**Stock Exchange Release**
**Talvivaara Mining Company Plc**
**15 August 2013**

# Talvivaara Mining Company Interim Report for January-June 2013

## Weak nickel price and continued water balance issues impacted financial result
## Re-commenced ore processes and metals plant operating at record levels

## Highlights

Q2 2013
- Nickel production of 1,776t and zinc production of 4,465t
- Production impacted by a planned maintenance stoppage and low metal grades in leach solution due to continued effect of excess water in the older heaps
- Successful re-start of ore production in May, seven weeks ahead of planned schedule
- Flow rate at the metals plant reached a record 1,650 $m^3$/h in June and plant availability remained good
- Net sales of EUR 13.0m, reflecting low production volumes and substantial decrease in nickel price
- Operating loss of EUR (23.9)m
- Extensive cost reduction and efficiency programme commenced in June with the target of achieving cash flow positive operation as soon as possible

H1 2013
- Nickel production of 4,508t and zinc production of 7,593t
- Net sales of EUR 40.6m
- Operating loss of EUR (43.8)m
- Successfully completed financing transactions to de-risk balance sheet and improve liquidity position, consisting of a EUR 261m rights issue, re-negotiated EUR 100m revolving credit facility and EUR 19m in further advance payments from Nyrstar and Cameco

Events after the reporting period
- Co-operation consultations impacting a maximum of 250 employees through terminations of employment and/or temporary lay-offs announced on 2 July 2013
- Previous production guidance of approximately 18,000t nickel in 2013 withdrawn, but significant improvement in production expected in H2 2013 compared to H1 2013
- Operational improvement has continued in July and August with record level mine and materials handling production, accelerated de-watering of old heaps and promising early leaching results from newly stacked ore
- Cumulative cash flow improvement of approximately EUR 100 million targeted over the next 12 months through successful implementation of the ongoing efficiency and productivity improvement programme

## Key figures

| EUR million | **Q2 2013** | Q2 2012 | **Q1-Q2 2013** | Q1-Q2 2012 | FY 2012 |
|---|---|---|---|---|---|
| Net sales | **13.0** | 33.4 | **40.6** | 72.5 | 142.9 |
| Operating profit (loss) | **(23.9)** | (10.9) | **(43.8)** | (22.3) | (83.6) |
| % of net sales | **(183.3%)** | (32.5%) | **(107.9%)** | (30.8%) | (58.5)% |
| Profit (loss) for the period | **(27.6)** | (17.5) | **(51.5)** | (32.4) | (103.9) |
| Earnings per share, EUR | **(0.03)** | (0.06) | **(0.06)** | (0.12) | (0.38) |
| Equity-to-assets ratio | **37.0%** | 28.9% | **37.0%** | 28.9% | 24.3% |
| Net interest bearing debt | **409.5** | 475.6 | **409.5** | 475.6 | 563.8 |
| Debt-to-equity ratio | **81.2%** | 125.8% | **81.2%** | 125.8% | 183.3% |
| Capital expenditure | **15.3** | 20.7 | **32.6** | 35.3 | 97.5 |
| Cash and cash equivalents at the end of the period | **101.1** | 128.7 | **101.1** | 128.7 | 36.1 |
| Number of employees at the end of the period | **673** | 595 | **673** | 595 | 588 |

*All reported figures in this release are unaudited.*

**CEO Pekka Perä comments: "***Our performance in the second quarter was a mixture of good progress in our core operations, and continued challenges from the impact of excess water on the bioheapleaching process. On the positive side, we were able to re-commence mining and materials handling operations in May, some seven weeks ahead of the planned schedule, and these functions have since progressed to operate continuously at record levels. Similarly, our metals recovery plant continues to operate consistently and, since the planned maintenance stoppage in May-June, also at record flow rates. Restoration of the leaching performance in our older heaps has however been somewhat slower than anticipated and excess water in these heaps continues to slow down the process. We continue to focus our efforts on improving the performance of the older heaps, while at the same time securing good leaching of the newly stacked ore. So far, the early results from our newest heap indicate better leaching than in any heap historically and we look forward to the new heap contributing substantially to our metals production during the fourth quarter. All in all, with the tireless work of our team and the positive developments across processes, I believe we are turning the corner and will achieve materially higher production levels in the second half of the year than during the first half.*

*The environmental risk of the excess water at the mining area was reduced during the second quarter thanks to the treatment and discharge of some 3 million $m^3$ of the stored waters as well as favourable weather conditions. Whilst we feel confident that the worst is now over with our water balance issues, we continue our work towards an increasingly closed process water system and further reduction of excess waters from the mine area.*

*In terms of our financial performance, the depressed nickel price, low production volumes, and treatment and discharge costs of excess waters all contributed to the weak results. Although the financing transactions completed earlier this year provided us with additional financial flexibility, we must now carefully manage our operations to sustain our financial flexibility for the future. To achieve this, we have commenced and are implementing a broad efficiency and productivity improvement programme, and a range of measures is being implemented to cut costs and increase production levels. The co-operation consultations with our personnel initiated in July form a part of this programme, and whilst I regret that the consultations may lead to lay-offs and/or terminations of employment, it is critical for us to take all the steps required to achieve a more efficient operation. This is especially important now, with the nickel price turning increasingly weak during the spring and summer: whilst in the early part of the year the nickel price was around USD 18,000-19,000/t, we ended the first half with prices below USD 14,000/t. The current market environment is difficult for the entire nickel mining industry, and we don't believe the current price levels are sustainable for an extended period of time. However, with macroeconomic concerns prevailing and nickel inventories at record levels, we are making every effort to be prepared for a continued weak price level in the near term."*

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**Webcast and conference call on 15 August 2013 at 11:00 am EET / 9:00 am GMT**

A combined webcast and conference call on the January-June 2013 Interim Result will be held on 15 August 2012 at 11:00 am EET / 9:00 am GMT. The call will be held in English.

The webcast can be accessed through the following link:
http://qsb.webcast.fi/t/talvivaara/talvivaara_2013_0815_q2/#/webcast

A conference call facility will be available for a Q&A with senior management following the presentation.

Participant – Finland: +358 (0)9 2313 9201
Participant – UK: +44 (0)20 7162 0077
Participant – US: +1 334 323 6201

**Conference ID: 934585**
The webcast will also be available for viewing on the Talvivaara website shortly after the event.

## Financial review

### *Q2 2013 (April-June)*

*Net sales and financial result*

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the quarter ended 30 June 2013 amounted to EUR 13.0 million (Q2 2012: EUR 33.4 million). Net sales decreased by 52.9% compared to Q1 2013, primarily due to lower than expected product deliveries and the substantial decrease in the nickel price. Production volumes were impacted by the low metal grades in leach solution and a scheduled maintenance stoppage in late May and early June. Product deliveries in Q2 2013 amounted to 1,756t of nickel, 67t of cobalt and 2,081t of zinc.

Changes in inventories of finished goods and work in progress amounted to EUR 16.0 million (Q2 2012: EUR 23.8 million). Ore production was successfully re-commenced in May and has since proceeded according to plan, which contributed to the increase in work in progress.

