Stock Exchange Release
Talvivaara Mining Company Plc
30 April 2014

Talvivaara Mining Company annual results review for the year ended 31 December 2013

Talvivaara's corporate reorganisation proceedings progressing
Encouraging recent developments in nickel market and production

Highlights of Q4 2013

- Nickel production of 1,559t and zinc production of 4,179t
- Production impacted by a four week stoppage at the metals recovery plant in November-December, due to dilute leach solutions which rendered production uneconomical
- Bioheapleaching of the new ore heaps progressed in line with best ever heaps historically, enabling significant improvement in solution grades following the metals plant stoppage
- Talvivaara Mining Company Plc ("Talvivaara" or the "Company") and its operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") applied for corporate reorganisation on 15 November 2013, and the reorganisation proceedings of the two companies commenced on 29 November 2013 and 17 December 2013, respectively

Highlights of 2013

- Nickel production of 8,662t and zinc production of 17,418t
- Water balance challenges impacted production throughout the year as a consequence of flooding of the older ore heaps and inactivation of the bioheapleaching process in them
- Ore production temporarily suspended from September 2012 to mid-May 2013; record levels of output in mining and materials handling (crushing, stacking, reclaiming) were achieved after re-start until these functions were again suspended due to liquidity reasons in November
- EUR 261 million rights-issue completed in April 2013; cash-burn thereafter higher than anticipated due to the prolonged impact of water on production and weak nickel prices through most of the year
- Significant commitment on sustainability: environmental investments EUR 34 million and expenditure in water management EUR 36 million
- EUR 593 million impairments on property, plant and equipment and inventory and EUR 76 million on deferred tax assets reflecting weak nickel market at the end of 2013, and uncertainties relating to the corporate reorganisation proceedings and the Company's liquidity situation
- The impairments have no cash impact and are in line with common mining sector practice during the low cycles of commodities markets such as those seen in 2013
- Operating loss before the write-downs EUR 108 million; reported operating loss EUR 702 million

Highlights of 2014 to date

- Q1 2014 nickel production of 3,068t and zinc production of 5,726t; best quarter since Q3 2012
- Year-to-date nickel production through 28 April 4,203t of nickel and 8,032t of zinc; stable production through the first four months of the year
- New heaps leaching well and providing most of the produced metals for the time being with nickel grades in solution at around 1.3-1.5g/l
- Ore production remains suspended until further financing is secured
- Loan and streaming holiday agreement with Nyrstar for an up to EUR 20 million loan facility and option to sell up to 80,000t of zinc to Nyrstar at market price for an additional significant financing impact
- Reports on the financial status of Talvivaara Mining Company and Talvivaara Sotkamo by the Administrator completed and conclude that executable restructuring programmes can be set up for both companies subject to financing solutions being achieved

Guidance for 2014

Talvivaara's operational outlook in 2014 remains subject to the success to completion, timing and extent of the financing transactions that are currently being negotiated. In the absence of a comprehensive financing solution and related operational plan for the time being, Talvivaara is not in a position to give guidance on its production or its operational and capital expenditure for the current year.

Key figures

EUR million	**Q4 2013**	Q4 2012	**FY 2013**	FY 2012
Net sales	**12.6**	25.7	**77.6**	142.9
Operating loss before impairments	**-**	-	**(108.8)**	-
Operating loss	**(628.7)**	(57.0)	**(701.8)**	(83.6)
% of net sales	**(4988.7)%**	(221.9%)	**(904.7)%**	(58.5)%
Loss for the period	**(731.8)**	(59.4)	**(812.5)**	(103.9)
Earnings per share, EUR	**(0.43)**	(0.22)	**(0.48)**	(0.38)
Equity-to-assets ratio	**(46.1)%**	24.3%	**(46.1)%**	24.3%
Net interest bearing debt	**548.7**	563.8	**548.7**	563.8
Debt-to-equity ratio	**(190.9)%**	183.8%	**(190.9)%**	183.3%
Capital expenditure	**7.4**	29.6	**60.5**	97.5
Cash and cash equivalents at the end of the period	**5.9**	36.1	**5.9**	36.1
Number of employees at the end of the period	**549**	588	**549**	588

All reported FY 2013 figures in this release are audited; quarterly figures are unaudited.

CEO Pekka Perä comments: *"The recent developments since our last operational update at the end of February have been encouraging: the sentiment in the nickel market has turned for the positive with prices improving from around USD 14,000/t then to above USD 18,000/t currently, we have completed the first stage of our targeted financing solutions through the loan and streaming holiday agreement with Nyrstar, and our production activities in Sotkamo have continued well with the Q1 2014 nickel production of 3,068t being the best quarterly output since Q3 2012.*

Whilst the early part of 2014 has been promising, the difficulties of 2013 nevertheless left us in a challenging situation. Talvivaara and its operating subsidiary Talvivaara Sotkamo Ltd applied for corporate reorganization in November 2013, and financing solutions for the Group are now being sought in order to secure Talvivaara's ability to continue its production ramp-up and become a viable business in the long term. The uncertainties relating to the corporate reorganization and our financing solutions going forward as well as the weak nickel market prevailing at the end of 2013 are also reflected in our financial results, where we made EUR 593 million write-downs on property, plant and equipment and inventories and an EUR 76 million impairment on deferred tax assets. Such write-downs have recently been rather common-place in the mining industry due to the difficult market situation and are hence not unique to Talvivaara, but they have nevertheless a profound impact on the Company's results and balance sheet.

Operationally Talvivaara suffered throughout 2013 from the prolonged inhibiting effects of water on the bioleaching process. This left the older heaps largely inactive and as a result, our nickel production for the year only amounted to 8,662t. Further, we were only able to mine new ore for six months, from mid-May to November, as the open pit contained excess water during the first months of the year, whilst our liquidity problems forced us to again suspend mining closer to the year-end. Despite this, the operational outlook grew increasingly positive going into 2014, as our new ore heaps, primary heaps 1 and 4, demonstrated very good leaching performance and started contributing to our metals production in the fourth quarter. The nickel grade in solution pumped to the metals plant rose from less than 0.8g/l in November to around 1.5g/l by February and has stayed around that level ever since despite high levels of metals out-take from the two new heaps. Once again, this demonstrates that the bioleaching technology works.

Much of the public discussion around Talvivaara has revolved around environmental matters, but similarly a great proportion of the Company's efforts and expenditure have gone to water management and mitigation of environmental risks. In 2013, Talvivaara treated and discharged some 5.7 million cubic meters of water from the mine area, commissioned reverse osmosis water treatment plants, and built additional dams and ponds to reduce the catchment area and to increase storage volumes. The Company's environmental investments in 2013 amounted to EUR 34 million, up 6 per cent from EUR 32 million the year before, and the operational environmental expenditure totalled EUR 36 million. Although we feel that we have already dedicated as much resources to environmental matters as has been *reasonably possible, we also acknowledge that the work is not over, but rather will continue this year and beyond with our stated target of being a leader in sustainable mining.*

Having been depressed for most of 2013 due to over-supply and weak demand, the nickel market has shown a remarkable recovery in 2014 with nickel price improving by around 30 per cent from the levels seen in the beginning of the year. The main stimulus for the improvement has been the Indonesian ban on nickel ore exports, which came into effect in January and which has had a particularly strong impact on the nickel ore supply to China. The market outlook is now more positive than in the last few years with the nickel over-supply being foreseen to turn into a deficit possibly as early as this year.

For our long term future, our most important target in the near term is to secure sufficient funds to allow us to re-start our re-claiming and mining operations. Having these two functions operational helps us in our water management operations and creates the foundation on which we can again continue ramping up our production in anticipation of volume based cost benefits. We believe our good results in bioheapleaching over the last several months as well as the recent improvement in the nickel market are helpful in our financing efforts and hope to be able to announce some positive news in this respect during the next few months.

Now that our corporate reorganization proceedings and re-financing efforts are ongoing, we have had to lay off part of our personnel for the time being, and all our employees have had to endure uncertainty over the future of their jobs and Talvivaara's operations. Whilst I strongly believe in the long term viability of the Talvivaara mine, I am also sincerely grateful for our personnel's commitment through these challenging times and look forward to seeing their efforts carry the operation into a stable and profitable future."

Enquiries:

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Pekka Perä, CEO
Saila Miettinen-Lähde, Deputy CEO and CFO

English language presentation and live webcast on 30 April 2014 at 09:00 UK / 11:00 Finnish time

An English language combined presentation, conference call and live webcast on the annual results will be held on 30 April 2013 at 09:00 UK / 11:00 Finnish time at Scandic Hotel Simonkenttä, Helsinki, Finland.

The webcast can be accessed through the following link:
http://qsb.webcast.fi/t/talvivaara/talvivaara_2014_0430_q4/

A conference call facility is available for participants joining via telephone and there will be a Q&A following the presentation.

Participant - UK: +44 (0)20 7162 0077
Participant - Finland:+358 (0)9 2313 9201
Participant - US: +1 334 323 6201
Conference ID: 944299

Further details on the event can be found on the Talvivaara website, www.talvivaara.com. The webcast will also be available for viewing on the Talvivaara website shortly after the event.

Talvivaara's fourth quarter review

New heaps leaching well, metals production re-started after a four-week shut-down

Nickel and zinc production in Q4 2013 amounted to 1,559t and 4,179t, respectively. Production was limited due to the low leach performance from the two old heaps (primary heaps 2 and 3) while two new heaps (primary heaps 1 and 4) were being brought into operation, but not yet at their peak performance. Heap 4 started positively contributing to nickel production at the end of October and heap 1 reached positive contribution at the beginning of December. Both heaps showed good ramp up, with performance in line with best ever leaching results.

The production output was also impacted by an approximately four-week shut down of the metals plant in November-December. The stoppage was taken to address the nickel grade in the leach solution, which had depleted to levels which made operation of the metals recovery plant uneconomical. The shut-down allowed the leach solution grade to increase as the two new heaps increased in grade, and by the time the plant restarted, nickel grade in solution had increased from 0.7g/l to 1.3g/l. The nickel grade in solution pumped to the metals plant continued to rise thereafter despite high production rates from the new heaps.

Significant effort was made during the period to improve the leaching performance of heaps 2 and 3. These heaps have struggled to operate since 2012 when heavy rains resulted in the heaps flooding and the leach reaction practically stopping. Acid addition to the heaps was increased to help modify pH and return the heaps to better leach conditions. Modifications to the surface of the heaps were also made and aeration pipes re-opened to improve solution percolation and aeration. Some of these actions showed promising short term results but the improvements were not sufficient to justify continued additional costs of the actions taken.

Due to the financial situation of the Company, all mining and materials handling operations were suspended from 13 November 2013. Prior to the suspension, mining and materials handling operated well during the quarter, with new records being achieved for mined tonnes, and tonnes crushed. Just prior to the suspension, significant improvements had also been made in reclaiming allowing major bottlenecks in the process to be identified and removed.

