FINNISH MINERALS GROUP
SUOMEN MALMIJALOSTUS

ANNUAL REPORT 2020

ANNUAL REPORT 2020

Layout: Graphic Room

The making of it

PICK one or two items that describe the work you do. This is how we started our annual report project in late autumn 2020.

As a result, a law book, laboratory equipment and safety gear now make their appearance in our annual report, telling about the work that we at Finnish Minerals Group did ourselves and had others do for us over the past year.

At the end of the year, we were still a small organisation. The creation of our annual report, however, was a broad-based collaboration process of the personnel. In addition to arranging photographs, we wrote texts, prepared graphs, and put together numbers. We also did a lot of commenting and fact-checking.

We hope that you find our report interesting to read and view.

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2020 IN REVIEW

We updated our strategy and continued our work on building the battery value chain.

MISSION

Responsibly maximising the value of Finnish minerals

VISION

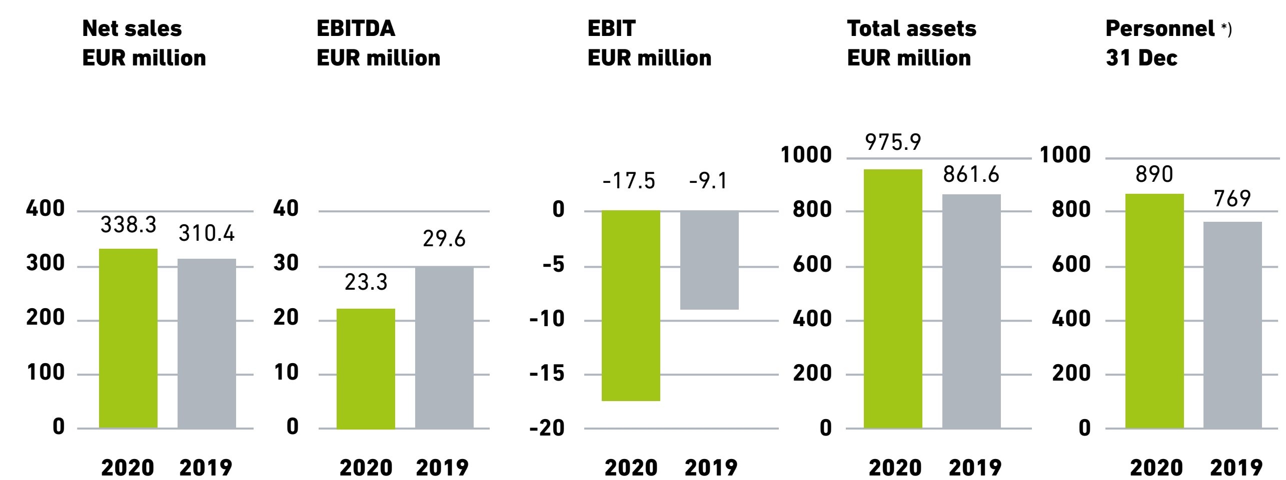
We will bring active and competent capital to a technologically advanced mining industry. We will create an integrated electric vehicle battery value chain in Finland.

STRATEGIC OBJECTIVES

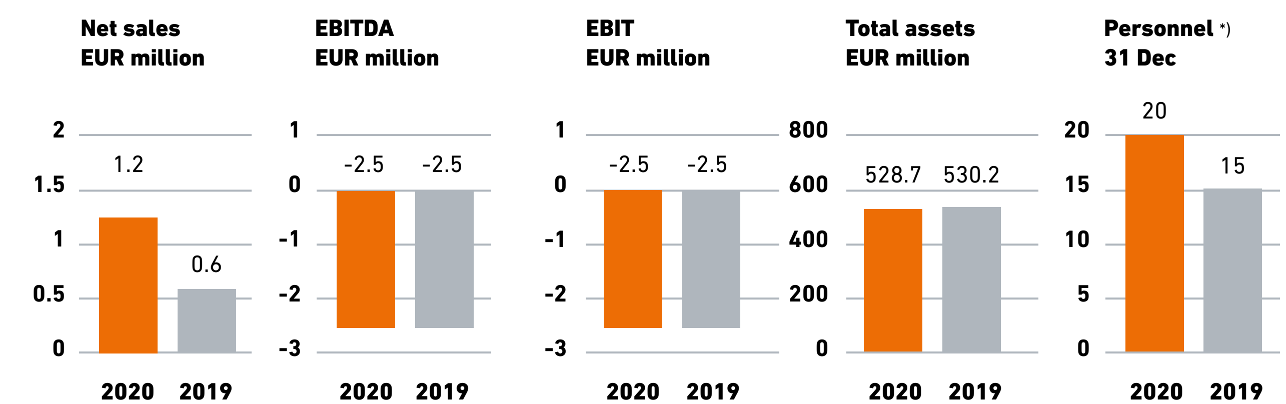
KEY FIGURES 2020

The Group companies comprise Finnish Minerals Group as well as Terrafame Oy, Sokli Oy and Finnish Battery Chemicals Oy and its subsidiaries.

GROUP COMPANIES



FINNISH MINERALS GROUP



*) Including personnel of the wholly onwed subsidiaries as well as staff leasing.

CEO'S REVIEW

STEP BY STEP DOWN THE BATTERY VALUE CHAIN

During the year, we made the most progress with battery materials production projects.

IN EARLY 2020, the EU initiated extensive measures aimed at making Europe the world's first climate neutral continent by 2050. Known as the European Green Deal, this programme calls for responsible mining operations and further processing of mineral raw materials to enable, for example, the electrification of road transport.