The operating loss for Q2 2013 was EUR (23.9) million (Q2 2012: EUR (10.9) million), corresponding to an operating margin of (183.3%) (Q2 2012: (32.5%)). During the period, materials and services amounted to EUR (19.1) million (Q2 2012: EUR (33.6) million) and other operating expenses to EUR (12.7) million (Q2 2012: EUR (15.0) million), reflecting lower production volumes than the year before. However, materials and services and other operating expenses increased by 9.8% compared to the first quarter of 2013. The largest cost items were production chemicals, external services, electricity and maintenance. In particular, chemical costs relating to solution neutralization and removal of non-saleable elements such as iron, manganese, aluminium and magnesium were high during the second quarter due to the ongoing water management activities. In addition, the planned shutdown of the metals recovery plant and the successful re-commencement of ore production increased costs during Q2 2013 compared to Q1 2013.

Loss for the quarter amounted to EUR (27.6) million (Q2 2012: EUR (17.5) million).

*Balance sheet and financing*

Capital expenditure during the second quarter of 2013 totalled EUR 15.3 million (Q2 2012: EUR 20.7 million). The expenditure primarily related to the uranium extraction circuit and water management structures such as dams.

### *H1 2013 (January-June)*

*Net sales and financial result*

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the six month period ended 30 June 2013 amounted to EUR 40.6 million (H1 2012: EUR 72.5 million). The majority of net sales came from nickel, whilst the zinc deliveries were limited to two shipments with a zinc content of approximately 4,297t. Zinc production was impacted by temporary technical issues resulting from efforts to further reduce odour discharges. Product deliveries in H1 2013 amounted to 4,501t of nickel, 155t of cobalt and 4,297t of zinc (H1 2012: 6,480t of nickel, 188t of cobalt, 15,440t of zinc).

The Group's other operating income amounted to EUR 1.2 million (H1 2012: EUR 1.5 million) and mainly resulted from indemnities on property damages.

Changes in inventories of finished goods and work in progress amounted to EUR 23.3 million (H1 2012: EUR 46.3 million). Due to the temporary discontinuation of mining and crushing operations between September 2012 and May 2013, no new ore was stacked during Q1 2013 and early Q2 2013. Consequently, the work in progress increased by less than during normal ramp-up operations. Ore production was successfully re-commenced in May and has since proceeded according to plan.

Employee benefit expenses were EUR (15.5) million in H1 2013 (H1 2012: EUR (14.8) million), with the increased expenses attributable to the increased number of personnel. The increase was partially offset by the temporary lay-offs, which Talvivaara started in February 2013 and ended in April 2013.

The operating loss for H1 2013 was EUR (43.8) million (H1 2012: EUR (22.3) million. Materials and services amounted to EUR (41.7) million in H1 2013 (H1 2012: EUR (68.5) million) and other operating expenses were EUR (25.3) million (H1 2012: EUR (33.9) million). The largest cost items were production chemicals, external services, electricity and maintenance. Mining and materials handling costs were lower compared to H1 2012 during the first part of the reporting period due to the temporary suspension of ore production. In metals recovery, costs were higher than in the previous year due to increased hydrogen sulphide and hydrogen peroxide consumption as a result of inefficiencies caused by low metal grades in feed solution and low solution temperatures. Furthermore, the increased water neutralization expenses described above affected the operating result, and temporary technical issues impacted zinc production as well as the related production costs.

Finance income for H1 2013 was EUR 0.4 million (H1 2012: EUR 1.6 million). Finance costs were EUR (24.8) million (H1 2012: EUR (21.7) million) and consisted mainly of interest and related financing expenses on borrowings.

Loss for the first half of 2013 and the total comprehensive income amounted to EUR (51.5) million (H1 2012: EUR (32.4) million), reflecting the low nickel price, the high cost of treatment and discharge of excess waters and the lower than anticipated level of product deliveries. Earnings per share was EUR (0.06) in H1 2013 (H1 2012: EUR (0.12)).

*Balance sheet*

Capital expenditure in H1 2013 totalled EUR 32.6 million (H1 2012: EUR 35.3 million). The expenditure primarily related to water management structures and the uranium extraction circuit. On the consolidated statement of financial position as at 30 June 2013, property, plant and equipment totalled EUR 813.4 million (31 December 2012: EUR 809.5 million).

In the Group’s assets, inventories amounted to EUR 329.0 million on 30 June 2013 (31 December 2012: EUR 297.8 million). The increase in inventories reflects the ramp-up of production and the consequent increase in the amount of ore stacked on heaps, valued at cost. The temporary suspension of ore mining affected the increase in inventories during first half of 2013.

Trade receivables amounted to EUR 9.0 million on 30 June 2013 (31 December 2012: EUR 32.2 million). Trade receivables decreased compared to the previous period due to lower levels of product deliveries and the sale of trade receivables based on an agreement entered into in December 2012.

On 30 June 2013, cash and cash equivalents totalled EUR 101.1 million (31 December 2012: EUR 36.1 million).

In equity and liabilities, total equity amounted to EUR 504.4 million on 30 June 2013 (31 December 2012: EUR 306.8 million). Talvivaara raised EUR 250.8 million, net of transaction costs, from the rights issue described below in the *“Financing”* section. In addition, an interest cost of EUR 3.2 million of a perpetual capital loan was capitalized in equity during the first half of 2013.

Provisions decreased from EUR 27.5 million on 31 December 2012 to EUR 15.8 million at the end of June 2013. The costs related to water management and the gypsum pond leakage in November 2012 amounted to EUR 12.0 million in H1 2013 and the corresponding provisions were de-recognized.

Borrowings decreased from EUR 599.8 million on 31 December 2012 to EUR 510.6 million at the end of June 2013. The changes in borrowings during H1 2013 mainly related to the repayment of the senior unsecured convertible bonds of 2008 and finance lease liabilities. Total advance payments as at 30 June 2013 amounted to EUR 290.9 million, representing an increase of EUR 17.2 million from EUR 273.7 million on 31 December 2012. During H1 2013, Talvivaara received a total of EUR 7.4 million in advance payments from Cameco Corporation based on the amended uranium off-take agreement between the companies, and EUR 12.0 million in advance payments from Nyrstar based on the amendment agreement regarding the zinc in concentrate streaming agreement (see *“Financing”*). Over the period, the advance payment from Nyrstar was amortized by EUR 2.2 million as a result of zinc deliveries.

Total equity and liabilities as at 30 June 2013 amounted to EUR 1,364.1 million (31 December 2012: EUR 1,260.8 million).

*Financing*

On 12 February 2013 Talvivaara Sotkamo entered into an amendment agreement with Cameco concerning the uranium take-in-kind agreement pursuant to which the amount of the up-front investment that Cameco has paid to Talvivaara Sotkamo for the construction of the uranium extraction facility was increased by USD 10 million to USD 70 million. In addition, the duration of the agreement was extended to 31 December 2017 and commercial terms revised accordingly. Talvivaara received the additional up-front investment in February 2013.

On 14 February 2013, Talvivaara Sotkamo entered into an amendment agreement with Nyrstar regarding the zinc in concentrate streaming agreement pursuant to which Nyrstar made an additional up-front payment of EUR 12 million to Talvivaara Sotkamo in return for Talvivaara Sotkamo agreeing not to charge Nyrstar the EUR 350 per tonne extraction and processing fee on the next 38,000 tonnes of zinc in concentrate delivered to Nyrstar as was agreed in the original zinc in concentrate streaming agreement. The up-front payment was received in February 2013.

On 8 March 2013, an Extraordinary General Meeting of Talvivaara Mining Company resolved to approve the proposal by the Board of Directors to authorise the Board of Directors to undertake a share issue for consideration pursuant to the shareholders' pre-emptive subscription right. The share issue was finalised in April and all 1,633,857,840 new shares offered in the rights issue were subscribed for. The gross proceeds amounted to approximately EUR 261 million and the total number of shares in Talvivaara Mining Company increased to 1,906,167,480 shares.