Production key figures

		Q4 2013	Q4 2012	**FY 2013**	FY 2012
Mining					
Ore production	Mt	**1.6**	-	**7.4**	8.7
Waste production	Mt	**0.9**	1.2	**3.1**	5.3
Materials handling					
Stacked ore	Mt	**1.7**	-	**7.6**	8.7
Bioheapleaching					
Ore under leaching	Mt	**51.8**	44.3	**51.8**	44.3
Metals recovery					
Nickel metal content	Tonnes	**1,559**	2,317	**8,662**	12,916
Zinc metal content	Tonnes	**4,179**	4,106	**17,418**	25,867

Financial performance in the fourth quarter of 2013

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 31 December 2013 amounted to EUR 12.6 million (Q4 2012: EUR 25.7 million). Compared to Q3 2013 net sales decreased by 48 per cent primarily due to lower production volumes as a result of the four-week shut-down of the metals plant taken because of the depressed metal grades in leach solution. The nickel price also remained weak throughout the quarter, however approximately at the same level as in the previous quarter. Product deliveries in Q4 2013 amounted to 1,577t of nickel, 43t of cobalt and 2,363t of zinc.

Changes in inventories of finished goods and work in progress amounted to EUR 12.3 million (Q4 2012: EUR (6.4) million). The changes in inventories reflect the level of mining and materials handling operations during the relevant period; in Q4 2013 ore production operations were ongoing until 13 November, whereas the year before they were suspended due to the water balance issues for the whole quarter.

In Q4 2013, the decision was taken to no longer actively leach the oldest parts of the secondary heaps and to disconnect them from the leach solution circulation in the near future. Accordingly, it was concluded that the remaining metals in these heap sections would no longer be recoverable and that the estimated cost of completion relative to the metal contents and anticipated recoveries in the actively leached heap sections would therefore increase. In view of the anticipated metal prices in the foreseeable future, it was further concluded that the net realizable value of the actively leached inventory was less than its estimated cost of completion. As a result, the Company recognised a write-down of EUR 93.7 million for the work in progress inventory. As at 31 December 2013 the carrying amount of work in progress inventory after the write-down was EUR 234 million, reflecting its net realisable value.

The operating loss for Q4 2013 was EUR (628.7) million (Q4 2012: EUR (57.0) million), corresponding to an operating margin of (4,988.7)% (Q4 2012: (221.9)%). The decline in the nickel market price, challenges related to the production and water management, the Company's weakened liquidity position and the filing for corporate reorganisation by the Company and Talvivaara Sotkamo on 15 November 2013 were identified as impairment indicators by management and, following an impairment test performed for Talvivaara's mining assets in Sotkamo, an impairment charge of EUR 499 million was made at the year-end 2013, which is reflected in the operating loss. Key assumptions and sensitivity analysis for the impairment analysis are provided under Note 9 of the Company's Financial Statements for 2013.

During Q4 2013, materials and services amounted to EUR (21.5) million (Q4 2012: EUR (20.0) million) and other operating expenses to EUR (18.7) million (Q4 2012: EUR (33.4) million). Materials and services were approximately at the same level, but other operating expenses substantially lower than the year before with the Q4 2012 figures reflecting the additional costs incurred as a result of the gypsum pond leakage. In Q4 2012 Talvivaara also recognised EUR 12.2 million in provisions for costs related to the leakage, in particular those anticipated to be incurred in the clean-up of the land contaminated with metal precipitates, and the treatment and subsequent discharge of waters stored in the safety dams. A further EUR 9.1 million provision was recognised for the necessary water storage and pumping arrangements and waste water neutralization measures to secure a sustainable water balance at the mine site. The majority of the costs were incurred in 2013 and at 31 December 2013 the remaining provisions were EUR 3.8 million and EUR 2.5 million, respectively.

Reflecting the write-downs, loss for the period amounted to EUR (731.8) million (Q4 2012: EUR (59.4) million).

Balance sheet and financing

Capital expenditure during the last quarter of 2013 totalled EUR 7.4 million (Q4 2012: EUR 29.6 million). All capital expenditure during Q4 2013 was minimized to the extent possible due to the Company's tight liquidity situation. In practice, only investments relating to water management and environmental safety were carried out as planned along with those that were necessary for the continuation of metals production.

Talvivaara has continued to recognise deferred tax assets on its consolidated balance sheet through Q3 2013 and the amount of deferred tax assets recognized on tax loss carryforwards as at 30 September 2013 amounted to EUR 136.5 million (31 December 2012: EUR 103.8 million). In its Q3 2013 interim results, the Company announced having reviewed the past operational challenges which have led to lower than expected production and profitability levels at the Talvivaara mine. It was further noted that if Talvivaara generates future taxable profits lower than those assumed by the Company in determining the amounts of the recognized deferred tax assets, the assets may become impaired, either in part or in full. Accordingly, the amounts recognized on the balance sheet could be reversed through profit and loss.

Having undertaken a review of the amount of deferred tax assets recognized on tax loss carryforwards, the Company has, due to the historical losses of the mine project, the experienced delays in the ramp-up process and the current financial situation of the Company, de-recognized deferred tax assets in the amount of EUR 75.5 million, leaving the Company with a zero net deferred tax position.

Despite the de-recognition of the deferred tax assets, subject to Talvivaara obtaining sufficient financing to continue the ramp-up of its operations, the Group may be able generate sufficient taxable profits so that all of the deferred tax assets could be utilized in the future.

On 31 December 2013, cash and cash equivalents totalled EUR 5.9 million (31 December 2012: EUR 36.1 million).

Total equity and liabilities as at 31 December 2013 amounted to EUR 623.3 million (31 December 2012: EUR 1,260.8 million), reflecting the impairments recognized in property, plant and equipment and inventories and the write-down in deferred tax assets.

Base metal prices remained weak during the last quarter of 2013

In Q4 2013 the nickel price remained at around or below USD 14,000/t, where it had traded since June. The market suffered from over capacity and weak demand and the London Metal Exchange nickel stocks were reaching their all-time high levels of 262,000t at year-end.

Corporate reorganisation

Owing to weak nickel price development and the prolonged effects of excess water on production levels, Talvivaara’s liquidity position weakened more than anticipated during 2013. As a result, the Company and its operating subsidiary Talvivaara Sotkamo applied for corporate reorganisation on 15 November 2013, and corporate reorganisation proceedings of these companies commenced on 29 November 2013 and 17 December 2013, respectively.

Talvivaara's annual results review 2013

Nickel market remained weak for most of 2013

In 2013, the nickel market was impacted by oversupply and relatively weak demand. Having traded at around USD 17,000-18,000/t for the first two months of the year, the nickel price declined down to below USD 14,000/t in June and stayed around the same level for the remainder of the year, averaging at USD 14,000/t for the second half of the year.

Whilst nickel demand in China continued to play a significant part in the nickel market and nickel price development throughout the year, a particularly important role was played by the Indonesian nickel containing ore used for nickel pig iron ("NPI") production primarily in China. The Indonesian ore production has grown steadily over the recent years and was estimated at some 460,000 tonnes in 2013, measured by nickel content, which represents approximately 24 per cent of the global nickel supply. The majority of the NPI is used for the production of stainless steel in China, and over the last few years, the marginal cost of nickel production from the NPI has fallen substantially as a result of technical development. This has made NPI a cost-efficient source of nickel for China and in part contributed to the weak nickel price development during the past year. However, on 12 January 2014, the Indonesian government implemented a ban on unprocessed nickel ore exports, which has since had a substantial impact on nickel supply, the average marginal cost of nickel production and nickel price. Since the beginning of 2014, nickel price has increased by approximately 30 per cent, from around USD 14,000/t to above USD 18,000/t, which has been a substantially stronger and quicker improvement than anticipated still in January.

Global primary nickel consumption grew slightly during 2013, and the Chinese consumption at approximately 850,000 tonnes represented approximately 45 per cent of the global market. On the supply side, global primary nickel supply amounted to 1.91 million tonnes in 2013, leaving the market at a surplus of approximately 100,000 tonnes. *(Source: Reuters, INSG)*

The EUR/USD exchange rate showed an increasing trend towards the end of the year having traded at around 1.30 during the spring and moving up to around 1.37 by the end of the year. Whilst the strengthening of the Euro reflected on one hand the subsiding of the Eurozone crisis, it exacerbated on the other hand the impact of the weak US dollar based nickel price on Euro cost based producers such as Talvivaara.

Production continued to suffer from prolonged effects of excess water

Talvivaara closed the year having produced 8,662t of nickel (2012: 12,916t) and 17,418t of zinc (2012: 25,867t). Over the course of 2013, Talvivaara's operations continued to be impacted by water balance issues stemming from the heavy rains of 2012 and the gypsum pond leaks of November 2012 and April 2013; hence one of the key areas of activity was to establish measures to purify and release excess waters captured at the mine area. Ore production re-commenced in mid-May 2013 after having been suspended from September 2012 due to excess water in the open pit. After successful operation from May to November, ore production was again suspended, this time for financial reasons. Metal grades in the bioleaching solutions suffered from the prolonged effects of water on the old heaps and decreased through most of the year until the newly stacked ore started to contribute to production in the fourth quarter. Metals recovery plant operation and availability improved steadily through the year without any extended stoppages relating to unexpected equipment failures.

Mining and materials handling produced 7.4Mt and processed 7.6Mt of ore (2012: 8.7Mt), and mined 3.1Mt of waste (2012: 5.3Mt) in 2013 during the six months from May to November that these functions were operational. A record production level of 1.66Mt per month was achieved in October before the operation was suspended. The amount of nickel in the ore stacked to leaching in October was 4,064t. The step change seen in the productivity, quality and capacity of mining and materials handling was achieved through stricter grade control, increased cut-off grade, enhancement of the agglomerate quality control, focus on unit costs, and de-bottlenecking of the reclaiming operation.

In bioheapleaching the average nickel grade through the year was 1.0g/l. Special attention was paid to various operational measures to enhance the performance of the existing heaps and to ensure outstanding start-up of the new heaps. Significant improvement compared to the previous year was achieved with the new heaps, whereas the actions to improve the operation of the old heaps 2 and 3 proved not to be cost efficient enough. The well performing new heaps, which cover approximately 40 per cent of the total primary leaching area, together with the secondary leaching, enabled the realized increase in metals production at the year end and going into 2014.

In metals recovery, plant stability and availability continued to improve compared to previous years. De-bottlenecking actions were successfully executed allowing leach solution flow rate to increase up to 1,750m3/h. The average feed flow rate for the entire year was 1,142 m3/h. Unexpected process or equipment related downtime was approximately one week through the entire year, proving that the processing technology has matured to a steady industrial stage.

The challenging water balance situation continued throughout the year 2013. Additional storage and purification capacity was built for stored contaminated waters and reverse osmosis units were commissioned mid-2013 for purifying circulated water for usage at the metals recovery plant.