The strategy of Finnish Minerals Group was also updated, and we defined the development of an electric car battery value chain more clearly as our main goal. During the year, investment-related preparatory work progressed the most in battery materials production projects. Battery cell production and circular economy projects were also high on our list of priorities.

During the year, the traceability of mineral raw materials was identified globally as in important area of development for the mining and battery industry. Mineral traceability will enable us as consumers to choose responsibly produced products and thus exert end-to-end effects on value chains. Finnish Minerals Group aims to be involved in creating policies on traceability and, in the following years, engage in extensive co-operation to make traceability part of everyday life. At its best, being able to track minerals all the way from the consumer product to the mine provides a competitive advantage for responsible mining operators, whilst helping to increase the use of metals available through recycling.

As a humanity, climate change is making us more and more dependent on mineral raw materials. This increasing dependency was highlighted in the autumn when the European Commission published the list of critical raw materials and the related, highly challenging demand forecasts. We will continue to be involved in developing solutions for more efficient recovery of minerals and the reduction of waste and emissions.

In December, we singed a deal with Yara Suomi for the rights to Sokli mining project located in Northern Finland. After the decision on the rights to the mining project has become final, we will carry out feasibility surveys on, for example, rare earth elements before we make any decisions about where we want to take the project in the future.

As regards Sotkamo Silver, we concluded at the end of the year that our small ownership share in the mining project, which had started off well, was not strategic to us. Therefore, we sold our share in the company so that we could focus more clearly on our core activities.

Terrafame and Keliber are an essential part of the Finnish battery value chain, so these companies continued to be in our portfolio.

Developing the battery value chain is both challenging and rewarding. Through our efforts, we can create work and livelihoods as well as new opportunities for the future. By developing a new type of industry, we are also playing our part in curbing emissions from transport and climate change. Based on this, our owner, the Finnish government, decided in the summer to allocate EUR 450 million to our company.

Measured by number of personnel, Finnish Minerals Group is still a small company. That is why each of us needs to be ready to handle many kinds of tasks in a rapidly changing environment. I would like to thank our personnel for the enthusiastic atmosphere that they are all creating and for their dedication to the demanding work we are doing. I am sure that our corporate culture will support our determined efforts in the coming years as well.

MATTI HIETANEN
CEO
Finnish Minerals Group

KEY EVENTS 2020

JANUARY

- We tell the public that we are getting ready to carry out the EIA procedure for battery materials production. The potential locations for plants are Kokkola, Vaasa, Kotka and Hamina.

FEBRUARY

- We invest EUR 30 million in equity financing in the battery chemicals plant of our subsidiary Terrafame Oy, in accordance with the funding package prepared by the company owners in 2018.
- Our portfolio company, Keliber Oy, launches a directed share issue for shareholders and personnel. We invest EUR 2.35 million in the company.
- Business Finland grants funding for the development of Keliber's lithium chemical production and Terrafame's battery chemicals plant. The projects are part of a EUR 3.2 billion public assistance for battery industry research and innovation projects (IPCEI), approved by the European Commission. The funding is granted by the Member States.

MARCH

- Our project company, Finnish Battery Chemicals Oy, initiates the EIA procedure for precursor and cathode active material production.
- Hannu Hautala starts as the CEO of Keliber Oy.
- Antti Kummu is appointed Chair of the Board of Finnish Minerals. The Board of Directors continues its work with five members.

APRIL

- Our portfolio company, Sotkamo Silver AB, organises a rights issue for shareholders. In accordance with our shareholding, we invest approximately EUR 100,000 in the company.
- Terrafame Oy initiates the EIA procedure for the ore deposit in Kolmisoppi and the expansion of the mining concession.
- The BATTRACE project, which focuses on the development of mineral traceability, is launched.
- The Chemical Industry Federation of Finland establishes an advisory group on batteries, which also includes representatives from Finnish Minerals Group and Terrafame Oy.

MAY

- The Centre for Economic Development, Transport and the Environment for Southeast Finland issues a statement on the EIA programme for the battery materials production.

JUNE

- Competence surveys are carried out for the preparation of an individual development plan for each member of personnel.

CHAIR OF THE BOARD

FIVE QUESTIONS TO THE CHAIR OF THE BOARD

According to Chair of the Board Antti Kummu, the company has made a good contribution to the development of the battery cluster.

1. How was the year for Finnish Minerals Group?

This has been a significant and busy year for Finnish Minerals Group. The company facilitated negotiations on several battery cluster investment projects, and the financial resources were bolstered through capital allocation. For our subsidiary Terrafame, this has been a year of construction, namely the building of the battery chemicals plant and the related preparedness.

2. What were the year's biggest challenges?

Globally, the coronavirus (COVID-19) pandemic affected all operations. However, there were fewer direct impacts on the operations of Finnish Minerals Group compared to many other sectors. Many complex and large undertakings were underway in the company, but our staff rose to the challenge.

3. How do you think the company has succeeded so far?

The company has advanced the fulfilment of its mission with a professional approach and the creation of a positive image for Finland as an attractive target for investment.

4. How has the Board of five people worked for the company?

With the current composition of the Board of Directors, we have a good combination of expertise in mining, industry, investing and corporate governance. Being a state-owned special-purpose company sets Finnish Minerals Group apart from other companies in many ways. The company's undertakings are exceptionally complex and have far-reaching influence. The Board's work successfully combined all these aspects when assessing the implementation of the company's strategy and undertakings.

5. How do you expect Finnish Minerals Group to develop in the next two to three years?

Through its ownership, the company will become a key player with industrial operations related to both the mining and battery sectors and possibly recycling as well. The company's importance for the economy will increase with the emergence of the battery industry as a major industrial cluster in Finland.