On 20 May 2013, Talvivaara completed the repayment of its senior unsecured convertible bonds of 2008. The remaining convertible bonds amounted to EUR 76.9 million and the repayment was completed according to the terms and conditions of the bonds.

**Going concern**

Talvivaara is implementing a number of efficiency and productivity measures in order to overcome its near-term operational challenges, stabilise and improve its production processes and lower its operational costs (see *"Efficiency and productivity programme"*). Talvivaara Group's forecasts and projections, taking into account the productivity and efficiency measures being implemented, the Group's current liquidity position and reasonably possible changes in production, metal prices and foreign exchange rates, indicate the Group to be able to continue in operational existence with adequate financial resources for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

**Production review**

During the second quarter, Talvivaara produced 1,776t of nickel (Q2 2012: 3,194t) and 4,465t of zinc (Q2 2012: 6,686t). During the first half of 2013, Talvivaara produced 4,508t of nickel (H1 2012: 6,568t) and 7,593t of zinc (H1 2012: 14,576t).

In metals recovery, production continued to be impacted by low metal grades in leach solution. Talvivaara also carried out a scheduled maintenance stoppage in late May and early June, due to which the metals plant was shut down or running at substantially restricted capacity for approximately two and a half weeks. In addition, planned maintenance of the hydrogen sulphide plants caused some capacity restrictions already from mid-April onwards. Following the re-start of the plant after the stoppage, the flow rate reached a record level of 1,650 $m^3/h$ in June. Metals plant operation has been relatively stable throughout H1 2013 and is not anticipated to restrict production levels going forward.

In bioheapleaching, performance continued to be impacted by water balance issues throughout H1 2013. The excess water in the heaps stacked prior to the shut-down of mining in September 2012 continued to dilute metal grades in leach solution, reduce the efficiency of aeration, slow down the leaching reactions and impact the rate of evaporation. The nickel grade in solution pumped to metals recovery declined to a low of approximately 1.0 g/l during April, and increased to a level of 1.1-1.2 g/l by June.

During the spring and early summer, the bioheapleaching process nevertheless started to show signs of improvement. Heap temperatures increased materially, indicating growing levels of chemical and biological activity, and there is strong evidence of significantly improved leaching results in de-watered heap sections. De-watering of all existing heaps is ongoing by intermittent discontinuation of irrigation, but due to limited space available for the solution draining from the heaps during irrigation stoppages, this process is anticipated to take several more months to complete. In the meantime, securing efficient aeration and high quality management of the overall process will continue to be in focus.

Ore production was successfully re-started in May and has since proceeded according to plan. 1.8Mt of ore was crushed and stacked during Q2 2013 following the-restart (Q2 2012: 3.0Mt), with June ore production amounting to 1.2Mt. The reclaiming process also operated at planned capacities following process modifications carried out during the spring and the addition of a jaw crusher unit.

Metals production from fresh ore stacked after the re-start of mining in May will become increasingly important during the second half of the year. Therefore, special attention was paid to ensuring efficient start-up of the new heaps, the first one of which (primary heap no. 4) is anticipated to be completed in the beginning of September. Whilst still being stacked, the early leaching of this heap has been very promising, with temperatures of the circulating solution already exceeding 50°C in June. This proves very active oxidation reactions in the heap and exceeds the corresponding performance of any previous heap historically.

*Production key figures*

| | | **Q2 2013** | Q2 2012 | **Q1-Q2 2013** | Q1-Q2 2012 | **FY 2012** |
|---|---|---|---|---|---|---|
| **Mining** | | | | | | |
| Ore production | Mt | **1.8** | 3.0 | **1.8** | 6.1 | **8.7** |
| Waste production | Mt | **0.9** | 1.1 | **0.9** | 2.6 | **5.3** |
| **Materials handling** | | | | | | |
| Stacked ore | Mt | **1.8** | 3.0 | **1.8** | 6.1 | **8.7** |
| **Bioheapleaching** | | | | | | |
| Ore under leaching | Mt | **46.1** | 41.8 | **46.1** | 41.8 | **44.3** |
| **Metals recovery** | | | | | | |
| Nickel metal content | Tonnes | **1,776** | 3,194 | **4,508** | 6,568 | **12,916** |
| Zinc metal content | Tonnes | **4,465** | 6,686 | **7,593** | 14,576 | **25,867** |

**Efficiency and productivity programme**

Talvivaara launched a broad efficiency and productivity programme in June in circumstances where the price development of nickel had remained weak during the first half of 2013. The overall target of the programme is to achieve cash flow positive operation as soon as possible, regardless of the prevailing nickel price, through increasing cost efficiency and improving productivity levels across all functions of the Company. A separate task force was assigned to coordinate the project and the work is being carried out in co-operation with external consultants and Talvivaara's partners.

The programme commenced with an intensive five-week diagnostics phase which was completed in early July. Approximately 30 initiatives to enhance efficiency and productivity were identified, and the programme is now progressing into full-scale implementation of the identified initiatives. These consist of, among others, improving the leaching performance of existing heaps, further optimizing the production throughput and chemicals usage of the metals plant, working capital management, capital expenditure cuts, sale of certain non-operational assets and financing elements. The co-operation consultations announced on 2 July 2013 and potentially leading to organizational changes also form a part of the programme.

As an integral part of the programme, Talvivaara has further rolled out a performance management process across the entire organization. The process has been mobilized through frequent performance management meetings at all levels of the operation aiming to increase cost consciousness and improve day-to-day planning. Incentive structures have also been amended to ensure alignment between individual and Talvivaara's targets.

**Sustainable development, safety and permitting**

*Safety*

With respect to safety issues, Talvivaara's goal is a safe and healthy working environment, and the Company continued to develop its safety culture based on a zero accident philosophy. Increased focus has been placed on further safety training of Talvivaara's personnel across all departments.

At the end of the second quarter, the injury frequency among the Talvivaara personnel was 19.5 lost time injuries/million working hours on a rolling 12 month basis (30 June 2013: 13.7 lost time injuries/million working hours).

*Environment*

Talvivaara continues to focus on minimising the environmental impact of its operations. Current primary focus is on water balance management. Treatment and discharge of excess waters from the mine area continued throughout the period, reducing the water management related risk level whilst also allowing mining activities to be re-started and other operational processes to continue according to plan. Approximately 3 million $m^3$ of excess water was neutralized and discharged from the mine area during the first half of 2013. The quality of discharged waters has remained at planned levels, with environmental impact, if any, anticipated to be mainly caused by the sulphate content. Talvivaara expects any metal burden to the environment to remain limited. Talvivaara considers the continued discharge of excess water from the mine site to be necessary in order to further reduce environmental and operational risk levels, and to secure sufficient water management safety capacity.

In early April, Talvivaara detected a leakage at the gypsum pond of the mine. The leakage was successfully stemmed within two days, and all leakage water was contained within the safety dams in the mine area.

Whilst continuous improvement work is carried out, Talvivaara considers historical hydrogen sulphide (odour) and dust emissions to have been resolved, and only isolated complaints were received from neighbouring residents during the first half of 2013.

Talvivaara places significant emphasis on timely and transparent communication on environmental matters with the neighbouring communities and other interested stakeholders. The locally focused Finnish language website www.paikanpaalla.fi continued to be successfully used for the delivery of locally relevant, timely information and for interaction with interested stakeholders.