Financial review

Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during 2013 amounted to EUR 77.6 million (2012: EUR 142.9 million). Net sales decreased by 46 per cent compared to 2012 due to smaller delivery volumes as well as lower nickel price. Production was impacted by the challenging water situation at the mine throughout the year, particularly as regards the effect of water on the older ore heaps. Product deliveries amounted to 8,725t of nickel, 13,722t of zinc and 286t of cobalt (2012: 12,641t of nickel, 29,256t of zinc, 355t of cobalt).

The Group's other operating income amounted to EUR 1.9 million (2012: EUR 4.1 million) and mainly consisted of indemnities on losses.

Changes in inventories of finished goods and work in progress amounted to EUR 53.7 million (2012: EUR 50.3 million). The increase in inventories primarily reflects the costs associated with mining and materials handling relating to work in progress.

In Q4 2013, the decision was taken to no longer actively leach the oldest parts of the secondary heaps and to disconnect them from the leach solution circulation in the near future. Accordingly, it was concluded that the remaining metals in these heap sections would no longer be recoverable and that the estimated cost of completion relative to the metal contents and anticipated recoveries in the actively leached heap sections would therefore increase. In view of the anticipated metal prices in the foreseeable future, it was further concluded that the net realizable value of the actively leached inventory was less than its estimated cost of completion. As a result, the Company recognised a write-down of EUR 93.7 million for the work in progress inventory. As at 31 December 2013 the carrying amount of work in progress inventory after the write-down was EUR 234 million, reflecting its net realisable value.

Materials and services were EUR (95.6) million in 2013 (2012: EUR (117.8) million) and other operating expenses were EUR (62.2) million (2012: EUR (81.2) million). The largest cost items were production chemicals, external services, electricity, maintenance and costs related to water management. In Q4 2012 Talvivaara also recognised EUR 12.2 million in provisions for costs related to the gypsum pond leakage of November 2012, in particular those anticipated to be incurred in the clean-up of the land contaminated with metal precipitates, and the treatment and subsequent discharge of waters stored in the safety dams. A further EUR 9.1 million provision was recognised for the necessary water storage and pumping arrangements and waste water neutralization measures to secure a sustainable water balance at the mine site. The majority of the costs were incurred in 2013 and at 31 December 2013 the remaining provisions were EUR 3.8 million and EUR 2.5 million, respectively.

Personnel expenses were EUR (30.9) million (2012: EUR (28.1) million).

The operating loss for 2013 was EUR (701.8) million (2012: EUR (83.6) million), corresponding to an operating margin of (904.7)% (2012: (58.5)%). The decline in the nickel market price, challenges related to the production and water management, the Company's weakened liquidity position and the filing for corporate reorganisation by the Company and Talvivaara Sotkamo on 15 November 2013 were identified as impairment indicators by management and, following an impairment test performed for Talvivaara's mining assets in Sotkamo, an impairment charge of EUR 499 million was made at year-end 2013, which is reflected in the operating loss.

Finance income for 2013 was EUR 0.9 million (2012: EUR 0.8 million) and consisted mainly of exchange rate gains and interests on deposits. Finance costs of EUR (57.1) million (2012: EUR (46.5) million) mainly resulted from interest and related financing expenses on borrowings.

The loss for 2013 amounted to EUR (812.5) million (2012: EUR (103.9) million) reflecting the write-downs on inventory and property, plant and equipment. Other factors included the challenging nickel price, elevated costs due to the water balance challenges and low level of product deliveries. Earnings per share was EUR (0.48) (2012: EUR (0.35).

The total comprehensive income for 2013 was EUR (812.5) million (2012: EUR (103.9) million).

Balance sheet

Assets
Capital expenditure in 2013 totalled EUR 60.5 million (2012: EUR 97.5 million). The expenditure related primarily to the uranium extraction circuit, earthworks on secondary heap foundations and water management comprising dam and pond structures, pumping and piping arrangements and water treatment facilities. On the consolidated statement of financial position as at 31 December 2013, property, plant and equipment totalled EUR 305.0 million (31 December 2012: EUR 809.5 million) after an impairment charge of EUR 499 million.

In the Group's assets, inventories amounted to EUR 261.5 million on 31 December 2013 (31 December 2012: EUR 297.8 million). The year-end inventories reflect both an increase of EUR 53.7 million in work in progress and an impairment charge of EUR 93.7 million.

Trade receivables amounted to EUR 10.4 million on 31 December 2013 (31 December 2012: EUR 32.2 million). The trade receivables decreased due to the four-week suspension of metals production in November-December as well as the low nickel price in late 2013.

Talvivaara has continued to recognise deferred tax assets on its consolidated balance sheet through Q3 2013 and the amount of deferred tax assets recognized on tax loss carryforwards as at 30 September 2013 amounted to EUR 136.5 million (31 December 2012: EUR 103.8 million). In its Q3 2013 interim results, the Company announced having reviewed the past operational challenges which have led to lower than expected production and profitability levels at the Talvivaara mine. It was further noted that if Talvivaara generates future taxable profits lower than those assumed by the Company in determining the amounts of the recognized deferred tax assets, the assets may become impaired, either in part or in full. Accordingly, the amounts recognized on the balance sheet could be reversed through profit and loss.

Having undertaken a review of the amount of deferred tax assets recognized on tax loss carryforwards, the Company has, due to the historical losses of the mine project, the experienced delays in the ramp-up process and the current financial situation of the Company, de-recognized deferred tax assets in the amount of EUR 75.5 million, leaving the Company with a zero net deferred tax position.

Despite the de-recognition of the deferred tax assets, subject to Talvivaara obtaining sufficient financing to continue the ramp-up of its operations, the Group may be able generate sufficient taxable profits so that all of the deferred tax assets could be utilized in the future.

On 31 December 2013, cash and cash equivalents totalled EUR 5.9 million (31 December 2012: EUR 36.1 million).

Equity and liabilities
In equity and liabilities, total equity amounted to EUR 287.5 million on 31 December 2013 (31 December 2012: EUR 306.8 million). Talvivaara raised EUR 250.8 million, net of transaction costs, from an issue of 1,633,857,840 new shares in April 2013. No new shares were subscribed for during 2013 under the company's stock option rights 2007 or 2011 schemes.

As at 31 December 2013 borrowings amounted to EUR 554.6 million on (31 December 2012: EUR 599.8 million). The changes in total borrowings during the year mainly resulted from the repayment in May of EUR 76.9 million senior unsecure convertible bonds due 2013.

The Company and Talvivaara Sotkamo's application for corporate reorganisation on 15 November 2013 constituted an event of default under the companies' financing facilities with the exception of financial leases. Therefore, the majority of the borrowings, EUR 524.0 million, have as at 31 December 2013 been reclassified as current borrowings and any unamortized costs have been expensed to the income statement accreting the loans carrying amount to the redemption value. Despite this, such debts cannot be repaid until the repayment terms, including payment schedule and amount, have been decided and authorized as part of the Company and Talvivaara Sotkamo's respective reorganisation programmes.

Of the total borrowings, approximately EUR 517 million constitute reorganisation debts that may be restructured as part of the corporate reorganisation programme. All amounts of reorganisation debts remain subject to change and may only be finalized as the eventual reorganisation programmes are authorised. As at the date of the Company's consolidated financial statements on 30 April 2014, the reorganisation programmes have not yet been proposed nor authorised.

Total advance payments as at 31 December 2013 amounted to EUR 286.1 million, representing an increase of EUR 12.4 million from EUR 273.7 million on 31 December 2012. During 2013, Talvivaara received a EUR 12.0 million additional pre-payment from Nyrstar based on an amendment to the zinc streaming agreement entered into in February, and a USD 10 million additional advance payment from Cameco, similarly agreed and received in February. The original advance payment from Nyrstar was amortised by EUR 2.7 million as a result of zinc deliveries.

Total equity and liabilities as at 31 December 2013 amounted to EUR 623.3 million (31 December 2012: EUR 1,260.8 million), reflecting the impairments recognized in property, plant and equipment and inventories and the write-down in deferred tax assets.

Financing
On 12 February 2013 Talvivaara Sotkamo entered into an amendment agreement with Cameco Corporation concerning the uranium take-in-kind agreement pursuant to which the amount of the up-front investment that Cameco is to pay 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. As at 31 December, 13,744 tonnes of zinc had been delivered towards the 38,000 tonnes commitment agreed in the amendment agreement.

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. 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 due in 2013. The remaining convertible bonds amounted to EUR 76.9 million and the repayment was made according to the terms.

Corporate reorganisation

The Company and Talvivaara Sotkamo applied for corporate reorganisation on 15 November 2013 by filing related applications with the District Court of Espoo, Finland ("District Court of Espoo"). The District

Court of Espoo took the decision to commence a corporate reorganisation process in respect of the Company on 29 November 2013 and in respect of Talvivaara Sotkamo on 17 December 2013. The District Court of Espoo appointed Mr. Pekka Jaatinen, Attorney-at-Law, from Castrèn & Snellman Attorneys to act as the Administrator in respect of the corporate reorganisation of both the Company and Talvivaara Sotkamo.

In reorganisation proceedings governed by the Finnish Corporate Reorganisation Act (47/1993, as amended) (the "Reorganisation Act"), both the business operations and the debts of a company may be reorganised and restructured. As a result of such reorganisation, a company can either continue its operations or, if the reorganisation fails, initiate bankruptcy proceedings.

The central task of the Administrator is to draw up a proposal for a reorganisation plan in collaboration with the various parties within a time limit set by the District Court of Espoo. An important part of the reorganisation plan is the payment arrangements for debts. In the reorganisation plan, debts may be restructured in any of the following ways: (i) through changing the payment schedule; (ii) applying payments made by the debtor first in amortisation of the principal amount of the debt and only thereafter as payments of other debt related costs, such as interest; (iii) reducing debt related costs, including the interest rate; and (iv) reducing the amount of the unpaid debt. The commencement of a reorganisation process does not result in all the debts of the relevant debtor becoming due and payable. Any debts that are not considered restructuring debts are to be repaid in accordance with their original terms.

The District Court of Espoo has issued rulings in respect of certain deadlines in connection with the Company and Talvivaara Sotkamo's respective corporate reorganisations. According to the Court's ruling, the Administrator's reports on the financial status of both companies were completed on 14 April 2014, declaring that in the Administrator's view, an executable reorganisation programme can be set up for both companies, provided that financing solutions for an interim period and for the longer term are achieved. Proposals for both companies' respective reorganisation plans are due to be submitted by the Administrator by 28 May 2014. Furthermore, in connection with both corporate reorganisations, the District Court of Espoo has appointed creditor committees, which act as the joint representatives of the creditors in the reorganisation proceedings. Various creditor groups, including secured creditors, other debt financiers, as well as business partners and subcontractors essential for the operations of both companies, are represented in the creditor committees appointed by the Court. The creditor committees of the Company and Talvivaara Sotkamo each have the same composition.