Antti Kummu started as Chairman of the Board in 2020.

JULY

- The state announces its preparedness to capitalise the state-owned Finnish Minerals Group with EUR 450 million.
- Preparations for the national battery strategy commence.

AUGUST

- Terrafame's owners and Terrafame agree on funding rearrangement and the further financing of operations.
- An internal survey on human rights is sent to personnel and Board of Directors.

SEPTEMBER

- Finnish Minerals Group introduces principles of corporate responsibility for its suppliers.
- We join the European Raw Material Alliance (ERMA) as a founding member.
- The European Commission publishes the list of critical raw materials, which is reviewed every three years. The list has four new raw materials, including lithium.
- Terrafame publishes a report, which shows that its bioleaching process-based carbon footprint for nickel sulphate is approximately 60 per cent lower than that of conventional production technologies.

OCTOBER

- Finnish Battery Chemicals Oy decides to carry out the EIA procedure for battery materials production in two parts.

NOVEMBER

- The updating of the strategy is completed. The company strategy prioritises the developing of a battery value chain.

DECEMBER

- We join the Batteries European Partnership Association (BEPA) as a founding member.
- The first Letters of Intent concerning the sites of battery material plants are signed with the cities of Kotka and Hamina.
- Finnish Minerals Group acquires rights to Sokli mining project.
- We complete the divestment of Sotkamo Silver shares through stock exchange transactions.

MOTIVATED EXPERTS HELP ACHIEVE THE OBJECTIVES

Personnel development continued in exceptional circumstances on the basis of competence assessments and personal competency development plans.

THE CORONAVIRUS pandemic did not stop Finnish Minerals Group's long-term operational development efforts in 2020. During the year, we strengthened our organisation by hiring six new employees.

Coronavirus guidance for employees was prepared and updated accordingly, based on the authorities' latest recommendations. The pandemic and remote work situation also led us to revising our working practices, such as the use of electronic tools. Virtual coffee breaks and lunch meetings in small groups were our way of keeping up the community spirit.

The occupational health care action plan was updated during the autumn. The efforts to support health and working capacity and the use of safe working practices included vaccines, corona tests and improvement of ergonomics at work, as well as the active prevention of illnesses and accidents.

HR policy for equality

Early in the year, a human resources policy was prepared for the company. Its main objectives are to promote the implementation of the company's strategy, ensure the health and safety and job satisfaction, and encourage personnel to develop their competencies and roles at work by participating in further training, for example.

Finnish Minerals Group strives to guarantee equal opportunities and treatment for all employees and to prevent discrimination at work. The company actively promotes the careers of women to bridge the gender gap in the mining and battery industry, and provides a safe and unbiased work environment and atmosphere in which everyone's views are respected.

The occupational well-being at our company is assessed with a barometer twice a year. Despite the challenges to the operational environment in 2020, the barometer results were on a very good level.

Competence assessments support development

In the spring, a company specialising in personal assessment and coaching did a competence assessment for us and, based on the results, personal development plans were prepared for everyone. The plans were utilised for our development discussions in the autumn.
The company's strategy, organisation, and division of roles were updated in late 2020. The aim of the revised strategy's personnel-related objectives is to ensure job satisfaction and motivation, a maximised level of expertise, high level of skills and knowledge, and responsible conduct in the future as well.

4,3

In the autumn job satisfaction barometer, the personnel assessed the meaningfulness of their work on a scale of 1 to 5. The total average based on all responses was 4.3.

20
At the end of 2020, the company and its wholly owned subsidiaries employed 20 people.

40
The average age of the personnel at the end of the year was 40 years, and the age distribution was fairly balanced.

90/10
At the end of the year, 90% of the employees worked on a permanent contract and 10% on a fixed-term contract.

11/9
The company's gender distribution in 2020 was even; 11 were men and nine were women.

12
The total number of training days was 12. In addition, many participated in various seminars.

74
During the year, the personnel took a total of 74 days of sick leave. No accidents at work occurred.

A lawyer can also get excited about the battery value chain

I JOINED the company in 2016, when the name was still Terrafame Group and the main goal was to get on top of things at Terrafame. I remember vividly my first visit to Terrafame: it was on my 30th birthday, and the place was dark, cold and deserted. But I saw light in people's eyes.

Getting the mine up and running again was a huge challenge which, at the time, interested me more than a career as an attorney. Where there are challenges, lawyers are usually needed. Bit by bit, things started to work out – thanks to our strong team spirit – and Terrafame's mine got a second chance at success.

My job here is still exciting. The international prospects and cultural encounters of the projects for building a battery value chain in Finland have been fascinating, while the Finnish legal system and culture also play a strong role in my everyday work.

We know that law is not an exact science. It is more like a message being passed from person to person. Speaking for myself, I am lucky to have a diverse team of open-minded, smart colleagues with a great sense of humour around me who are committed and excited about working together for a common goal.

EMIL VIITALA
Legal Counsel

BUSINESS AREAS

We proceeded in the preparation of first investments and signed a deal for the Sokli mining project. Our technology work focused on environmental technologies and traceability of minerals.

INVESTMENT FOCUS WAS ON LARGE HOLDINGS

We signed a deal for the rights to the Sokli mining project, divested our ownership in Sotkamo Silver, and continued as Terrafame's parent company and largest owner of Keliber.

TIMO KÄRKKÄINEN, Investment Director

FINNISH Minerals Group aims to add value to its portfolio companies, ensure responsible operations and increase shareholder value.

We participated actively in the development of our portfolio companies in 2020. We maintained regular dialogue with the companies' management and other owners, and participated in their financing arrangements.