*Permitting*

Talvivaara's existing environmental permit is currently being renewed under a standard process. On 31 May 2013, the Northern Finland Regional State Administrative Agency ("AVI") granted Talvivaara an environmental permit decision relating to water discharges. The permit decision removed the volume quota on water discharges and amended restrictions based on the amount of contaminants. Instead of the previous volume quota, the new permit decision restricts the water discharge flow rate on the basis of the prevailing flow rate in the nearby Kalliojoki river at any given time. Talvivaara has submitted an appeal to the Vaasa Administrative Court with respect to the flow rate restriction in the permit decision, as the Company considers this permit condition to unnecessarily restrict its ability to remove purified excess waters from the area and thereby reduce the environmental risk level.

Until the permit decision, the treatment and discharge of water was carried out under the Company's notification of exception under the Environmental Protection Act and related decision by the Kainuu Centre for Economic Development, Transport and the Environment in February 2013. From the beginning of June onwards, the discharge has continued under the new permit. Talvivaara expects AVI to make a permit decision on the remaining elements of the overall environmental permit in autumn 2013 at the earliest.

The environmental permit application for the planned uranium extraction is also being processed by AVI and a decision on it is also expected in autumn 2013 at the earliest. In addition, Talvivaara has filed an application for a chemical permit relating to uranium recovery, which is currently pending.

**Business development and commercial arrangements**

*Planned uranium extraction and uranium off-take agreement with Cameco*

Talvivaara is preparing for the recovery of uranium as a by-product of the Company's existing operations. Uranium occurs naturally in small concentrations in the Talvivaara area and leaches into the process solution along with Talvivaara's other products. Annual uranium production is estimated at ca. 350tU (ca. 770,000 pounds), corresponding to approximately 410t (900,000 pounds) of yellow cake ($UO_4$). Talvivaara's entire uranium production will be sold under a long-term agreement to Cameco.

The uranium recovery facility is essentially completed, and commissioning is expected following the receipt of remaining required permits.

**Annual General Meeting**

Talvivaara's Annual General Meeting was held on 2 May 2013 in Helsinki, Finland. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2012;
- that the annual fee payable to the members of the Board for the term until the close of the Annual General Meeting in 2014 be as follows: Chairman of the Board EUR 120,000, Deputy Chairman (Senior Independent Director) EUR 69,000, Chairmen of the Board Committees EUR 69,000 and other Non-executive and Executive Directors EUR 48,000;
- that the number of Board members be nine and that Mr. Tapani Järvinen, Mr. Pekka Perä, Mr. Graham Titcombe, Mr. Edward Haslam, Ms. Eileen Carr, Mr. Stuart Murray, Mr. Michael Rawlinson and Ms. Kirsi Sormunen be re-elected as Board members and Ms. Maija-Liisa Friman be appointed as new member of the Board;
- that the auditor be reimbursed according to the auditor's approved invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the Company's auditor for the financial year 2013;
- that the Shareholders' Nomination Panel be established to prepare proposals for the election and remuneration of the members of the Board and that the Charter of the Shareholders' Nomination Panel be approved;
- that article 8 of the Company's Articles of Association be amended to correspond to the changes to be made to the duties of the Board Committees due to the establishment of the Shareholder's Nomination Panel and the current practices applied by the Company

**Risk management and key risks**

In line with current corporate governance guidelines on risk management, Talvivaara carries out an on-going process endorsed by the Board of Directors to identify risks, measure their impact against certain assumptions and implement the necessary proactive steps to manage these risks.

Talvivaara's operations are affected by various risks common to the mining industry, such as risks relating to the development of Talvivaara's mineral deposits, estimates of reserves and resources, infrastructure risks, and volatility of commodity prices. There are also risks related to counterparties, currency exchange ratios, management and control systems, historical losses and uncertainties about the future profitability of Talvivaara, dependence on key personnel, effect of laws, governmental regulations and related costs, environmental hazards, and risks related to Talvivaara's mining concessions and permits.

In the short term, Talvivaara's key operational risks continue to relate to water management and the on-going ramp-up of operations. While the Company has demonstrated that all of its production processes work and can be operated on industrial scale, the rate of ramp-up is still subject to risk factors including the time required to reach a sustainable level of water balance, reliability and sustainable capacity of production equipment, and eventual speed of leaching and rates of metals recovery in bioheapleaching. In addition, there may be production and ramp-up related risks that are currently unknown or beyond the Company's control.

The market price of nickel has historically been volatile and in the Company's view this is likely to persist, driven by shifts in the supply-demand balance, macroeconomic indicators and variations in currency exchange ratios. Nickel sales currently represent close to 90% of the Company's revenues and variations in the nickel price therefore have a direct and significant effect on Talvivaara's financial result and economic viability. Talvivaara is, since February 2010, unhedged against variations in metal prices. Full or substantially full exposure to nickel prices is in line with Talvivaara's strategy and supported by the Company's view that it can operate the Talvivaara mine, once it has been fully ramped up, profitably also during the lows of commodity price cycles.

Talvivaara's revenues are almost entirely in US dollars, whilst the majority of the Company's costs are incurred in Euro. Potential strengthening of the Euro against the US dollar could thus have a material adverse effect on the business and financial condition of the Company. Talvivaara hedges its exposure to the US dollar on a case by case basis with the aim of limiting the adverse effects of US dollar weakness as considered justified from time to time.

Liquidity and refinancing risks may arise as a result of the Company's inability to produce sufficient volumes of its saleable products, particularly nickel, unexpected increase in production costs, and sudden or substantial changes in the prices of commodities or currency exchange rates. Talvivaara seeks to reduce liquidity risk by close monitoring of liquidity in order to detect any threat of adverse changes in advance so as to allow for sufficient time to secure access to adequate credit or other funding on reasonable terms. Talvivaara also seeks to maintain a balanced maturity profile of its long-term debt in order to mitigate refinancing risks.

**Personnel and management**

The number of personnel employed by the Group on 30 June 2013 was 673 (Q2 2012: 595), including approximately 80 temporary summer trainees.

Wages and salaries paid during the three months to 30 June 2013 totalled EUR 6.8 million (Q2 2012: EUR 5.7 million). Wages and salaries paid during the six months to 30 June 2013 totalled EUR 12.8 million (H1 2012: EUR 12.3 million).

The salaries and wages of Talvivaara's personnel are based on industry-wide collective agreements. The total compensation consists of base salary and short and long term incentive schemes. Annual short term incentive metrics include personal performance and company-wide criteria. The Company's long term incentive schemes comprise Talvivaara's Stock Options 2007, Stock Options 2011 and Group personnel fund to manage the earnings bonuses paid by Talvivaara. In addition, the management holding company Talvivaara Management Oy is owned by executive management and certain other key employees.

In the second quarter, Talvivaara terminated the temporary lay-offs it had started in February 2013 in order to re-start mining and materials handling operations during May 2013. See *"Events after the review period"* for the planned organizational changes announced on 2 July 2013.

Talvivaara's Communications Manager Olli-Pekka Nissinen received the ProCom – the Finnish Association of Communications Professionals – award for the Communication Professional of the Year in June 2013. Mr. Nissinen was particularly commended for his crisis communications skills in connection with the gypsum pond leakage in late 2012 and for taking Talvivaara's communication towards increased transparency and proactivity.

