive impact on the result. In addition, price hedging softened the impact of lower sales prices on net sales and the result.

Free cash flow from operating activities* was EUR -43.1 (-25.5) million. Cash flow was negatively affected by the ongoing significant investment programme.

January–September 2024

Net sales were EUR 350.8 (406.1) million, representing a decrease of 13.6% year-on-year. The decrease resulted from lower production and delivery volumes at the battery chemicals plant and decreased market prices of metals.

Net sales from the battery chemicals business totalled EUR 97.6 (126.3) million, or 27.8% (31.1) of the company's 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 roughly two-month shutdown at the battery chemicals plant due to a drop in the market in China had negative impact on the second and third quarters.

Net sales from the metal intermediates business totalled EUR 253.2 (279.8) million. The decrease was mostly driven by lower market prices of metals.

EBITDA was EUR 50.2 (64.4) million, or 14.3% (15.9) of net sales. The operating result was EUR -11.0 (17.9) million. The decrease in EBITDA and the operating result was caused by lower market prices of metals as well as a decrease in production and delivery volumes at the battery chemicals plant. Improved cost efficiency had a positive impact on the result. In addition, price hedging softened the impact of lower sales prices on net sales and the result.

Free cash flow from operating activities* was EUR -87.6 (-47.5) million. Cash flow was negatively affected by the weak market situation and the ongoing significant investment programme.

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

Key events in July–September

Terrafame applied for a strategic project status for the exploitation of the Kolmisoppi ore deposit under the EU's Critical Raw Materials Act

On 21 August 2024, Terrafame announced that it had submitted an application to the European Commission seeking a strategic project status for the Kolmisoppi project under the European Union's Critical Raw Materials Act (CRMA).

The CRMA came into effect in May 2024 and aims to sustainably ensure the availability of raw materials that are critical and strategic in terms of Europe's economy and clean transition. The CRMA covers more than 30 raw materials, defining the battery grade nickel produced by Terrafame as well as cobalt and copper as strategic raw materials. Among other things, the status of a strategic project ensures that permitting processes proceed according to the deadlines set in the CRMA, decreasing the scheduling risk related to permitting.

Shares and shareholders

Terrafame has one series of shares. At the end of September 2024, the company had 5,968,655 (5,197,154) shares. Its share capital was EUR 2.0 (2.0) million, and its shareholders' equity was EUR 734.5 (663.8) million.

At the end of September 2024, Finnish Minerals Group (FMG), a special-assignment company of the state of Finland, owned 56.1% (64.4), Galena funds managed by Trafigura owned 39.4% (32.9) and Mandatum owned 4.5% (2.7) of Terrafame.

Finnish Minerals Group's holding may decrease to no lower than 50.1% in the future if Trafigura 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 Schuhmacher 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 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 826 (806) employees at the end of September 2024. The increase was related to the starting of uranium recovery.

An average of 1,402 (1,046) people employed by contractors and subcontractors worked on the industrial site during the reporting period (FTE). The increase mainly resulted from the construction of the new secondary leaching area as well as increased haulage of waste rock at the Kuusilampi open pit mine.

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, 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 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 environmental 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.

In August 2024, Terrafame applied for a strategic status for the Kolmisoppi ore deposit as part of a supply chain that complies with the EU's Critical Raw Materials Act (CRMA). The application is currently being processed, and a decision on the matter is expected in the first half of 2025.

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.

Key events after the financial period

Terrafame had no significant events after the review period.

Near-term outlook

- The battery chemicals market is expected to continue to be challenging in late 2024 and during 2025, 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 uranium recovery will be continued.

Further information

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A Finnish-language webcast will be held on 25 October 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 <https://terrafame.videosync.fi/q3-2024>. 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, slightly over half of whom are employees of partner companies.