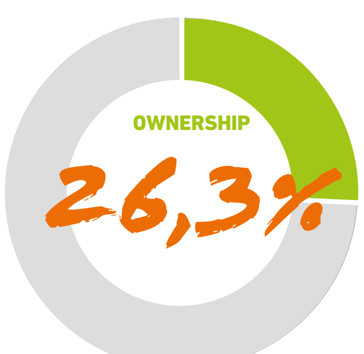
In December, we acquired the rights to Sokli mining project. At that time, Sokli's environmental permit was still under review by the Supreme Administrative Court and the execution of the new mining concession was expected to be completed in 2021. Our next step is to analyse the opportunities for mineral recovery activities in the area.

In late 2020, we divested our 2.0% in Sotkamo Silver in order to focus on our larger mining sector holdings and on developing the battery value chain. Overall, the investment was EUR 0.1 million negative despite the increase in the company's share value after the spring share issue, in which we participated based on the number of shares owned.

KELIBER OY

Planned products: Lithium hydroxide
Net sales: —

Keliber had a share issue in which we increased our holding by two percentage points. The company also relocated the planned enrichment plant to Päiväneva and raised the production volume for lithium hydroxide to 15,000 t/a. The EIA report on the lithium province expansion and the environmental permit application for the chemical plant were filed in late 2020. The target is to start the production in 2024.



SOKLI OY

Potential products: phosphorus, iron, rare earth elements
Net sales: —

After the decision to transfer the project to us has become final, we will develop Sokli through our fully-owned project company Sokli Oy. The work includes analysing the opportunities to establish profitable, responsible mining operations in Sokli and examining the transport connections, by-product production potential and best ore recovery technologies for the project. The current estimate is that about EUR 1 billion will be needed to launch mining operations in Sokli.

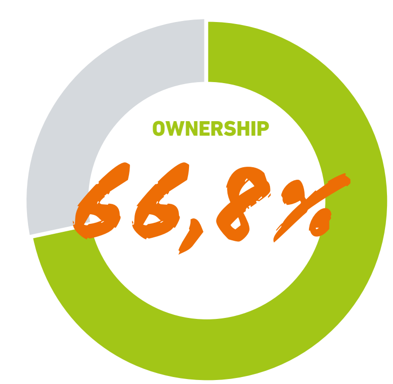
TERRAFAME OY

Products: nickel-cobalt, zinc, copper; from 2021: nickel sulphate and cobalt sulphate
Net sales: EUR 338.3 million

Terrafame's most significant development project this past year was the battery chemicals plant, the construction of which will be completed at the beginning of 2021. In the future, the company will carry out the further processing of its main product into nickel sulphate and cobalt sulphate used in the manufacture of electric car batteries, taking a step downstream in the battery value chain. The process also generates ammonium sulphate, which can be commercialised.

In February, we invested EUR 30 million in the battery chemicals plant, in accordance with the 2018 financing agreement. In August, Terrafame's owners and Terrafame agreed on funding rearrangement and further financing for the company to ensure the completion of the plant project and development efforts under uncertain market conditions. As part of the funding package, we agreed to grant at most approximately EUR 80.5 million of equity financing to Terrafame.

In September, Terrafame published a verified life cycle analysis showing that the carbon footprint from nickel sulphate at its new plant will be more than 60% lower than the carbon footprint of nickel sulphate produced using conventional production technology. The main reasons for this are the bioleaching-based, energy-efficient process and the integrated production method.



Nickel and cobalt sulphates produced at Terrafame's battery chemicals plant are used in the manufacture of electric car batteries.

ENHANCING BUSINESS DEVELOPMENT THROUGH TECHNOLOGY

Our technology work focused more on business development priorities and clarified its R&D role.

JANI KIURU, Chief Technology Officer

LAST year, the technology team's resources were mostly allocated to supporting investment activities as well as to the development of battery operation business. For this reason, we did less actual R&D work.

Several due diligence processes were prepared in pursuit of additional funding and new investments, and the technical performance of our portfolio companies was actively monitored. The technology team was also strongly involved in the EIA process for battery materials production and the related technological work.

Two new projects

The Important Project of Common European Interest (IPCEI) process prepared in 2019 got the Commission's approval late in 2019. In early 2020, Business Finland made a decision to fund the part that concerns Terrafame's battery chemicals production.

The national BATTRACE project for the traceability of mineral raw materials was launched in early 2020. The project aims to develop the information on the origin of minerals so as to support sustainable mining and the use of recycled metals. We made good progress in our traceability research theme.

In late 2020, we participated in the preparations for BatCircle 2.0. If implemented, this circular economy project will start in early 2021. Our role will cover topics such as battery cell development, nickel refining, and research in battery materials.

Some previous R&D projects came to an end. One of these related to Terrafame's manganese recovery and productisation project. Its further planning will be carried out as part of Terrafame's operational development work.