**Shares and shareholders**

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 June 2013 was 1,906,167,480. Including the effect of the EUR 225 million convertible bond of 16 December 2010 and the Option Schemes of 2007 and 2011, the authorised full number of shares of the Company amounted to 2,041,901,379.

The share subscription period for stock options 2007B was between 1 April 2011 and 31 March 2013. No new shares of Talvivaara were subscribed for under the stock option rights 2007B in H1 2013. A total of 2,284,337 stock option rights 2007B remained unexercised following the end of the subscription period and expired.

After the adjustments to terms and conditions of the 2007 stock options in April 2013, a total of 16,289,000 option rights 2007C have been issued to employees and the subscription period for stock options 2007C is between 1 April 2012 and 31 March 2014. No new shares of Talvivaara were subscribed for under the stock option rights 2007C in H1 2013 and a total of 16,289,000 stock options 2007C remain unexercised.

After the adjustments to terms and conditions of the 2011 stock options in April 2013, a total of 9,432,500 option rights 2011B have been issued to key employees and the subscription period for stock options 2011B is between 1 April 2015 and 31 March 2017. A total of 9,432,500 stock options 2011B remain unexercised.

In March 2013 an Extraordinary General Meeting of Talvivaara Mining Company resolved to approve the proposal by the Board of Directors to authorise the Board of Directors to undertake a share issue for consideration pursuant to the shareholders' pre-emptive subscription rights. The share issue was completed in April 2013 and the total number of shares in Talvivaara Mining Company Plc increased to 1,906,167,480 shares.

As at 30 June 2013, the shareholders who held more than 5% of the shares and votes of Talvivaara were Solidium Oy (16.7%), Pekka Perä (6.5%) and Varma Mutual Pension Insurance Company (6.2%).

**Events after the review period**

*Planned organizational changes*

On 2 July 2013, Talvivaara announced that it is planning organizational changes to support the Company's cost reduction and efficiency programme in circumstances where the price development of nickel has remained weak during the first half of 2013. The Company believes that the planned changes will increase operational efficiency, reduce operating costs and assist in creating an organization better reflecting current market conditions.

The Company expects that the planned changes may result in terminations of employment and/or temporary lay-offs and impact a maximum of 250 employees. The Company has invited representatives of employee groups to co-operation consultations in accordance with applicable law. All three corporate entities, Talvivaara Mining Company Plc, Talvivaara Sotkamo Ltd and Talvivaara Exploration Ltd, are within the scope of the consultations.

*Continued improvement in operations*

Talvivaara’s mining and materials handling operations have reached all-time record levels in July, with ore production amounting to 1.6Mt during the month. The early leaching of the ore stacked since the re-commencement of mining in mid-May has exceeded the performance of any heap historically, with leach solution temperatures currently at around 54°C and indicating high levels of leaching activity in the heap. Evaporation from this heap section is also strong, which has a substantial positive effect on the water balance management. De-watering of older heaps was slower than anticipated through Q2 2013, but is now accelerating as a result of focused efforts to improve the leaching performance. Operations at the metals recovery plant have continued at high flow rates and with high availabilities.

The recent operational performance is in line with the targets set in Talvivaara’s ongoing efficiency and productivity programme and contributes to Talvivaara’s ability to sustain and improve its operations and financial result in the current market environment. Talvivaara targets a cumulative cash flow improvement of approximately EUR 100 million over the next 12 months through successful implementation of the programme.

**Short-term outlook**

*Operational outlook*

As announced in Talvivaara’s operational update on 19 July 2013, Talvivaara has withdrawn its 2013 nickel production guidance of approximately 18,000t due to remaining uncertainties relating to the short-term leaching performance of the existing heaps. However, H2 2013 production is expected to increase substantially compared to H1 2013 as the newly stacked heaps are taken into production and the overall leaching performance continues to improve.

*Market outlook*

Alongside other base metals, the nickel price has been under significant pressure through the first half of 2013. The LME nickel price declined from a level of USD 18,000-19,000/t in early 2013 to below USD 14,000/t in the summer. Concerns over the global macroeconomic growth outlook, stainless steel utilisation rates and the build-up of global nickel inventories have weighed on the nickel price, as LME nickel inventories have reached a record high of more than 200,000t. Talvivaara expects nickel price volatility to remain elevated and the current high inventory levels and global economic uncertainty to limit price upside in the near term.

Whilst the near-term market outlook remains challenging, the prevailing price level is materially below the marginal cost of production for a large part of the nickel mining industry. Talvivaara therefore considers the current price level to be unsustainable in the medium term, and price related supply restrictions along with positive macroeconomic developments to be potential triggers for a material price increase. In the longer term, Talvivaara foresees the nickel industry fundamentals to support favourable nickel price development, driven by increasing marginal cost of production across the nickel industry and lack of new committed nickel projects to replace depleting supply after the next few years.

15 August 2013

Talvivaara Mining Company Plc.
Board of Directors

## CONSOLIDATED INCOME STATEMENT

| (all amounts in EUR '000) | Unaudited three months to 30 Jun 13 | Unaudited three months to 30 Jun 12 | Unaudited six months to 30 Jun 13 | Unaudited six months to 30 Jun 12 |
|---|---|---|---|---|
| **Net sales** | **13,013** | **33,440** | **40,618** | **72,467** |
| Other operating income | 448 | 142 | 1,177 | 1,499 |
| Changes in inventories of finished goods and work in progress | 15,974 | 23,844 | 23,262 | 46,322 |
| Materials and services | (19,126) | (33,553) | (41,740) | (68,474) |
| Personnel expenses | (8,211) | (6,980) | (15,496) | (14,799) |
| Depreciation, amortization, depletion and impairment charges | (13,300) | (12,747) | (26,399) | (25,411) |
| Other operating expenses | (12,656) | (15,016) | (25,268) | (33,905) |
| **Operating profit (loss)** | **(23,858)** | **(10,870)** | **(43,846)** | **(22,301)** |
| Finance income | 520 | 125 | 408 | 1,568 |
| Finance cost | (13,131) | (12,373) | (24,760) | (21,745) |
| Finance income (cost) (net) | (12,611) | (12,248) | (24,352) | (20,177) |
| **Profit (loss) before income tax** | **(36,469)** | **(23,118)** | **(68,198)** | **(42,478)** |
| Income tax expense | 8,889 | 5,642 | 16,686 | 10,093 |
| **Profit (loss) for the period** | **(27,580)** | **(17,476)** | **(51,512)** | **(32,385)** |
| **Attributable to:** | | | | |
| Owners of the parent | (28,278) | (15,999) | (53,143) | (29,560) |
| Non-controlling interest | 698 | (1,477) | 1,631 | (2,825) |
| | **(27,580)** | **(17,476)** | **(51,512)** | **(32,385)** |
| **Earnings per share for profit (loss) attributable to the owners of the parent (expressed in EUR per share)** | | | | |
| Basic and diluted | (0.03) | (0.06) | (0.06) | (0.12) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (all amounts in EUR '000) | Unaudited three months to 30 June 2013 | Unaudited three months to 30 Jun 12 | Unaudited six months to 30 Jun 13 | Unaudited six months to 30 Jun 12 |
|---|---|---|---|---|
| **Profit (loss) for the period** | **(27,580)** | **(17,476)** | **(51,512)** | **(32,385)** |
| **Other comprehensive income, net of tax** | **-** | **-** | **-** | **-** |
| **Total comprehensive income** | **(27,580)** | **(17,476)** | **(51,512)** | **(32,385)** |
| **Attributable to:** | | | | |
| Owners of the parent | (28,278) | (15,999) | (53,143) | (29,560) |
| Non-controlling interest | 698 | (1,477) | 1,631 | (2,825) |
| | **(27,580)** | **(17,476)** | **(51,512)** | **(32,385)** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (all amounts in EUR '000) | **Unaudited 30 Jun 13** | **Audited 31 Dec 12** |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 813,418 | 809,452 |
| Biological assets | 9,042 | 9,125 |
| Intangible assets | 6,897 | 7,014 |
| Investments in associates | 6,710 | 5,694 |
| Deferred tax assets | 71,066 | 52,588 |
| Other receivables | 7,738 | 2,940 |
| Available-for-sale financial assets | 2 | 2 |
| | 914,873 | 886,815 |
| **Current assets** | | |
| Inventories | 328,968 | 297,761 |
| Trade receivables | 8,992 | 32,174 |
| Other receivables | 10,151 | 7,980 |
| Cash and cash equivalent | 101,140 | 36,058 |
| | 449,251 | 373,973 |
| **Total assets** | **1,364,124** | **1,260,788** |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | 80 | 80 |
| Share premium | 8,086 | 8,086 |
| Other reserves | 790,564 | 539,559 |
| Retained earnings | (306,359) | (251,365) |
| | 492,371 | 296,360 |
| Non-controlling interest in equity | 12,023 | 10,392 |
| **Total equity** | 504,394 | 306,752 |
| **Non-current liabilities** | | |
| Borrowings | 492,396 | 506,028 |
| Advance payments | 272,476 | 265,847 |
| Other payables | 249 | 228 |
| Provisions | 6,497 | 11,290 |
| | 771,618 | 783,393 |
| **Current liabilities** | | |
| Borrowings | 18,249 | 93,793 |
| Advance payments | 18,438 | 7,857 |
| Trade payables | 20,498 | 25,577 |
| Other payables | 21,658 | 27,178 |
| Provisions | 9,269 | 16,238 |
| | 88,112 | 170,643 |
| **Total liabilities** | 859,730 | 954,036 |
| **Total equity and liabilities** | **1,364,124** | **1,260,788** |