As at the date of the Company's financial statements on 29 April 2014, the reorganisation plans of the Company and Talvivaara Sotkamo have not been submitted to, nor authorised by the District Court of Espoo and as such, the Company's Board of Directors is not aware of the contents of the proposals for the reorganisation plans that will be made by the Administrator. The Directors expect that the restructuring debts of the Company and Talvivaara Sotkamo will be considerably reduced as part of the reorganisation plan. Before proposing the reorganisation plans, the Administrator will discuss and negotiate with the Company and Talvivaara Sotkamo as well as their creditors. In determining whether to support or not to support any proposal for a reorganisation plan, the Boards of Directors of both companies also need to take into account other alternatives, if any, available to the Company and Talvivaara Sotkamo. The failure of the reorganisation process could result in the bankruptcy of the Company and/or Talvivaara Sotkamo.

In bankruptcy proceedings the Company and Talvivaara Sotkamo, with their assets and liabilities, would be replaced by their respective bankruptcy estates, whose decisions would thereafter be controlled by the creditors.

Going concern

Talvivaara's financial statements for the financial year ended 31 December 2013 have been prepared on a going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is working together with the Administrator towards finding appropriate financing solutions for the Group going forward. On 1 April 2014, Talvivaara entered into a loan and streaming holiday agreement with Nyrstar Sales and Marketing AG ("Nyrstar") for a loan facility of up to EUR 20 million and an arrangement whereby, subject to Talvivaara securing a long-term financial solution, the Group also has an option to enter into a streaming holiday for delivery volumes of up to 80,000 tonnes of zinc in concentrate. During the streaming holiday, Nyrstar commits, outside the framework of the original contract between the parties, to purchase zinc concentrate from Talvivaara at market terms for an additional, significant financing impact.

The agreement with Nyrstar provided Talvivaara with sufficient liquidity to continue the corporate reorganisation and its operations in the short term. To secure the Group's long term viability, Talvivaara also explores the options of identifying potential investor(s) to participate in a medium term bridge financing and a long-term, overall financial solution for the Group.

As of the date of the authorisation of the financial statements by the Board of Directors, the Directors, Management and the Administrator do not contemplate the liquidation of the Company or Talvivaara Sotkamo. As such, Directors and Management believe that the going concern basis of presentation is appropriate regardless of the on-going financing discussions and commencement of the reorganisation proceedings. However, the Company's liquidity situation continues to cause material uncertainty that casts significant doubt upon the Company and Talvivaara Sotkamo's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the going concern basis prove inappropriate in the foreseeable future, adjustments to the carrying amounts and/or classifications of Talvivaara's assets and liabilities would be necessary.

The Group's ability to continue as a going concern is dependent on the successful completion of the contemplated financing transactions as well as the development and authorisation of executable restructuring programmes for both the Company and Talvivaara Sotkamo. Furthermore, Talvivaara's future profitability is dependent on the prevailing market conditions and the Group's ability to successfully implement its business plan at the Talvivaara mine. At the time of the Company's FY 2013 financial statements on 29 April 2014, it is not possible to foresee whether Talvivaara will be able to execute its financing, reorganisation and operational plans or whether the execution of these will improve the Group's financial condition sufficiently to allow it to continue as a going concern.

The corporate reorganisation plans to be authorised by the District Court of Espoo could materially change the carrying amounts and classifications reported in the Group's financial statements. The assets and liabilities in the Company's FY 2013 financial statements do not reflect any adjustments potentially proposed or authorised as part of such reorganisation plans. Furthermore, the financial statements do not aim to reflect or provide for the consequences of the corporate reorganisation proceedings, such as: (i) the realisable value of the Group's assets on a liquidation basis or their availability to satisfy liabilities, (ii) the amounts of loans and debts subject to reorganisation and priority thereof, (iii) or the effect on the Group's consolidated income statement of any changes potentially made to its business as a result of the final corporate reorganisation plan. However, in view of the inherent uncertainty brought about by the corporate reorganization proceedings, operational challenges caused by and partly continuing as a result of water balance issues, and the weak nickel price environment that prevailed for most of 2013 and into early 2014, the Group has made substantial impairment charges related to its tangible assets, inventories and deferred tax assets. Further, the challenging liquidity position and the commencement of the Corporate reorganisation proceedings for the Company and Talvivaara Sotkamo have resulted in breach of covenants and default events in accordance with the respective terms and conditions of the companies' loan agreements resulting in adjustments to the carrying values and classifications.

Business development

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 main products. Annual uranium production at full scale is estimated at 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.

Following receipt of the construction permit in August 2011, Talvivaara commenced construction of the uranium recovery facility, which was close to completion at the end of 2013. The permitting process for uranium production is on-going and the start of uranium production is further subject to, among others, environmental permit approval and chemical authorisation. The decision on the environmental permit is expected in the first half of 2014 in connection with the general update of the mine's environmental permit. In addition, a permit for uranium extraction in accordance with the Nuclear Energy Act will be required. The Finnish Government initially granted this permit on 1 March 2012, but the Supreme Administrative Court resolved in December 2013 to return the permit for reassessment by the Government. Talvivaara is currently re-applying for the permit.

Energy strategy
Talvivaara's energy strategy is focused on building an environmentally sound portfolio of low-cost capacity allowing the Company to be energy self-sufficient in the longer term. Talvivaara's electricity need is currently approximately 45MW, and is expected to increase significantly if the Company proceeds with its planned capacity expansion.

Talvivaara acquired in 2011-2012 an approximately 60MW capacity share in the Fennovoima nuclear project in Finland. Due to the Company's ongoing corporate reorganisation proceedings, Talvivaara is currently not in a position to make further investments into the project and has therefore not been able to commit to payments that would, according to plan, fall due during the course of 2014. However, Talvivaara has an option until the early autumn of 2014 to recommit to Fennovoima's financing and get an ownership corresponding to 47 MW of electricity. For the time being the Company does not know whether it will be able to exercise this option, and the final conclusion on the matter remains subject to financing.

The Company has conducted wind measurements at several locations within the mining concession area and concluded that the wind conditions in the area are suitable for the generation of wind energy. Permitting for wind farms at the mine site has been started and Talvivaara is continuing studies to develop a 200–260 GWh/a windmill project jointly with a third party.

Geology

In early 2013 Talvivaara undertook a project to update its ore reserves estimates and anticipated announcing the new reserves during the second half of 2013. However, due to the Company's prioritization of the use of human resources and funds during the course of 2013 and currently, the finalization of the reserves has been postponed for the time being. Talvivaara notes, however, that the mineral resources in Talvivaara remain at above 2 billion tonnes of ore, and that the short to medium term mine plan is not impacted by the delay in updating the ore reserves.

Research and development

Talvivaara's research and development activities in 2013 focused on water management, enhancing bioheapleaching performance and further optimization of the metals plant operations.

As water management has been one of the key focus areas in Talvivaara's operations already for some time, its role in research and development has also grown accordingly. In 2013, focus was on evaluation and testing of various water treatment technologies, including e.g. nano filtration.

In bioheapleaching, the Company's long term pilot heap project to study the impact of different process conditions, such as the rate of acid addition, on the leaching performance was completed. Mineralogical studies were also carried out in order to gain a better understanding of the relationship between the ore characteristics and leaching performance. For production support purposes several lab scale leaching tests were carried out and data-mining studies were done to further optimize the operating conditions in the leaching process. Localized tests were also carried out with production leaching pads.

In materials handling, focus was on further developing the agglomerate quality control procedures, as it has been established that the agglomerate quality, e.g. moisture content and stability, is one of the key variables related to the hydrodynamic properties of the leaching heaps and hence also the leaching performance.

Industrial scale testing at the metals recovery plant for using sulphur dioxide for pre-reduction of the metal containing leach solution was carried out with promising results. In practice, this process means reduction of trivalent iron (Fe^{3+}) to its bivalent form (Fe^{2+}) with sulphur dioxide, which reduces hydrogen sulphide consumption in the metals recovery process and has the potential of generating substantial savings. In addition, the pre-reduction has in the test work improved the quality of Talvivaara's copper product, the commercial significance of which is increasing as the operation matures and the production volumes increase. Other activities at the metals plant were related to production support, for example in flocculant screening tests and lab tests to confirm optimum process conditions in several process areas.

Talvivaara participates in various co-operation and networking projects with universities, research centres and other companies.

Sustainable development, safety and permitting

Sustainable development and the environment

The Company started the year 2013 in a challenging situation following a historically rainy summer that culminated in water balance issues and a gypsum pond leakage in November 2012. Over the course of 2013, Talvivaara focused its resources on implementing an environmental improvement programme and improving its water management.

Talvivaara's principal environmental development target of 2013 was the reduction of risks related to water management and the achievement of a sustainable water balance. To promote the achievement of these targets, Talvivaara established a water management organisation with responsibility for overall water balance management, and for the planning and implementation of the required short- and long-term measures.

VTT Technical Research Centre of Finland was commissioned by the Company's Board of Directors to conduct an independent investigation into the causes and circumstances of the gypsum pond leakage of 2012. The report was completed in April 2013. The investigation resulted in several recommendations for corrective measures and development, the majority of which had been implemented by Talvivaara immediately after the leak.

In 2013, Talvivaara continued systematic investments in water treatment with focus on rain water management, water quality improvement and process water recycling. During the year, an essentially closed circuit for the metals recovery plant process waters was achieved, and several field water purification plants were constructed and commissioned.

Approximately 5.7 million cubic metres of treated water was discharged from the mine area during the year. The discharges were limited to a volume roughly equivalent to the amount of rainfall in the area by the environmental permit regarding water, obtained in May 2013, which restricts water discharges to a defined percentage of the flow in the nearby Kalliojoki-river. As a result, approximately seven million cubic metres of surplus water remained in the mine area at year-end.

Despite the water discharge restrictions, Talvivaara succeeded in reducing the water related risks and increasing the emergency volumes in ponds and dams during the year. The target was to assure that, in the event of a leakage, all waters could be held within the mining concession area. This target was first proven achieved when all of the water from a second gypsum pond leakage in April 2013 was contained within the protective dams. During the second half of the year, risk reduction continued through neutralisation and removal of excess water from the gypsum ponds and continued focus on sufficient emergency volumes. Removal of excess water from the gypsum ponds is anticipated to be completed in August 2014.

As a result of investments made already in the previous years, the odour discharges relating to hydrogen sulphide and dust emissions from the mining operations were clearly within the permitted limits. This has been evident also from the reduced number of related notices by the neighbours. In 2013, odour inducing concentrations decreased further by approximately 30 per cent and the odour related notices made by the neighbouring residents reduced by 60 per cent.

In 2013 the International Nickel Institute conducted an international life cycle analysis of nickel, covering almost all western world nickel producers. According to the study, Talvivaara's climate and environmental impact as well as energy consumption per tonne of nickel produced are clearly below the average of the nickel industry. Due to the energy efficient process used by the Company, Talvivaara's greenhouse gas emissions are 39 per cent and the usage of primary energy 21 per cent lower than those of the average nickel producer. Talvivaara's sulphur dioxide emissions are only 2 per cent of the average of all nickel producers.