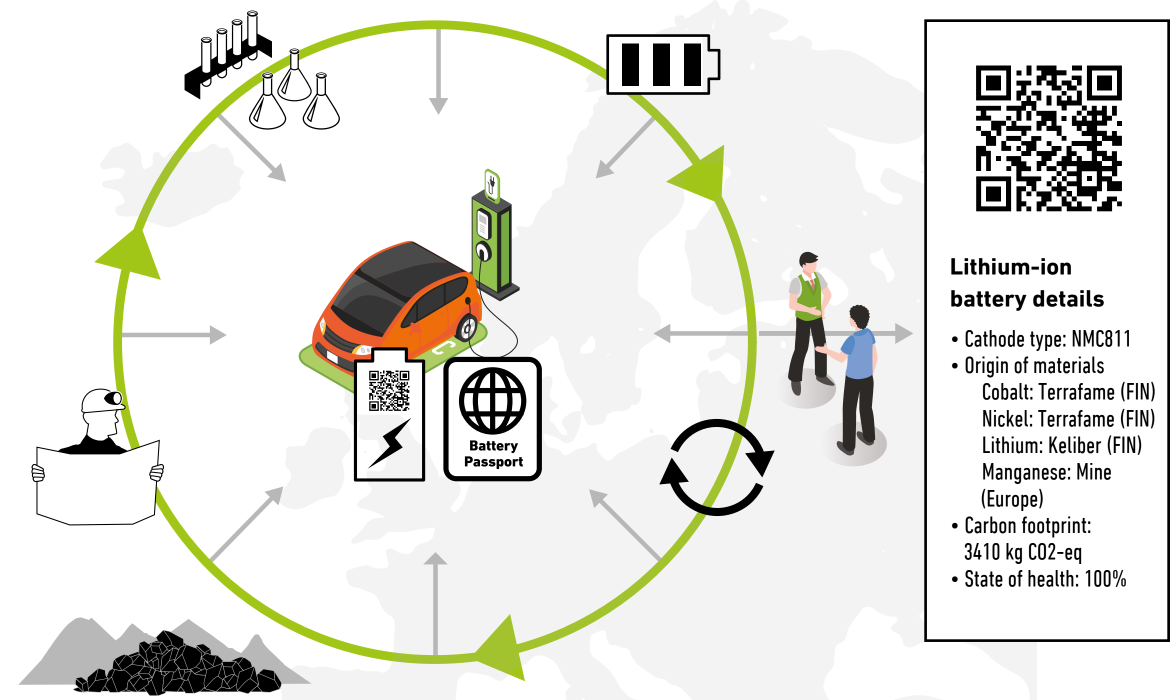
Focus on environmental technologies and traceability

Near the end of summer, we recruited a new person to enhance our expertise in battery chemistry. Recruitments were also aimed at supporting our mining investments and the technical monitoring of portfolio companies.

With a clear project and programme entity, we can offer technical insights for investment projects, portfolio company monitoring, and development work. Our focus areas support out company's responsibility and value creation targets.

In the future, opportunities related to environmental technologies and traceability will be prioritised in our work. We contribute to making the most of minerals sector for enabling the transition from fossil fuels to a green mining-based mineral economy.

> "Our focus areas support both responsibility and value creation."



Taking responsibility by improving mineral traceability

TRACEABILITY is a key means of maximising the value of Finnish minerals. It enables European and Finnish actors to verify their responsibility and enhance competitiveness. By being actively involved in developing traceability, we can influence the system functionalities and emphasise the industry's needs from our perspective. A more transparent value chain could increase accountability and encourage to choose responsible solutions.

Traceability is the process of tracking the full journey of products and entering real time data into a traceability system throughout the product lifecycle. Changed into environmental, social and economic indicators, the data can be used to develop one's own operations or convey it further down the value chain.

For example, battery material recyclers would benefit from knowing what materials the battery contains so that they can optimise the recycling process. Our portfolio companies could use the data to improve process and material efficiency.

In the future, traceability could be visible, for example, in a car dealership, where the consumer could more extensively compare the carbon footprint of the manufacturing process or the origin of an electric car's battery materials.

RONJA RUISMÄKI
Development Engineer

THE FIRST INVESTMENT PREPARATIONS PROCEEDED AS PLANNED

The transition to electric car production in the European automotive industry strongly continued, and substantially more investments were made in the battery value chain supporting this change.

VESA KOIVISTO, SVP, Battery Operations

AT the end of the year, a total of 16 gigafactories were planned around Europe. As the newest entrant to Europe, Tesla started building a gigafactory for the production of both battery and electric cars on a site in Germany, near Berlin. ACC, a new European actor established jointly by French companies Total and PSA, launched the planning of two new battery cell plants in Europe: one in Douvrin, France, and the other in Kaiserslautern, Germany.

The production capacity planned for 2029 grew over the year from approximately 350 GWh to over 500 GWh (Source: Benchmark Minerals). In addition to new projects, higher production capacity targets were also announced by actors engaged in the preparations of ongoing projects.

The increase in battery cell production capacity is directly reflected in the demand for battery materials. The coronavirus pandemic marking the year 2020 made it difficult for global logistics chains to operate, further underlining the importance of local production in Europe.

The EIA procedure in the final phase

Based on a comprehensive survey of potential locations for new battery materials production plants completed in 2019, four sites were selected for the environmental impact assessment (EIA) procedure launched in early 2021 under our project company Finnish Battery Chemicals Oy.