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| (all amounts in EUR '000) | Share capital | Share issue | Share premium | Invested unrestricted equity | Other reserves | Retained earnings | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 Jan 12** | **80** | **278** | **8,086** | **404,070** | **45,462** | **(151,129)** | **306,847** | **15,733** | **322,580** |
| Profit (loss) for the period | - | - | - | - | - | (29,560) | (29,560) | (2,825) | (32,385) |
| Other comprehensive income | | | | | | | | | |
| - Other comprehensive income | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **(29,560)** | **(29,560)** | **(2,825)** | **(32,385)** |
| **Transactions with owners** | | | | | | | | | |
| Stock options | - | (278) | - | 5,198 | - | - | 4,920 | - | 4,920 |
| Senior unsecured convertible bonds due 2013 | - | - | - | - | (251) | - | (251) | - | (251) |
| Perpetual capital loan | - | - | - | - | 2,353 | (1,777) | 576 | 109 | 685 |
| Share issue | - | - | - | 81,504 | - | - | 81,504 | - | 81,504 |
| Incentive arrangement for Executive Management | - | - | - | - | 47 | - | 47 | - | 47 |
| Employee share option scheme - value of employee services | - | - | - | - | 1,106 | - | 1,106 | - | 1,106 |
| Total contribution by and distribution to owners | - | (278) | - | 86,702 | 3,255 | (1,777) | 87,902 | 109 | 88,011 |
| **Total transactions with owners** | - | (278) | - | 86,702 | 3,255 | (1,777) | 87,902 | 109 | 88,011 |
| **30 Jun 12** | **80** | **-** | **8,086** | **490,772** | **48,717** | **(182,466)** | **365,189** | **13,017** | **378,206** |
| **31 Dec 12** | **80** | **-** | **8,086** | **490,749** | **48,810** | **(251,365)** | **296,360** | **10,392** | **306,752** |
| **1 Jan 13** | **80** | **-** | **8,086** | **490,749** | **48,810** | **(251,365)** | **296,360** | **10,392** | **306,752** |
| Profit (loss) for the period | - | - | - | - | - | (53,143) | (53,143) | 1,631 | (51,512) |
| Other comprehensive income | | | | | | | | | |
| - Other comprehensive income | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **-** | **-** | **(53,143)** | **(53,143)** | **1,631** | **(51,512)** |
| **Transactions with owners** | | | | | | | | | |
| Senior unsecured convertible bonds due 2013 | - | - | - | - | (2,417) | - | (2,417) | - | (2,417) |
| Perpetual capital loan | - | - | - | - | 2,612 | (1,851) | 761 | - | 761 |
| Rights issue | - | - | - | 250,827 | - | - | 250,827 | - | 250,827 |
| Incentive arrangement for Executive Management | - | - | - | - | (140) | - | (140) | - | (140) |
| Employee share option scheme - value of employee services | - | - | - | - | 123 | - | 123 | - | 123 |
| Total contribution by and distribution to owners | - | - | - | 250,827 | 178 | (1,851) | 249,154 | - | 249,154 |
| **Total transactions with owners** | - | - | - | 250,827 | 178 | (1,851) | 249,154 | - | 249,154 |
| **30 Jun 13** | **80** | **-** | **8,086** | **741,576** | **48,988** | **(306,359)** | **492,371** | **12,023** | **504,394** |

## CONSOLIDATED STATEMENT OF CASH FLOWS

| (all amounts in EUR '000) | Unaudited three months to 30 Jun 13 | Unaudited three months to 30 Jun 12 | Unaudited six months to 30 Jun 13 | Unaudited six months to 30 Jun 12 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit (loss) for the period | (27,580) | (17,476) | (51,512) | (32,385) |
| Adjustments for | | | | |
| Tax | (8,889) | (5,642) | (16,686) | (10,093) |
| Depreciation and amortization | 13,300 | 12,747 | 26,399 | 25,411 |
| Other non-cash income and expenses | (9,675) | (6,252) | (19,831) | (12,037) |
| Interest income | (520) | (125) | (408) | (1,568) |
| Interest expense | 13,131 | 12,373 | 24,760 | 21,745 |
| | (20,233) | (4,375) | (37,278) | (8,932) |
| Change in working capital | | | | |
| Decrease(+)/increase(-) in other receivables | 9,690 | 1,242 | 17,981 | 15,949 |
| Decrease (+)/increase (-) in inventories | (22,505) | (22,305) | (31,207) | (50,130) |
| Decrease(-)/increase(+) in trade and other payables | (16,558) | (8,738) | (20,863) | (21,296) |
| Change in working capital | (29,373) | (29,801) | (34,089) | (55,477) |
| | (49,606) | (34,176) | (71,367) | (64,409) |
| Interest and other finance cost paid | (16,332) | (11,690) | (16,642) | (12,531) |
| Interest and other finance income | (37) | 132 | 176 | 357 |
| Income taxes paid | (12) | - | (12) | - |
| **Net cash generated (used) in operating activities** | (65,987) | (45,734) | (87,845) | (76,583) |
| **Cash flows from investing activities** | | | | |
| Investments in associates | (530) | (377) | (1,016) | (3,948) |
| Purchases of property, plant and equipment | (15,039) | (20,556) | (32,124) | (35,127) |
| Purchases of biological assets | (193) | - | (245) | - |
| Purchases of intangible assets | (36) | (101) | (212) | (194) |
| Proceeds from sale of property, plant and equipment | - | - | - | 18 |
| Proceeds from sale of biological assets | - | 91 | 92 | 91 |
| **Net cash generated (used) in investing activities** | (15,798) | (20,943) | (33,505) | (39,160) |
| **Cash flows from financing activities** | | | | |
| Proceeds from share issue net of transactions costs | 193,355 | (39) | 247,390 | 81,138 |
| Realised stock options | - | 4,619 | - | 4,920 |
| Related party investment in Talvivaara shares | (186) | - | (186) | - |
| Proceeds from interest-bearing liabilities | - | 110,000 | - | 130,000 |
| Proceeds from advance payments | 8 | 6,546 | 19,488 | 8,333 |
| Buy-back of convertible bonds | - | (8,168) | - | (8,168) |
| Payment of interest-bearing liabilities | (78,943) | (3,495) | (80,260) | (11,764) |
| **Net cash generated (used) in financing activities** | 114,234 | 109,463 | 186,432 | 204,459 |
| **Net increase (decrease) in cash and cash equivalents** | 32,449 | 42,786 | 65,082 | 88,716 |
| Cash and cash equivalents at beginning of the period | 68,691 | 85,949 | 36,058 | 40,019 |
| **Cash and cash equivalents at end of the period** | 101,140 | 128,735 | 101,140 | 128,735 |