Talvivaara has since 2010 had a certified ISO 14001 standard compliant environmental management system. The Company is also preparing for the implementation of ISO 9001 standard compliant quality and OHSAS 18001 compliant occupational health and safety management systems. Certification of these systems is anticipated to be sought in 2015.

Environmental expenditure
Environmental investments in 2013 amounted to EUR 33.6 million, up 6 per cent from the previous year (2012: EUR 31.7 million).

Most of Talvivaara's operational environmental costs consist of metal solution and water treatment. Total environmental costs in 2013 amounted to EUR 35.8 million (2012: EUR 55.2 million). The substantially higher expenses of 2012 reflect the costs related to the acute treatment of the leakage waters from the November 2012 gypsum pond accident.

Of the total environmental expenditure in 2013, the largest components were water treatment at EUR 20.9 million, odorous gas treatment at EUR 8.8 million, and environmental studies and analyses at EUR 3.4 million.

Safety
With respect to safety issues Talvivaara's goal is a safe and healthy working environment. The Company is committed to continuously improving its process, product and occupational safety. In 2013 Talvivaara focused on the improvement of the entire organisation's safety culture.

In the autumn of 2013, an independent safety consultant, DuPont, conducted an initial evaluation of Talvivaara's safety culture. Talvivaara will develop its operations in the future based on the improvement proposals made by DuPont, and the evaluation along with the improvement plans will help the Company in its pursuit towards its zero accident target.

The injury frequency in 2013 was 30.4 lost time injuries/million working hours (2012: 16.6 lost time injuries/million working hours).

Permitting
At the end of May 2013, Talvivaara received from the Northern Finland Regional State Administrative Agency ("AVI") an environmental permit decision relating to the storage, treatment and discharge of waters to the Oulujoki and Vuoksi water systems. The permit decision contains regulations pertaining to, amongst others, treatment and storage of waters and permit limits for discharges into downstream water ways. The permit decision removes the annual 1.3 million cubic meters discharge quota for purified waste waters, which has in part caused the historical accumulation of excess waters at the mine site. The permit conditions pertaining to maximum concentrations of harmful substances, among others sulphate, and maximum discharge flow rate will however restrict the volume of discharged waters in the future.

The permit decision required the Company to direct the water contained in the existing gypsum ponds to neutralisation or back to leach solution circulation by 31 October 2013. The Vaasa Administrative Court subsequently extended the deadline until the end of 2013. After this, the Company applied for and obtained permission from the AVI for a two-staged emptying schedule such that section 5 of the gypsum pond should be void of excess water by the end of January 2014, and section 6 by the end of August 2014. Prior to the end of January, Talvivaara notified the Kainuu Centre for Economic Development, Transport and the Environment ("Kainuu ELY-Centre") that the interim deadline of January could not be met, however stating that the Company believes the final emptying deadline for the entire pond to be achievable. The latest request by the Kainuu ELY-Centre as of 25 April 2014 states that the amount of water in section 6 of the gypsum pond must be reduced below 0.5 million cubic meters by 15 May 2014. As at the date of the Company's 2013 financial statements on 29 April 2014, section 5 of the gypsum pond is contains practically no excess water, and the Company believes the 15 May target is achievable.

The renewal of Talvivaara's environmental and water permit and the environmental permit application for uranium extraction are being processed at the AVI. The Company expects decisions on both permits during the spring of 2014.

On 5 December 2013 the Supreme Administrative Court returned the permit to extract uranium granted to Talvivaara Sotkamo under the Nuclear Energy Act on 1 March 2012 for reassessment by the Finnish Government. According to the Supreme Administrative Court there had been several changes in the operations of Talvivaara Sotkamo following the permit decision, including the filing for corporate reorganization. Therefore, the Government should reassess the permit application documentation and, if needed, obtain additional information on the economical and safety related requirements. The decision is not expected to have material financial impact on the Company in the short or medium term, and preparations for a new application are on-going.

Legal proceedings

As at the date of the Company's financial statements on 29 April 2014, there are a number of on-going legal proceedings and police investigations in relation to Talvivaara's mining, environmental and occupational health and safety issues. In addition, Talvivaara is subject to, or may become subject to, private claims seeking compensation for damages caused by environmental issues originating from the Talvivaara mine, although Talvivaara currently believes that such claims are not material. The current legal proceedings are further discussed in the Company's financial statements for 2013.

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. During 2013, the Company's focus was on developing its hazardous risk management and contingency planning. As a result, a new risk register for environmental, safety and accident risks was introduced. Contingency planning focused primarily on hazard risks such power failure and dam or pond leakages.

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.

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. In the second half of 2013, the liquidity and refinancing risks realized as a result of persistent production problems relating to excess water, and due to a substantial fall in the nickel price. As a result, Talvivaara and its operating subsidiary Talvivaara Sotkamo were unable to obtain new financing and applied for corporate reorganisation, which for the two companies commenced on 29 November 2013 and 17 December 2013, respectively. Going forward, Talvivaara's key financial and operational risks relate to the on-going corporate reorganisation proceedings and Talvivaara's ability to obtain sufficient additional funding to continue its operations and to return to the planned ramp-up of production.

Operationally, the Company has to date demonstrated that all of its production processes work and can be operated on industrial scale, however the rate of ramp-up is still subject to risk factors including the reliability and sustainable capacity of production equipment, and eventual speed of leaching and rates of metals recovery in bioheapleaching. In addition, the return to production ramp-up remains subject to further financing for the time being and there may also 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 fluctuations 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.

Personnel

Talvivaara’s headcount decreased somewhat from the previous year and was 549 at the end of 2013 (2012: 588). At the end of 2013, 87.1% (2012: 88.1%) of Talvivaara’s employees were men and 12.9% (2012: 11.9%) were women. The average age of the Company’s employees was 37.9 years (2012: 37.8 years).

The challenges of 2013 year were also reflected on the Company’s employees. During the year Talvivaara adjusted its headcount to the prevailing production, first in February and again in July by temporary lay-offs affecting part of the personnel. As the Company’s financial condition continued to weaken, Talvivaara applied for corporate reorganization in November and started its third set of co-operation consultations for the year. These were concluded in the beginning of January 2014 and as a result, Talvivaara decided to lay-off gradually 246 employees for undefined period to support the reorganization process.

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.

Corporate governance statement

Talvivaara issues its Corporate Governance Statement of 2013 and publishes it on the Company’s website at www.talvivaara.com on the date of this announcement. The Corporate Governance Statement does not form part of the Board of Directors’ Report.

Resolutions of the 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

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 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 2007A was between 1 April 2010 and 31 March 2012. By the end of the subscription period a total of 2,279,373 Talvivaara Mining Company's new shares were subscribed for under the stock option rights 2007A. A total of 53,727 stock option rights 2007A remained unexercised following the end of the subscription period and expired.

The share subscription period for stock options 2007B was between 1 April 2011 and 31 March 2013. By the end of the subscription period a total of 48,763 Talvivaara Mining Company's new shares were subscribed for under the stock option rights 2007B. 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 was between 1 April 2012 and 31 March 2014. No new shares of Talvivaara were subscribed for under the stock option rights 2007C in 2013 and at year-end, a total of 16,289,000 stock options 2007C remained 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, according to the terms of the option programme, between 1 April 2015 and 31 March 2017. However, the implementation criteria for stock options 2011B were not fulfilled and the options were cancelled at the end of 2013. Stock options 2011A had similarly been cancelled at the end of 2012.

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 31 December 2013, the shareholders who held more than 5% of the shares and votes of Talvivaara were Solidium Oy (16.7%) and Pekka Perä (6.5%).

Share based incentive plans

The Annual General Meeting held on 3 May 2007 approved the Board of Directors’ proposal to issue share options to the Group’s key personnel. The number of share options is 6,999,300, each entitling to subscribe one new share. A total of 2,333,100 of the share options are designated 2007A, 2,333,100 are designated as 2007B and 2,333,100 are designated as 2007C. Following the rights issue conducted in 2013 the subscription price and number of shares that can be subscribed to via 2007 stock options were adjusted in accordance with the terms and conditions of the options. The subscription price for stock option 2007C was adjusted to GBP 0.5110 per share and the number of shares that can be subscribed for through the exercise of stock option 2007C was increased by 13,998,600 shares (previously 2,333,100 shares).The subscription periods for 2007A, 2007B and 2007C options expired on 31 March 2012, 31 March 2013 and 31 March 2014, respectively.

The Annual General Meeting held on 28 April 2011 approved the Board of Directors’ proposal to issue share options to the Group’s key personnel. The number of share options is 5,500,000, each entitling to subscribe one new share. A total of 2,500,000 of the share options are designated 2011A, 1,500,000 are designated as 2011B and 1,500,000 are designated as 2011C. The share subscription periods for stock options 2011A, 2011B and 2011C are between 1 April 2014 and 31 March 2016, 1 April 2015 and 31 March 2017, and 1 April 2016 and 31 March 2018, respectively. Stock option 2011A and 2011B will not vest, as the specified implementation criteria were not fulfilled. Following the rights issue conducted in 2013 the subscription price and number of shares that can be subscribed to via 2011 stock options were adjusted in accordance with the terms and conditions of the options. The number of shares that can be subscribed for through the exercise of the stock options 2011C was increased by 9,000,000 shares (previously 1,500,000 shares). The subscription price of 2011C stock option is EUR 0.31.

In December 2010, The Board of Directors of the Company decided on a new shareholding plan directed to members of executive management and certain other key employees. The plan enabled the participants to acquire a considerable long-term shareholding in the Company. Through this plan, the participants personally invested a significant amount of their own funds in the Company shares. Part of the investment is financed by a loan provided by the Company. The EUR 5.7 million loan granted by the Company to Talvivaara Management Oy ("Talvivaara Management") for the purpose of acquiring Company shares carries an interest of 3.0%. The 1,104,000 shares held by Talvivaara Management Oy have been pledged to the Company as security for the loan. Originally the plan was to be valid until the publication of Talvivaara's 2013 Financial Statements, after which the intention was to dissolve the plan in a manner which was to be determined later and to repay the loan in full on 31 March 2014. However, the plan can be continued for one year at a time if the Talvivaara share price after the publication of Talvivaara's 2013 Financial Statements is lower than the average price which Talvivaara Management paid for its Talvivaara shares. If the dissolution of the plan is postponed as described above, the repayment date of the loan shall be also postponed correspondingly. As at the date of Talvivaara's 2013 financial statements, no decision has been taken regarding the continuation of the plan.