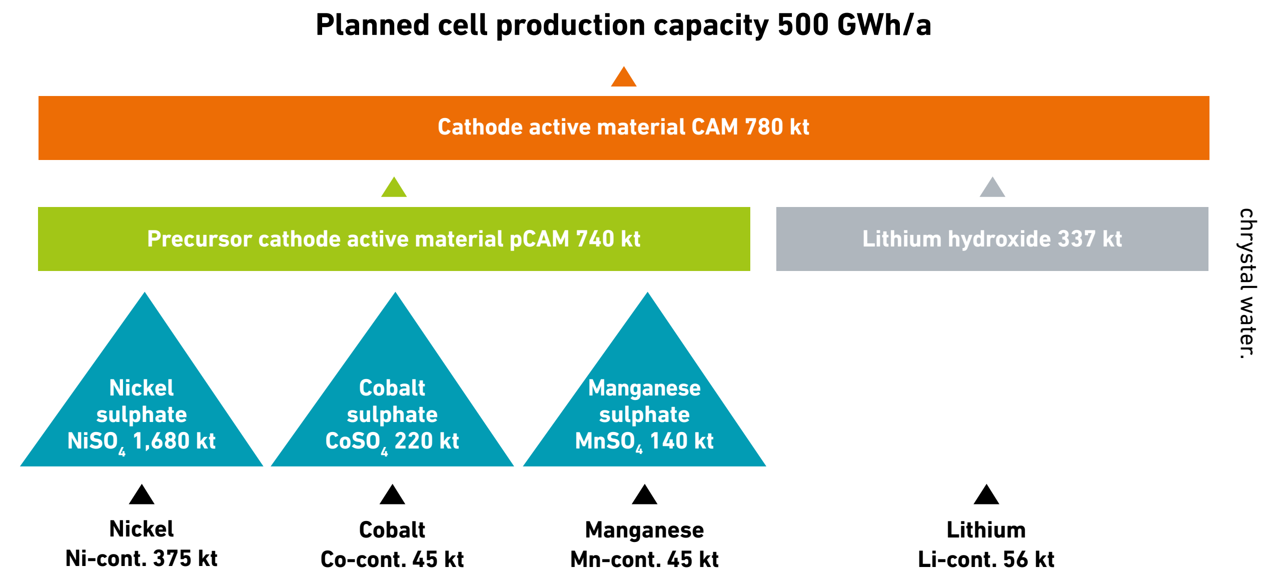
The programme phase of the EIA procedure involved examining Hamina and Kokkola as potential locations for a pCAM plant, while Kotka and Vaasa were considered for the placement of both a CAM plant and combined pCAM and CAM production. The EIA procedure's programme phase was completed in May with a statement issued by the co-ordinating authority, the Centre for Economic Development, Transport and the Environment for Southeast Finland.

After the programme phase, we started getting ready for the EIA procedure's report phase, and soon realised that the procedure as a whole would benefit from being divided into two parts. For the rest of the year, we focused on the preparations for the report phase on the two sites located in the Kymenlaakso region, Hamina and Kotka.

Feasibility studies started

The partnership negotiations concerning investments in battery material plants progressed well during the year. The project proceeded to the feasibility study phase for the pCAM and CAM plants together with the partners.

As part of the preparatory work, our project company signed preliminary agreements with both Hamina and Kotka for industrial sites where the plants can be set up later.



European cell capacity outlook exceeded 500 GWh/a in 2020 creating opportunities for European supply chains. Based on nickel rich chemistry NMC 811.

The battery industry brings work to many sectors

THE RAPID development of the battery industry is opening up new types of opportunities in industry and research. Lithium-ion batteries need minerals, which strengthens the operating conditions for mining in Finland. New cathode materials have already boosted research that Finland is well-positioned to carry out thanks to the experience in metallurgical industry. Furthermore, recycling is rising to a key role, helping to meet the battery industry's raw material supply needs in the future.

The large-scale production of nickel-based cathode materials will be started in Finland in the near future. The projects consist of several phases for preparing detailed plans for the technical implementation and construction of plants.

The environmental impacts of the various plants in the battery value chain vary depending on the processing stage and location. The environmental impact assessment examines the environmental impacts of different options for the project.

Including a comprehensive team of professionals in the planning enables the design and construction of a safe plant that creates jobs during both the building and production phase.

PIRITTA SALONEN
Head of Process Technology

CORPORATE RESPONSIBILITY PROGRAMME

In the development of corporate responsibility, we started on the basis of the program prepared for the period 2020–2024.

OUR FIRST YEAR WITH A CORPORATE RESPONSIBILITY PROGRAMME

At the beginning of the year, we published a responsibility program and continued our work on three themes.

THEME 1:

Social impact

Topic	Objective	Progress in 2020	Indicator 2024
High-tech jobs	New high-tech jobs to Finland	• The preparatory work for the pCAM and CAM plants continued; once operational, the direct employment impact of the two plants would be approximately 300 person-years. • Our subsidiary Terrafame hired 150 people for its battery chemicals plant.	More than 1,000 new jobs directly and thousands indirectly based on decisions to invest in the battery value chain.
Economic value added	Economic value added from raising the degree of processing raw materials	• Preparations progressed the most with the pCAM and CAM plants; their annual impact on GDP would be approximately MEUR 600. • Terrafame's battery chemicals plant's annual impact on GDP will be approximately MEUR 203–210.	EUR 1.5 billion increase in GDP based on decisions to investment in the battery value chain.
Utilisation of expertise	Channelling expertise to the development of responsibility in the mining and battery industry	• Collaboration and technology development for mineral traceability and its integration into industrial supply chain started. • With the Batteries IPCEI funding decisions, Terrafame and Keliber were able to participate in the research and implementation project for the battery value chain on the European level. • We participated in the preparatory work of the European Raw Materials Alliance (ERMA) and the Batteries European Partnership Association (BEPA), as well as in formulating a national battery strategy for Finland.	Upward development curve or continuous good feedback from the corporate image research results on expertise.

pCAM = precursor cathode active material
CAM = cathode active material
Labour demand and GDP are estimated based on a production capacity of 50,000 t/a.