**NOTES**

**1. Basis of preparation**

This interim report has been prepared in compliance with IAS 34.

The interim financial information set out herein has been prepared on the same basis and using the same accounting policies as were applied in drawing up the Group's statutory financial statements for the year ended 31 December 2012.

**2. Property, plant and equipment**

| (all amounts in EUR '000) | Machinery and equipment | Construction in progress | Land and buildings | Other tangible assets | Total |
|---|---|---|---|---|---|
| Gross carrying amount at 1 Jan 13 | 376,741 | 114,378 | 281,209 | 229,479 | 1,001,807 |
| Additions | 386 | 29,643 | 8 | - | 30,037 |
| Transfers | 10,928 | (23,774) | 8,991 | 3,855 | - |
| Gross carrying amount at 30 Jun 13 | 388,055 | 120,247 | 290,208 | 233,334 | 1,031,844 |
| Accumulated depreciation and impairment losses at 1 Jan 13 | 96,677 | - | 44,918 | 50,760 | 192,355 |
| Depreciation for the period | 15,455 | - | 6,329 | 4,287 | 26,071 |
| Accumulated depreciation and impairment losses at 30 Jun 13 | 112,132 | - | 51,247 | 55,047 | 218,426 |
| Carrying amount at 1 Jan 13 | 280,064 | 114,378 | 236,291 | 178,719 | 809,452 |
| **Carrying amount at 30 Jun 13** | **275,923** | **120,247** | **238,961** | **178,287** | **813,418** |

**3. Trade receivables**

(all amounts in EUR '000)

| | 30 Jun 13 | 31 Dec 12 |
|---|---|---|
| Nickel-Cobalt sulphide | 3,622 | 25,254 |
| Zinc sulphide | 5,370 | 6,912 |
| Copper sulphide | - | 8 |
| **Total trade receivables** | **8,992** | **32,174** |

**4. Inventories**

(all amounts in EUR '000)

| | 30 Jun 13 | 31 Dec 12 |
|---|---|---|
| Raw materials and consumables | 29,021 | 21,077 |
| Work in progress | 295,410 | 272,775 |
| Finished products | 4,537 | 3,909 |
| **Total inventories** | **328,968** | **297,761** |

**5. Borrowings**

(all amounts in EUR '000)

| **Non-current** | **30 Jun 13** | **31 Dec 12** |
|---|---|---|
| Capital loans | 1,405 | 1,405 |
| Investment and Working Capital loan | 45,971 | 51,600 |
| Senior Unsecured Bonds due 2017 | 108,810 | 108,683 |
| Revolving Credit Facility | 69,609 | 69,451 |
| Senior Unsecured Convertible Bonds due 2015 | 230,399 | 225,875 |
| Finance lease liabilities | 20,581 | 30,748 |
| Other | 15,621 | 18,266 |
| | **492,396** | **506,028** |
| **Current** | | |
| Investment and Working Capital loan | 11,430 | 6,430 |
| Senior Unsecured Convertible Bonds due 2013 | - | 75,805 |
| Finance lease liabilities | 6,819 | 11,558 |
| | **18,249** | **93,793** |
| **Total borrowings** | **510,645** | **599,821** |

**6. Advance payments**

(all amounts in EUR '000)

| **Non-current** | **30 Jun 13** | **31 Dec 12** |
|---|---|---|
| Deferred zinc sales revenue | 218,548 | 219,385 |
| Deferred uranium sales revenue | 53,928 | 46,462 |
| | **272,476** | **265,847** |
| **Current** | | |
| Deferred zinc sales revenue | 18,433 | 7,790 |
| Other | 5 | 67 |
| | **18,438** | **7,857** |
| **Total advance payments** | **290,914** | **273,704** |

### 7. Provisions

| | Gypsum pond leakage | Water balance management | Environmental restoration | Mining fee | Total |
|---|---|---|---|---|---|
| **31 Dec 12** | **12,156** | **9,082** | **6,136** | **154** | **27,528** |
| Charged/(credited) to the income statement: | | | | | |
| Additional provisions | - | - | 178 | 19 | 197 |
| Unwinding of discount | - | - | 10 | - | 10 |
| Used during the period | (6,837) | (5,132) | - | - | (11,969) |
| **30 Jun 13** | **5,319** | **3,950** | **6,324** | **173** | **15,766** |

The non-current and current portions of provisions are as follows:

| | 30 Jun 13 | 31 Dec 12 |
|---|---|---|
| **Non-current** | | |
| Gypsum pond leakage | - | 5,000 |
| Environmental restoration | 6,324 | 6,136 |
| Mining fee | 173 | 154 |
| | 6,497 | 11,290 |
| **Current** | | |
| Gypsum pond leakage | 5,319 | 7,156 |
| Water balance management | 3,950 | 9,082 |
| | 9,269 | 16,238 |
| **Total** | **15,766** | **27,528** |

### 8. Changes in the number of shares issued

| | Number of shares |
|---|---|
| **31 Dec12** | **272,309,640** |
| Rights issue | 1,633,857,840 |
| **30 Jun 13** | **1,906,167,480** |

### 9. Contingencies and commitments

(all amounts in EUR '000)

**The future aggregate minimum lease payments under non cancellable operating leases**

| | 30 Jun 13 | 31 Dec 12 |
|---|---|---|
| Not later than 1 year | 1,748 | 1,910 |
| Later than 1 year and not later than 5 years | 777 | 1,036 |
| Later than 5 years | 47 | 47 |
| | 2,572 | 2,993 |

### Capital commitments

At 30 June 2013, the Group had capital commitments amounting to EUR 9.6 million (31 December 2012: EUR 15.1 million) principally relating to the completion of the Talvivaara mine, improving the reliability and expansion of production capacity. These commitments are for the acquisition of new property, plant and equipment.