During 2012, the Board of Directors, based on the recommendation of the Remuneration Committee, allocated 42,000 2007C options, giving an entitlement to subscribe for a total of 42,000 new shares in the Company, and 1,347,500 2011B options, giving an entitlement to subscribe for a total of 1,347,500 new shares in the Company, to the personnel of Talvivaara and its subsidiaries. Of the options allocated since 2007, 48,000 2007C options entitling to subscribe for 48,000 shares were returned back to the Company during 2012. In 2012, a total of 1,938,787 new shares were subscribed for under the stock option rights 2007A. At the end of 2012, 2,500,000 2011A options, 152,500 2011B options and 1,500,000 2011C options were available for allocation under the 2011 Option Scheme. The voting rights of the shares to be issued against the outstanding share options amounted to 2.1% of the total share capital.

During 2013 no options were allocated and no shares with the option rights 2007B (by their expiration on 31 March 2013) or 2007C were subscribed for. As at the date of Talvivaara's 2013 financial statements on 29 April 2014, no shares had been subscribed with the 2007C options between 31 December 2013 and the expiration date of said options on 31 March 2014, hence there are no further 2007C options outstanding. At the end of the year, 9,000,000 2011C options were available for allocation representing 0.5% of the total share capital.

Events after the review period

Conclusion of co-operation consultations
Talvivaara concluded its co-operation consultations on 7 January 2014. All personnel groups in the Company and its subsidiaries Talvivaara Sotkamo and Talvivaara Exploration were within the scope of the consultations. Following the consultation process, Talvivaara decided to gradually lay off 246 employees for an indefinite period. The lay-offs support the Company and Talvivaara Sotkamo's corporate reorganisation and adjust the number of personnel to the current operating scheme under which ore production is temporarily suspended.

As at the date of the Company's 2013 financial statements, Talvivaara's total headcount is 505. Currently 86 employees are laid off, which is less than anticipated when the co-operation consultations were concluded due to previously subcontracted work having been taken in-house and done by the Group's own workforce.

Participation in Fennovoima nuclear power project
Talvivaara announced on 21 February 2014 its support for the Fennovoima nuclear power project, but noted that under the current circumstances the Company focuses all its financial resources on the Sotkamo operation and the ongoing corporate reorganisation process. For the time being Talvivaara is not in a position to commit to additional funding of the Fennovoima project, but will reassess its ability for further participation once more clarity into its financing situation is obtained and the corporate reorganisation process proceeds.

Management changes
Lassi Lammassaari, M.Sc. (Environmental Engineering) was appointed Chief Corporate Development Officer as of 27 February 2014. He heads a newly established Corporate Development function, which focuses on industrial engineering, planning and development. Lassi Lammassaari has held several

positions at Talvivaara since 2005, most lately as Senior Vice President – Projects. In his new position he is a member of the Executive Committee and reports to CEO Pekka Perä.

Chief Operating Officer Darin Cooper resigned from his position on 7 March 2014 to pursue his career outside the Company. Chief Technology Officer Pertti Pekkala subsequently assumed interim responsibility for the Sotkamo mine's operations until a new COO is appointed. In addition, the Company's Technical Executive Committee, consisting of CEO Pekka Perä, Chief Corporate Development Officer Lassi Lammassaari, CTO Pertti Pekkala and Environmental Manager Veli-Matti Hilla as a newly appointed member, takes an increasingly active role in the management of the operations at the Sotkamo mine.

Non-Executive Director Kirsi Sormunen announced her resignation from the Company's Board of Directors due to personal reasons on 7 March 2014.

Administrative injunctions
On 19 March 2014, the Kainuu ELY Centre issued an administrative injunction, requesting Talvivaara Sotkamo to carry on the neutralization of metal and sulphate containing waters at the site under all circumstances. Further, the ELY Centre requested Talvivaara Sotkamo to immediately continue and complete negotiations on the supply of additional water purification capacity at the site, as well as on the construction of new pond capacity for purified waters. Should Talvivaara Sotkamo fail to comply with the request, the Kainuu ELY Centre may consider having the investments completed at the cost of Talvivaara Sotkamo. In addition, the Kainuu ELY Centre required that the weekly utilization rate of Talvivaara Sotkamo's existing reverse osmosis plants must stay on or above 60 per cent, failing which could give rise to an administrative penalty of EUR 100,000. Talvivaara Sotkamo has appealed the injunction to Vaasa Administrative Court.

Loan and streaming holiday agreement with Nyrstar
On 1 April 2014, the Company and Talvivaara Sotkamo entered into a loan and streaming holiday agreement ('the Agreement') with Nyrstar Sales and Marketing AG ("Nyrstar"). Under the Agreement, Nyrstar makes available to Talvivaara a loan facility of up to EUR 20 million. Nyrstar makes the facility available in several tranches with the amount of each advance calculated with reference to a corresponding delivery by Talvivaara Sotkamo of zinc in concentrate under the original zinc streaming agreement of February 2010.

In the short term, the Agreement enables the continuation of the Company and Talvivaara Sotkamo's corporate reorganisation and the process, whereby Talvivaara explores the options of identifying potential investor(s) to participate in a long-term, overall financial solution for the Group.

Subject to Talvivaara securing the overall financial solution, the Company also has an option to enter into a streaming holiday for delivery volumes of up to 80,000 tonnes of zinc in concentrate. During the streaming holiday, Nyrstar commits, outside the framework of the original contract, to purchase zinc concentrate from Talvivaara at market terms. The streaming holiday, if used in full, has a significant additional financing impact for the Company.

In return for the holiday, the value sharing mechanism of the original zinc streaming agreement will be amended to reduce on a pro rata basis such that, if the full holiday period is elected, the value sharing mechanism thereafter becomes nil. When applied, the value sharing mechanism allows Talvivaara to receive a cash consideration for its deliveries that is higher than the extraction and processing fee determined in the zinc streaming agreement.

Nyrstar's obligation to extend financing under the loan facility will cease at the earlier of the aggregate amount outstanding including accrued interest exceeding EUR 20 million or the commencement of a streaming holiday. The zinc concentrate deliveries entitling Talvivaara to the full loan amount are estimated to be made during the remainder of 2014. As at the date of these financial statements, Talvivaara has drawn down EUR 5.8 million of the Nyrstar loan facility.

Corporate reorganisation - reports on the financial status completed
The reports on the financial status of the Company and Talvivaara Sotkamo were completed by the Administrator of the corporate reorganisation on 14 April 2014. According to the Administrator, an executable restructuring programme can be set up for both companies, provided that financing solutions

for an interim period and for the longer term are achieved. The Company together with the administrator continues active discussions for securing the additional financing following the loan and streaming holiday agreement entered into with Nyrstar on 1 April 2014.

Production update
Talvivaara produced 3,068t of nickel and 5,726t of zinc during Q1 2014. Year-to-date production through 28 April 2014 has reached 4,203t of nickel and 8,032t of zinc.

During the first months of the year, metals production has been stable with good leaching performance from the two new heaps and high availability of the metals plant. The steady production over the recent months demonstrates that the technologies applied by Talvivaara are functional and have matured to a stage where they can be considered reliable industrial processes.

Mining and materials handling processes have been suspended since November 2013. Subject to financing, re-start of these functions is planned to take place in stages during the spring and the coming summer.

Short-term outlook

Market outlook
The LME nickel price has shown an approximately 30% recovery since the implementation of the Indonesian nickel ore export ban in January 2014, moving from levels below USD 14,000/t to above USD 18,000/t currently. The surplus in nickel production that has been prevailing over the last few years is now expected to turn into a deficit possibly as early as this year, which further underpins the recent price development and may offer additional upside potential going forward. Provided the Indonesian ore export ban stays in force, the nickel price can be anticipated to subsequently start reflecting also the increasing marginal cost of production across the nickel industry and lack of new committed nickel projects to replace depleting supply from the existing operations.

Operational outlook
The operational outlook for Talvivaara is greatly dependent on the success to closing, timing and extent of the short as well longer term financing solutions currently under negotiation. With the Company's liquidity position allowing, the key operational priority is to start reclaiming old primary heaps 2 and 3 as soon as possible, preferably during Q2 2014. Moving these heaps to the secondary pad will allow the so far poorly leached ore to be reconditioned and for leaching to be restarted. There is significant unleached nickel in these two heaps, which will improve production in the coming months prior to leaching from any newly mined and stacked ore can start contributing to production. The Company plans to re-start mining in July, provided sufficient financing is in place at the time. Operationally, Talvivaara believes the pre-requisites for continued production ramp-up are in place with substantial improvements having been made over the recent months in bioheapleaching, as well as in mining and materials handling prior to their suspension in November. Furthermore, the metals plant is currently operating uneventfully.

Board of Directors proposal for profit distribution

The Board of Directors is proposing to the Annual General Meeting tentatively scheduled to be held on 12 June 2014 that no dividend is declared in respect of the year 2013.

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Audited As at 31 Dec 13	Audited As at 31 Dec 12*
ASSETS		
Non-current assets		
Property, plant and equipment	304 956	809 452
Biological assets	6 641	9 125
Intangible assets	6 582	7 014
Investments in associates	6 968	5 694
Deferred tax assets	-	52 588
Other receivables	8 412	2 940
Available-for-sale financial assets	2	2
	333 560	886 816
Current assets		
Inventories	261 451	297 761
Trade receivables	10 389	32 174
Other receivables	12 047	7 980
Cash and cash equivalent	5 867	36 058
	289 754	373 973
Total assets	**623 314**	**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	764 603	539 559
Retained deficit	(925 854)	(242 962)
	(153 085)	304 763
Non-controlling interest in equity	(134 378)	1 989
Total equity	(287 463)	306 752
Non-current liabilities		
Borrowings	30 592	506 028
Advance payments	270 641	265 847
Other payables	270	228
Provisions	10 785	11 290
	312 288	783 393
Current liabilities		
Borrowings	524 011	93 793
Advance payments	15 456	7 857
Trade payables	37 426	25 578
Other payables	19 066	27 179
Provisions	2 531	16 238
	598 489	170 645
Total liabilities	910 777	954 037
Total equity and liabilities	**623 314**	**1 260 788**

* Equity attributable to owners of the parent company and non-controlling interest has been restated as described in Note 44 to the consolidated financial statements for 2013.