THEME 2:

Sustainable value chain

Topic	Objective	Progress in 2020	Indicator 2024
Responsibility of the value chain	Responsible actions throughout the value chain and in partnerships	• Finnish Minerals Group and Terrafame published their corporate responsibility programmes for 2020–2024. • We agreed to respect the UN Declaration of Human Rights and Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the responsibility principles of the Finnish Mining Association. Terrafame joined the Global Compact. • We surveyed the development of responsibility amongst our technical service providers and carried out an internal survey on human rights.	Sustainable development goals have been set by Finnish Minerals Group, the portfolio companies and main partners, and the companies agree with generally accepted statements.
Acceptability of operations	Structured stakeholder work and dialogue to strengthen acceptability	• We put together surveillance groups for our plant projects in Kokkola, Vaasa, Kotka and Hamina, and initiated the EIA procedure.	Upward development curve or continuous good feedback about expertise in corporate image research results on stakeholder work.

THEME 3:

Responsibility for the environment and climate

Topic	Objective	Progress in 2020	Indicator 2024
Environmental impact and the circular economy	Initiatives to minimise environmental impact and promote the circular economy	• We carried out technology development work related to sodium sulphate management and manganese recovery. • The Boards of Terrafame and Keliber annually discuss the plans on how to make the recovery of raw materials more effective, improve chemical efficiency, reduce waste and emissions, and promote the circular economy.	The Boards of portfolio companies annually approve strategic development plans concerning environmental impact and the circular economy.
Carbon dioxide emissions	Support for the Paris Agreement and achieving carbon neutral Finland by 2035	• The Boards of Terrafame and Keliber annually discuss the plans on how to develop the use of fossil fuels and improve energy efficiency.	The Boards of portfolio companies annually approve strategic development plans for the reduction of carbon dioxide emissions.

THEME 1:

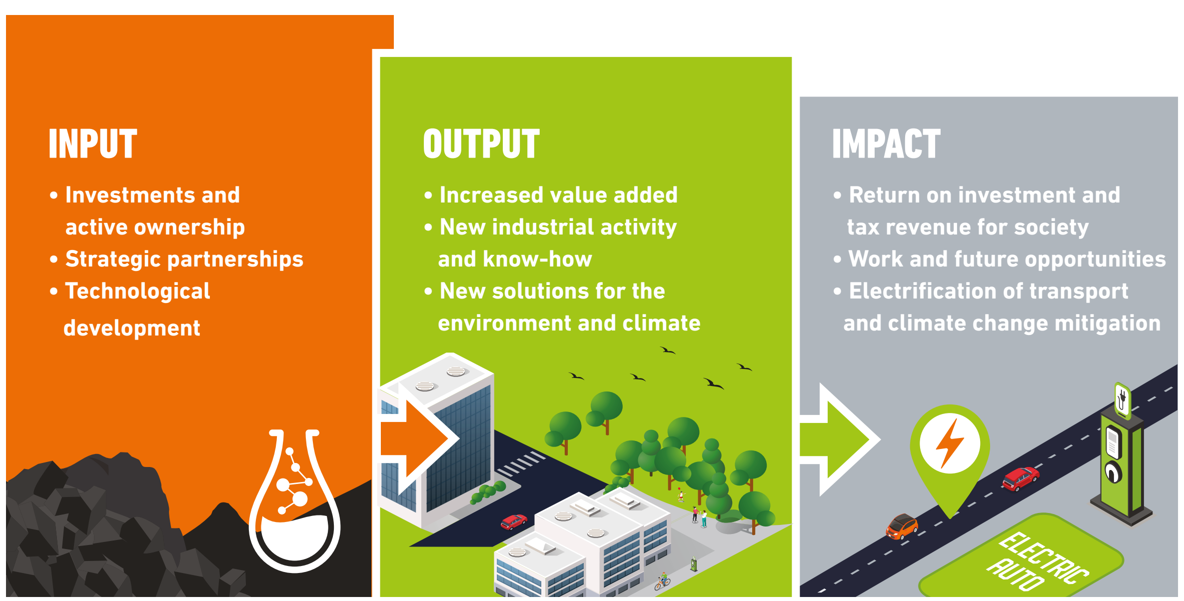
THE ELECTRIFICATION OF TRANSPORT ALSO IMPACTS THE ECONOMY

The first theme in our corporate responsibility programme is social impact.

THE FURTHER processing of mineral raw materials offers a way to create more economic benefits. Improving the value added in the lithium-ion battery value chain will also help to increase our know-how in a new high-tech sector.

Our social impact work during the past year focused on attracting new investments to Finland. Progress was made in negotiations concerning precursor and cathode active material production, as well as with feasibility studies and preparations for the EIA procedures. In addition to battery materials, battery cell production and circular economy projects were high on our list of priorities. The first decisions regarding the future projects can be expected during 2021.

We were also involved in steering the battery chemicals project at our subsidiary, Terrafame. The production of nickel and cobalt sulphates is scheduled to begin in Sotkamo, Finland, in early 2021.



Finnish Minerals Group's input–output model

Higher GDP

ACCORDING to an analysis we have commissioned, approximately EUR 1.5 billion of GDP could be generated each year through the battery value chain development, taking into account both direct and multiplier effects of production and consumption.

Terrafame's battery chemicals plant

MEUR 200

Over MEUR 200 of GDP each year

Precursor and cathode active material production

MEUR 600

50,000 t/a
Over MEUR 600 of GDP each year

Battery cell production

MEUR 700

50,000 t/a
Almost MEUR 700 of GDP each year

Terrafame's new battery chemicals plant will produce nickel and cobalt sulphates.

Terrafame creates high-tech jobs

THE BIGGEST new economic impacts based on our projects were generated by Terrafame's battery chemicals plant, which was under construction during the year. The recruitment process for the plant's production organisation was launched in late 2019. Most of the new personnel needed at the plant – over 130 people – were recruited in 2020.