**Talvivaara Mining Company Plc**
**Key financial figures of the Group**

| | | Three months to 30 Jun 13 | Three months to 30 Jun 12 | Six months to 30 Jun 13 | Six months to 30 Jun 12 | Twelve months to 31 Dec 12 |
|---|---|---|---|---|---|---|
| Net sales | EUR '000 | 13,013 | 33,440 | 40,618 | 72,467 | 142,948 |
| Operating profit (loss) | EUR '000 | (23,858) | (10,870) | (43,846) | (22,301) | (83,588) |
| Operating profit (loss) percentage | | -183.3 % | -32.5 % | -107.9 % | -30.8 % | -58.5 % |
| Profit (loss) before tax | EUR '000 | (36,469) | (23,118) | (68,198) | (42,478) | (129,292) |
| Profit (loss) for the period | EUR '000 | (27,580) | (17,476) | (51,512) | (32,385) | (103,911) |
| Return on equity | | -6.6 % | -4.5 % | -12.7 % | -9.2 % | -33.0 % |
| Equity-to-assets ratio | | 37.0 % | 28.9 % | 37.0 % | 28.9 % | 24.3 % |
| Net interest-bearing debt | EUR '000 | 409,505 | 475,630 | 409,505 | 475,630 | 563,763 |
| Debt-to-equity ratio | | 81.2 % | 125.8 % | 81.2 % | 125.8 % | 183.8 % |
| Return on investment | | -1.5 % | -0.5 % | -2.8 % | -1.2 % | -6.7 % |
| Capital expenditure | EUR '000 | 15,268 | 20,657 | 32,581 | 35,321 | 97,451 |
| Property, plant and equipment | EUR '000 | 813,418 | 773,623 | 813,418 | 773,623 | 809,452 |
| Borrowings | EUR '000 | 510,645 | 604,365 | 510,645 | 604,365 | 599,821 |
| Cash and cash equivalents at the end of the period | EUR '000 | 101,140 | 128,735 | 101,140 | 128,735 | 36,058 |

**Share-related key figures**

| | | Three months to 30 Jun 13 | Three months to 30 Jun 12 | Six months to 30 Jun 13 | Six months to 30 Jun 12 | Twelve months to 31 Dec 12 |
|---|---|---|---|---|---|---|
| Earnings per share | EUR | (0.03) | (0.06) | (0.06) | (0.12) | (0.38) |
| Equity per share[1] | EUR | 0.90 | 1.40 | 0.90 | 1.40 | 1.11 |
| Development of share price at London Stock Exchange | | | | | | |
| Average trading price[2] | EUR | 0.17 | 2.21 | 0.27 | 2.99 | 2.50 |
| | GBP | 0.15 | 1.82 | 0.23 | 2.46 | 2.02 |
| Lowest trading price[2] | EUR | 0.14 | 1.57 | 0.14 | 1.57 | 1.03 |
| | GBP | 0.12 | 1.29 | 0.12 | 1.29 | 0.83 |
| Highest trading price[2] | EUR | 0.21 | 2.95 | 1.33 | 4.37 | 4.43 |
| | GBP | 0.18 | 2.43 | 1.14 | 3.59 | 3.59 |
| Trading price at the end of the period[3] | EUR | 0.15 | 2.13 | 0.15 | 2.13 | 1.25 |
| | GBP | 0.13 | 1.72 | 0.13 | 1.72 | 1.02 |
| Change during the period | | -39.8 % | -28.8 % | -87.8 % | -14.3 % | -48.8 % |
| Price-earnings ratio | | neg. | neg. | neg. | neg. | neg. |
| Market capitalization at the end of the period[4] | EUR '000 | 277,964 | 578,844 | 277,964 | 578,844 | 341,597 |
| | GBP '000 | 238,271 | 467,011 | 238,271 | 467,011 | 278,777 |
| Development in trading volume | | | | | | |
| Trading volume | 1000 shares | 117,832 | 29,445 | 160,267 | 66,716 | 103,218 |
| In relation to weighted average number of shares | | 12.4 % | 11.3 % | 16.9 % | 25.6 % | 38.7 % |
| Development of share price at OMX Helsinki | | | | | | |
| Average trading price | EUR | 0.17 | 2.13 | 0.25 | 2.99 | 2.31 |
| Lowest trading price | EUR | 0.14 | 1.57 | 0.14 | 1.57 | 1.08 |
| Highest trading price | EUR | 0.22 | 2.92 | 1.39 | 4.35 | 4.35 |
| Trading price at the end of the period | EUR | 0.14 | 2.12 | 0.14 | 2.12 | 1.24 |
| Change during the period | | -37.0 % | -27.1 % | -88.5 % | -14.9 % | -50.2 % |
| Price-earnings ratio | | neg. | neg. | neg. | neg. | neg. |
| Market capitalization at the end of the period | EUR '000 | 272,582 | 577,296 | 272,582 | 577,296 | 338,209 |
| Development in trading volume | | | | | | |
| Trading volume | 1000 shares | 532,927 | 46,221 | 646,009 | 114,894 | 209,565 |
| In relation to weighted average number of shares | | 56.1 % | 17.8 % | 68.4 % | 44.2 % | 78.5 % |
| Adjusted average number of shares | | 949,322,557 | 260,218,489 | 949,322,557 | 260,218,489 | 266,846,084 |
| Fully diluted average number of shares | | 947,054,557 | 260,218,489 | 947,054,557 | 260,218,489 | 265,742,084 |
| Number of shares at the end of the period | | 1,906,167,480 | 272,309,640 | 1,906,167,480 | 272,309,640 | 272,309,640 |

1) The funds entered into share issue reserve are not included in the calculation.
2) Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period.
3) Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.
4) Market capitalization is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.

| **Employee-related key figures** | | **Three months to 30 Jun 13** | **Three months to 30 Jun 12** | **Six months to 30 Jun 13** | **Six months to 30 Jun 12** | **Twelve months to 31 Dec 12** |
|---|---|---|---|---|---|---|
| Wages and salaries | EUR '000 | 6,756 | 5,693 | 12,787 | 12,274 | 23,080 |
| Average number of employees | | 629 | 548 | 607 | 516 | 547 |
| Number of employees at the end of the period | | 673 | 595 | 673 | 595 | 588 |

**Other figures**

| | **Three months to 30 Jun 13** | **Three months to 30 Jun 12** | **Six months to 30 Jun 13** | **Six months to 30 Jun 12** | **Twelve months to 31 Dec 12** |
|---|---|---|---|---|---|
| Share options outstanding at the end of the period | 25,721,500 | 4,611,337 | 25,721,500 | 4,611,337 | 5,958,837 |
| Number of shares to be issued against the outstanding share options | 25,721,500 | 4,611,337 | 25,721,500 | 4,611,337 | 5,958,837 |
| Rights to vote of shares to be issued against the outstanding share options | 1.3 % | 1.7 % | 1.3 % | 1.7 % | 2.1 % |

**Talvivaara Mining Company Plc**

**Key financial figures of the Group**

Return on equity

$$\frac{\text{Profit (loss) for the period}}{\text{(Total equity at the beginning of period + Total equity at the end of period)/2}}$$

Equity-to-assets ratio

$$\frac{\text{Total equity}}{\text{Total assets}}$$

Net interest-bearing debt

Interest-bearing debt - Cash and cash equivalent

Debt-to-equity ratio

$$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$$

Return on investment

$$\frac{\text{Profit (loss) for the period + Finance cost}}{\text{(Total equity at the beginning of period + Total equity at the end of period)/2 + (Borrowings at the beginning of period + Borrowings at the end of period)/2}}$$

**Share-related key figures**

Earnings per share

$$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$$

Equity per share

$$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$$