CONSOLIDATED INCOME STATEMENT

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Unaudited three months to 31 Dec 13	Unaudited three months to 31 Dec 12*	Audited twelve months to 31 Dec 13	Audited twelve months to 31 Dec 12*
Net sales	**12 603**	**25 694**	**77 572**	**142 948**
Other operating income	481	65	1 864	4 061
Changes in inventories of finished goods and work in progress	12 329	(6 425)	53 651	50 264
Impairment charges on inventories	(93 685)		(93 685)	
Materials and services	(21 541)	(20 057)	(95 593)	(117 848)
Personnel expenses	(7 742)	(7 470)	(30 879)	(28 132)
Depreciation and amortization	(13 193)	(15 424)	(53 197)	(53 698)
Impairment charges on PPE	(499 300)	-	(499 300)	-
Other operating expenses	(18 680)	(33 390)	(62 234)	(81 183)
Operating loss	**(628 728)**	**(57 007)**	**(701 801)**	**(83 588)**
Finance income	496	31	901	811
Finance cost	(22 992)	(13 794)	(57 143)	(46 515)
Finance income (cost) (net)	(22 496)	(13 763)	(56 242)	(45 704)
Loss before income tax	**(651 224)**	**(70 770)**	**(758 043)**	**(129 292)**
Income tax expense	(80 541)	11 380	(54 434)	25 381
Loss for the period	**(731 765)**	**(59 390)**	**(812 477)**	**(103 910)**
Attributable to:				
Owners of the parent	(611 048)	(49 240)	(680 920)	(90 056)
Non-controlling interest	(120 717)	(10 149)	(131 557)	(13 854)
	(731 765)	**(59 389)**	**(812 477)**	**(103 910)**
Earnings per share for loss attributable to the owners of the parent (expressed in EUR per share)				
Basic and diluted	(0,43)	(0,19)	(0,48)	(0,35)

* Loss for the year attributable to owners of the parent and non-controlling interest as well as earnings per share for loss attributable to owners of the parent have been restated as described in Note 44 to the consolidated financial statements for 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Unaudited three months to 31 Dec 13	Unaudited three months 31 Dec 12*	Audited twelve months to 31 Dec 13	Audited twelve months to 31 Dec 12*
Loss for the period	**(731 765)**	**(59 389)**	**(812 477)**	**(103 910)**
Total comprehensive income	**(731 765)**	**(59 389)**	**(812 477)**	**(103 910)**
Attributable to:				
Owners of the parent	(611 048)	(49 240)	(680 920)	(90 056)
Non-controlling interest	(120 717)	(10 149)	(131 557)	(13 854)
	(731 765)	**(59 389)**	**(812 477)**	**(103 910)**

* Loss for the year and total comprehensive income attributable to owners of the parent and non-controlling interest have been restated as described in Note 44 to the consolidated financial statements for 2013.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Share capital	Share issue	Share premium	Hedge reserve	Invested unrestricted equity	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
1.1.2012*	**80**	**278**	**8 086**	**-**	**404 069**	**45 462**	**(151 129)**	**306 847**	**15 733**	**322 580**
Loss for the period	-	-					(90 056)	(90 056)	(13 854)	(103 910)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(90 056)**	**(90 056)**	**(13 854)**	**(103 910)**
Transactions with owners										
Stock options	-	(278)	-	-	5 197	-	-	4 920	-	4 920
Share issue	-	-	-	-	81 482		-	81 482	-	81 482
Senior unsecured convertible bonds due 2013	-	-	-	-		(251)	-	(251)	-	(251)
Perpetual capital loan	-	-	-	-	-	2 354	(1 777)	577	110	687
Incentive arrangement for Executive Management	-	-	-	-	-	94	-	94	-	94
Employee share option scheme - value of employee services	-	-	-	-	-	1 151	-	1 151	-	1 151
Total contribution by and distribution to owners	-	(278)	-	-	86 679	3 348	(1 777)	87 973	110	88 082
Total transactions with owners	-	(278)	-	-	86 679	3 348	(1 777)	87 973	110	88 082
31.12.2012*	**80**	**-**	**8 086**	**-**	**490 749**	**48 810**	**(242 962)**	**304 763**	**1 989**	**306 752**
1.1.2013	**80**	**-**	**8 086**	**-**	**490 749**	**48 810**	**(242 962)**	**304 763**	**1 989**	**306 752**
Loss for the period	-	-	-	-	-	-	(680 920)	(680 920)	(131 557)	(812 477)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(680 920)**	**(680 920)**	**(131 557)**	**(812 477)**
Transactions with owners										
Rights issue	-	-	-	-	250 827	-	-	250 827	-	250 827
Senior unsecured convertible bonds due 2013	-	-	-	-	-	(2 369)	-	(2 369)	-	(2 369)
Perpetual capital loan	-	-	-	-	-	(23 276)	(1 971)	(25 247)	(4 811)	(30 058)
Incentive arrangement for Executive Management	-		-	-	-	(93)	-	(93)	-	(93)
Employee share option scheme - value of employee services	-	-	-	-	-	(44)	-	(44)	-	(44)
Total contribution by and distribution to owners	-	-	-	-	250 827	(25 782)	(1 971)	223 074	(4 811)	218 263
Total transactions with owners	-	-	-	-	250 827	(25 782)	(1 971)	223 074	(4 811)	218 263
31.12.2013	**80**	**-**	**8 086**	**-**	**741 576**	**23 028**	**(925 854)**	**(153 085)**	**(134 378)**	**(287 463)**

* Equity attributable to owners of the parent company and non-controlling interest has been restated as described in Note 44 to the consolidated financial statements for 2013.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Unaudited three months to 31 Dec 13	Unaudited three months to 31 Dec 12	Audited twelve months to 31 Dec 13	Audited twelve months to 31 Dec 12
Cash flows from operating activities				
Loss for the period	(731 765)	(59 390)	(812 477)	(103 910)
Adjustments for				
Tax	80 541	(11 380)	54 434	(25 381)
Depreciation and amortization	13 193	15 424	53 197	53 698
Impairment charges on PPE	499 300	-	499 300	-
Impairment charges on inventories	93 685	-	93 685	-
Other adjustments	4 071	16 526	(16 175)	(2 814)
Interest income	(496)	(31)	(901)	(811)
Fair value gains on financial assets at fair value through profit or loss	-	11	-	(5)
Interest expense	22 992	13 794	57 143	46 515
	(18 479)	(25 046)	(71 793)	(32 709)
Change in working capital				
Decrease(+)/increase(-) in other receivables	(1 012)	19 043	6 523	29 336
Decrease (+)/increase (-) in inventories	(11 062)	4 166	(61 009)	(57 325)
Decrease(-)/increase(+) in trade and other payables	4 550	(12 440)	(2 006)	(37 843)
Change in working capital	(7 524)	10 769	(56 491)	(65 832)
	(26 003)	(14 277)	(128 284)	(98 540)
Interest and other finance cost paid	(7 488)	(15 279)	(26 025)	(28 654)
Interest and other finance income	211	78	346	554
Income taxes paid	(5)	-	(17)	-
Net cash used in operating activities	(33 285)	(29 478)	(153 980)	(126 640)
Cash flows from investing activities				
Investments in associates	(258)	(93)	(1 274)	(5 066)
Purchases of property, plant and equipment	(7 379)	(29 531)	(60 051)	(97 171)
Purchases of biological assets	-	(55)	(262)	(55)
Purchases of intangible assets	-	(12)	(221)	(225)
Proceeds from sale of property, plant and equipment	-	-	-	18
Proceeds from sale of biological assets	1 015	207	1 194	308
Net cash used in investing activities	(6 622)	(29 484)	(60 615)	(102 191)
Cash flows from financing activities				
Proceeds from share issue net of transactions costs	-	-	247 390	81 108
Realised stock options	-	-	-	4 920
Related party investment in Talvivaara shares	-	-	(186)	-
Proceeds from interest-bearing liabilities	-	-	-	130 000
Proceeds from advance payments	-	9 731	19 488	32 080
Buy-back of convertible bonds	-	-	-	(8 168)
Payment of interest-bearing liabilities	(690)	(2 017)	(82 288)	(15 070)
Net cash generated from financing activities	(690)	7 714	184 404	224 871
Net increase (decrease) in cash and cash equivale	(40 597)	(51 248)	(30 191)	(3 961)
Cash and cash equivalents at beginning of the period	46 463	87 306	36 058	40 019
Cash and cash equivalents at end of the period	5 867	36 058	5 867	36 058

NOTES

1. Basis of preparation

This year-end 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 taking into account the corporate reorganisation proceedings that commenced in respect of the Company on 29 November 2013 and in respect of Talvivaara Sotkamo on 17 December 2013. The reorganisation proceedings are governed by the Reorganisation Act. The reorganisation proceedings and their impact to the preparation of the 2013 financial statements are explained in more detail in the audited consolidated financial statements under Note 1.

As described elsewhere in this earnings release and in Note 1 to the audited consolidated financial statements authorised for issue on 29 April 2014 under the heading Going concern, the financial statements have been prepared on a going concern basis despite the company's challenging liquidity position, as at the date of the authorisation of the financial statements the Board of Directors, Management and the Administrator do not contemplate the liquidation of the Company or Talvivaara Sotkamo.

Further, the ongoing reorganisation proceedings and the Administrator's and the District Court's role have been considered in the preparation of both the consolidated and parent company financial information as described under Note 1 to the audited consolidated financial statements under Basis of Presentation.

This year-end report should be read in conjunction with Talvivaara's audited consolidated financial statements for year 2013 authorised for issue on 29 April 2014.

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 January 2013	376 741	114 378	281 208	229 479	1 001 807
Additions	539	49 457	8	-	50 004
Deductions	-	(2 652)	-	-	(2 652)
Transfers	29 802	(56 030)	13 562	12 666	-
Gross carrying amount at 31 December 2013	407 082	105 153	294 778	242 145	1 049 159
Accumulated depreciation and impairment losses at 1 January 2013	96 675	-	44 918	50 761	192 354
Depreciation for the period	31 112	-	12 784	8 655	52 550
Impairments	165 634	67 305	147 767	118 594	499 300
Accumulated depreciation and impairment losses at 31 December 2013	293 421	67 305	205 469	178 010	744 204
Carrying amount at 1 January 2013	280 066	114 378	236 290	178 718	809 452
Carrying amount at 31 December 2013	**113 661**	**37 848**	**89 309**	**64 135**	**304 955**

The decline in the nickel market price, challenges related to the production and water management together with the Company's weakened liquidity and the filing for corporate reorganisation by the Company and Talvivaara Sotkamo on 15 November 2013 were identified as impairment indicators by management and, following an impairment test performed for Talvivaara's mining assets in Sotkamo, an impairment charge of EUR 499 million was made at the year-end 2013. Accordingly, the carrying amount of the PP&E was written down to its recoverable amount of EUR 305 million. Impairment charges and judgement applied are further discussed in the audited consolidated financial statements for year 2013 in notes 6 and 9.

3. Trade receivables

(all amounts in EUR '000)

	31.12.2013	31.12.2012
Nickel-Cobalt sulphide	9 977	25 254
Zinc sulphide	375	6 912
Copper sulphide	37	8
Total trade receivables	**10 389**	**32 174**

4. Inventories

(all amounts in EUR '000)

	As at 31 Dec 2013	As at 31 Dec 2012
Raw materials and consumables	24 800	21 077
Work in progress	234 193	272 775
Finished products	2 457	3 909
Total inventories	**261 451**	**297 761**

In late 2013, the decision was taken to no longer actively leach the oldest parts of the secondary heaps and to disconnect them from the leach solution circulation in the near future. Accordingly, it was concluded that the remaining metals in these heap sections would no longer be recoverable and that the estimated cost of completion relative to the metal contents and anticipated recoveries in the actively leached heap sections would therefore increase. In view of the anticipated metal prices in the foreseeable future, it was further concluded that the net realizable value of the actively leached inventory was less than its estimated cost of completion. As a result, the Company recognised a write-down of EUR 93.7 million for the work in progress inventory. As at 31 December 2013, the carrying amount of work in progress inventory after the write-down was EUR 234 million, reflecting its net realisable value.

The write-down of finished products recognised as expense amounted to EUR 0.9 million in 2013 (2012: EUR 0.1 million). In addition, Talvivaara had earlier, as at 30 September 2013, recognised a write-down of work in progress inventory of EUR 3.6 million.

Write-downs of inventories are further discussed in Notes 6 and 17 to the audited consolidated financial statements for year 2013.

5. Borrowings

(all amounts in EUR '000)

Non-current	As at 31 Dec 2013	As at 31 Dec 2012
Capital loans	-	1 405
Investment and Working Capital loan	-	51 600
Senior Unsecured Bonds due 2017	-	108 683
Revolving Credit Facility	-	69 451
Senior Unsecured Convertible Bonds due 2015	-	225 875
Finance lease liabilities	17 000	30 748
Other	13 593	18 266
	30 592	**506 028**
Capital loans	1 405	-
Perpetual capital loan	35 106	-
Investment and Working Capital loan	57 855	6 430
Senior Unsecured Convertible Bonds due 2013	-	75 805
Finance lease liabilities	7 032	11 558
Revolving Credit Facility	70 000	-
Senior Unsecured Bonds due 2017	110 000	-
Senior Unsecured Convertible Bonds due 2015	242 613	-
	524 011	**93 793**
Total borrowings	**554 603**	**599 821**

Of the above tabled borrowings and capital loans, all others except the finance lease liabilities are reorganisation debts that may be restructured as part of the corporate reorganisation programme. The secured borrowings, which comprise the Revolving Credit Facility and the Investment and Working Capital Loan, may only be reduced if and to the extent the security pledged to them does not cover their nominal amount. Finance lease liabilities are reorganisation debts only to the extent there were unpaid, overdue lease payments at the time of the Company and Talvivaara Sotkamo’s application for corporate reorganisation. The amount of such overdue lease payments was approximately EUR 1.15 million. All amounts of reorganisation debts remain subject to change at the time of these financial statements and may only be finalized as the eventual reorganisation programmes are authorised**.**

The majority of the Group’s long-term borrowings have been reclassified as current following breach of covenants or events of default stemming from the Company and Talvivaara Sotkamo applying for corporate reorganisation. However, as the restructuring plan which is expected to be developed and authorised as part of the ongoing corporate reorganisation proceedings has not yet been prepared, there is uncertainty about the repayment amounts and maturities of the borrowings. Further, the breach of covenants or events of default have resulted in the measurement of borrowings at their nominal value. As a result, the unamortised transaction costs have also been recognised as expenses. Detailed information is disclosed in notes 5 and 23 to the audited consolidated financial statements for year 2013.

6. Advance payments

(all amounts in EUR '000)

Non-current	As at 31 Dec 2013	As at 31 Dec 2012
Deferred zinc sales revenue	216 713	219 385
Deferred uranium sales revenue	53 928	46 462
	270 641	**265 847**
Current		
Deferred zinc sales revenue	15 456	7 790
Other	-	67
	15 456	**7 857**
Total advance payments	**286 097**	**273 704**

7. Provisions

(all amounts in EUR '000)

	Gypsum pond	Water balance	Environmental	Mining fee	Total
As at 31 Dec 2011	**-**	**-**	**5 925**	**110**	**6 035**
Charged/(credited) to the income statement:					
Additional provisions	12 156	9 082	216	44	21 497
Unwinding of discount	-	-	(5)	-	(5)
As at 31 Dec 2012	**12 156**	**9 082**	**6 136**	**155**	**27 528**
Charged/(credited) to the income statement:					
Additional provisions	-	3 965	694	7	4 666
Unused amounts reversed	(579)	-	-	-	(579)
Unwinding of discount	-	-	19	-	19
Used during the period	(7 802)	(10 516)	-	-	(18 318)
As at 31 Dec 2013	**3 775**	**2 531**	**6 849**	**162**	**13 316**

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

(all amounts in EUR '000)	As at 31 Dec 2013	As at 31 Dec 2012
Non-current		
Gypsum pond leakage	3 775	5 000
Environmental restoration	6 849	6 136
Mining fee	161	154
	10 785	11 290
Current		
Gypsum pond leakage	-	7 156
Water balance management	2 531	9 082
	2 531	16 238
Total	**13 316**	**27 528**

8. Changes in the number of shares issued

	Number of shares
As at 31 Dec 2012	**272 309 640**
Rights issue	1 633 857 840
As at 31 Dec 2013	**1 906 167 480**

9. Contingencies and commitments

(all amounts in EUR '000)

The future aggregate minimum lease payments under non cancellable operating leases

	As at 31 Dec 2013	As at 31 Dec 2012
Not later than 1 year	1 812	1 910
Later than 1 year and not later than 5 years	552	1 036
Later than 5 years	29	47
	2 393	2 993

Capital commitments

At 31 December 2013, the Group had commitments of EUR 1.2 million (31 December 2012: EUR 15.1 million) principally relating to the completion of the Talvivaara mine and improving its environmental safety as well as the reliability and expansion of production capacity. These commitments are for the acquisition of new property, plant and equipment.

10. Deferred tax assets

Talvivaara has in its historical financial statements and through the 30 September 2013 interim closing continued to recognise deferred tax assets on tax loss carry forwards in its consolidated balance sheet. As at 31 December 2013 the Company undertook a review of the amount of deferred tax assets recognised on tax loss carry forwards in order to assess the recoverability of the recorded deferred tax assets. Based on the detailed review, management concluded that, due to the historical losses of the mine project, the experienced delays in the ramp-up process, the material uncertainties related to the Company's ability to obtain further funding and its ongoing corporate restructuring proceedings, it has de-recognized deferred tax assets in the amount of EUR 75.5 million in its FY 2013 results, leaving the Company with a zero net deferred tax position. Detailed information is disclosed in notes 6 and 26 to the audited consolidated financial statements for year 2013.

Key financial figures of the Group		Three months to 31 Dec 2013	Three months to 31 Dec 2012	Twelve months to 31 Dec 2013	Twelve months to 31 Dec 2012
Net sales	EUR '000	12 603	25 694	77 572	142 948
Operating loss	EUR '000	(628 728)	(57 007)	(701 801)	(83 588)
Operating loss percentage		-4988,7 %	-221,9 %	-904,7 %	-58,5 %
Loss before tax	EUR '000	(651 224)	(70 770)	(758 043)	(129 292)
Loss for the period	EUR '000	(731 765)	(59 390)	(812 447)	(103 911)
Return on equity		-779,2 %	-17,7 %	-8424,0 %	-33,0 %
Equity-to-assets ratio		-46,1 %	24,3 %	-46,1 %	24,3 %
Net interest-bearing debt	EUR '000	548 736	563 763	548 736	563 763
Debt-to-equity ratio		190,9 %	183,8 %	190,9 %	183,8 %
Return on investment		-113,2 %	-4,9 %	-128,7 %	-6,7 %
Capital expenditure	EUR '000	7 380	29 598	60 535	97 451
Property, plant and equipment	EUR '000	304 956	809 452	304 956	809 452
Borrowings	EUR '000	554 603	599 821	554 603	599 821
Cash and cash equivalents	EUR '000	5 867	36 058	5 867	36 058

Share-related key figures		Three months to 31 Dec 2013	Three months to 31 Dec 2012	Twelve months to 31 Dec 2013	Twelve months to 31 Dec 2012
Earnings per share[4]	EUR	(0,43)	(0,19)	(0,48)	(0,35)
Equity per share[4]	EUR	(0,19)	1,15	(0,19)	1,15
Development of share price at London Stock Exchange					
Average trading price[1]	EUR	0,07	1,35	0,12	2,50
	GBP	0,06	1,09	0,10	2,02
Lowest trading price[1]	EUR	0,03	1,03	0,03	1,03
	GBP	0,03	0,83	0,03	0,83
Highest trading price[1]	EUR	0,11	1,99	1,34	4,43
	GBP	0,09	1,61	1,14	3,59
Trading price at the end of the period[2]	EUR	0,08	1,25	0,08	1,25
	GBP	0,07	1,02	0,07	1,02
Change during the period		-19,7 %	-32,8 %	-93,2 %	-48,8 %
Price-earnings ratio		neg.	neg.	neg.	neg.
Market capitalization at the end of the period[3]	EUR '000	159 759	341 597	159 759	341 597
	GBP '000	133 622	278 777	133 622	278 777
Development in trading volume					
Trading volume	1000 shares	488 298	23 737	776 597	103 218
In relation to weighted average number of shares		34,1 %	8,9 %	54,2 %	38,7 %
Development of share price at OMX Helsinki					
Average trading price	EUR	0,07	1,31	0,11	2,31
Lowest trading price	EUR	0,03	1,08	0,03	1,08
Highest trading price	EUR	0,11	2,00	1,39	4,35
Trading price at the end of the period	EUR	0,08	1,24	0,08	1,24
Change during the period		-26,8 %	-34,5 %	-93,9 %	-50,2 %
Price-earnings ratio		neg.	neg.	neg.	neg.
Market capitalization at the end of the period	EUR '000	145 059	338 209	145 059	338 209
Development in trading volume					
Trading volume	1000 shares	1 833 128	62 472	3 086 423	209 565
In relation to weighted average number of shares		128,0 %	23,4 %	215,6 %	78,5 %
Adjusted average number of shares		1 431 677 258	266 846 084	1 431 677 258	266 846 084
Fully diluted average number of shares		1 530 295 193	265 742 084	1 530 295 193	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

1) Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period.
2) Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.
3) Market capitalization is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.
4) 2012 figures restated as described in note 44 to the audited consolidated financial statements for year 2013

Employee-related key figures

		Three months to 31 Dec 13	Three months to 31 Dec 12	Twelve months to 31 Dec 13	Twelve months to 31 Dec 12
Wages and salaries	EUR '000	4,204	5,982	23,274	23,080
Average number of employees		558	584	603	547
Number of employees at the end of the period		549	588	549	588

Other figures

	Three months to 31 Dec 13	Three months to 31 Dec 12	Twelve months to 31 Dec 13	Twelve months to 31 Dec 12
Share options outstanding at the end of the period	16,289,000	5,958,837	16,289,000	5,958,837
Number of shares to be issued against the outstanding share options	16,289,000	5,958,837	16,289,000	5,958,837
Rights to vote of shares to be issued against the outstanding share options	0.8 %	2.1 %	0.8 %	2.1 %

Key financial figures of the Group

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

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

Share-related key figures

Earnings per share
$$\frac{\text{Loss attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$$

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

Price-earnings ratio
$$\frac{\text{Trading price at the end of the period}}{\text{Earnings per share}}$$

Market capitalization at the end of the period: Number of shares at the end of the period * trading price at the end of the period