In practice, Terrafame hired new personnel throughout the year for a wide range of tasks, while using internal job rotation to transfer experienced people to the new plant. At the same time, the planning and construction of the new plant provided work for many companies in the Kainuu region, and in Finland in general.

Once fully operational, Terrafame's new plant will directly employ approximately 170 people. According to the regional economic impact report commissioned by the company, the plant's multiplier effects amount to 138–223 person-years in the Kainuu region and 119–338 person-years elsewhere in Finland.

THEME 2:

SEEING RESPONSIBILITY MORE BROADLY THROUGH THE VALUE CHAIN

The second theme in our corporate responsibility programme concerns the mining and battery industry value chain.

17 PARTNERSHIPS FOR THE GOALS

FOR us at Finnish Minerals Group, 'value chain' refers to various stages of the process where raw materials are processed into saleable products. We want to contribute to ensuring that the industry value chain as a whole is developed responsibly.

In 2020, our holdings were focused on the upstream end of the value chain, i.e. on mining operations and promising mining and chemical industry projects. Through several cooperation projects, we supported our portfolio companies and the mining sector in, for example, the recovery of by-products and the development of internal cycles and water management.

The importance of social responsibility was also emphasised in our work. With the EIA procedures for battery materials production, we established discussion contacts with various stakeholders in four proposed plant locations in Finland.

Furthermore, we published corporate responsibility principles for our providers of services and goods.

At the end of the year, we signed up for the No to corruption campaign.

Exceptional year for stakeholder work

THE CORONAVIRUS made the year exceptional for stakeholder work. Restrictions were applied to meeting people face to face. As a result, many negotiations and meetings were held online.

In early 2020, before the restrictions were enforced, we met face to face in Kokkola, Vaasa, Kotka and Hamina with battery materials EIA monitoring groups comprised of authorities, companies, residents' associations and other organisations. After that, telephone, email and online communication channels were used to keep in touch. The public event concerning the EIA procedure was also organised via an online platform in winter.

Nearly all Finnish and international industry seminars scheduled for the first half of the year were cancelled. In the autumn, event organisers began to hold their events as webinars, which enlivened public debate within the industry again.

Programmes support corporate responsibility work

FINNISH Minerals Group's Corporate responsibility programme 2020–2024 was published at the beginning of the year. Based on our discussions with Terrafame, our subsidiary also published its own programme in the summer.

As a mining and chemical project company, Keliber was focused on ensuring further financing and the continuity of operations. One of our discussion topics with Keliber was target-setting related to the responsibility for the environment and climate.

We also sent a survey to our key technical service providers to learn more about their responsibility development targets. Most of the 13 organisations responded to the survey. Based on the feedback, most organisations have thought about ways to address responsibility matters. Larger organisations operating globally have typically addressed responsibility more thoroughly than smaller enterprises.

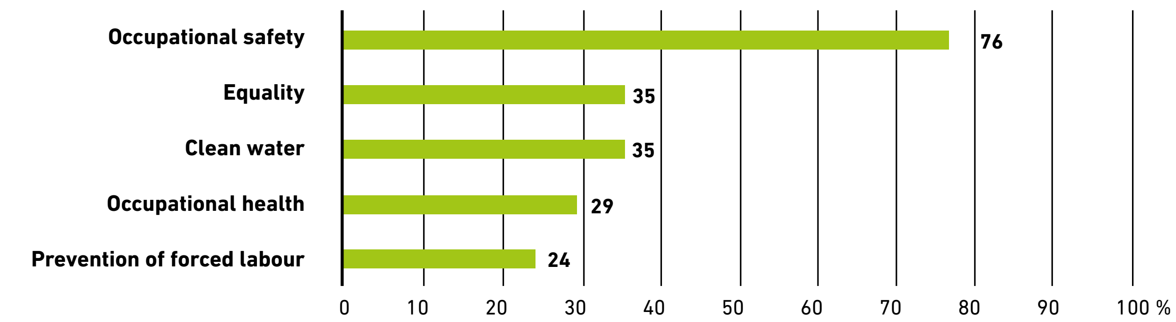
Internal discussion on human rights issues

WE are part of the mining and battery industry value chain, where human rights are considered from various perspectives. During the year, human rights and related matters were also raised through our survey sent to the company's personnel and Board of Directors. We aim to establish a shared understanding of the various dimensions of human rights as well as to identify and minimise the risks related to them.

Our starting point is to respect the UN Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. In addition, our Responsibility Committee set up by the Board of Directors emphasised the importance of occupational safety and health and the working conditions throughout the value chain.

Below is an example of the feedback received from the internal survey.

Please think of Finnish Minerals Group's cooperative relationships, supply chains and the battery value chain as a whole. What aspects of human rights do you think our company should pay special attention to now or in the near future? You can select 3 topics.



THEME 3:

MINERALS SUPPORT THE FIGHT AGAINST CLIMATE CHANGE

The third theme in our corporate responsibility programme is responsibility for the environment and climate.

IN 2020, we updated our strategy to reflect the changes in the operating environment and in our own operations. The importance of mineral raw materials has increased over the past two years.

In the autumn, the European Commission published the list of critical mineral raw materials, which is reviewed every three years. Four new raw materials were added to the list, and the Commission also mentioned that it was closely monitoring nickel.

Critical mineral raw materials obtained through mining operations and recycling are invaluable in combating climate change. In fact, achieving climate neutrality in the EU by 2050 will not be possible without minerals.

Finnish Minerals Group is working towards the climate targets set by the EU and Finland by developing the mining and battery industry. We support the mining sector by creating better technologies through national and EU-level co-operation. The development of the battery value chain, on the other hand, enables the electrification of road transport.

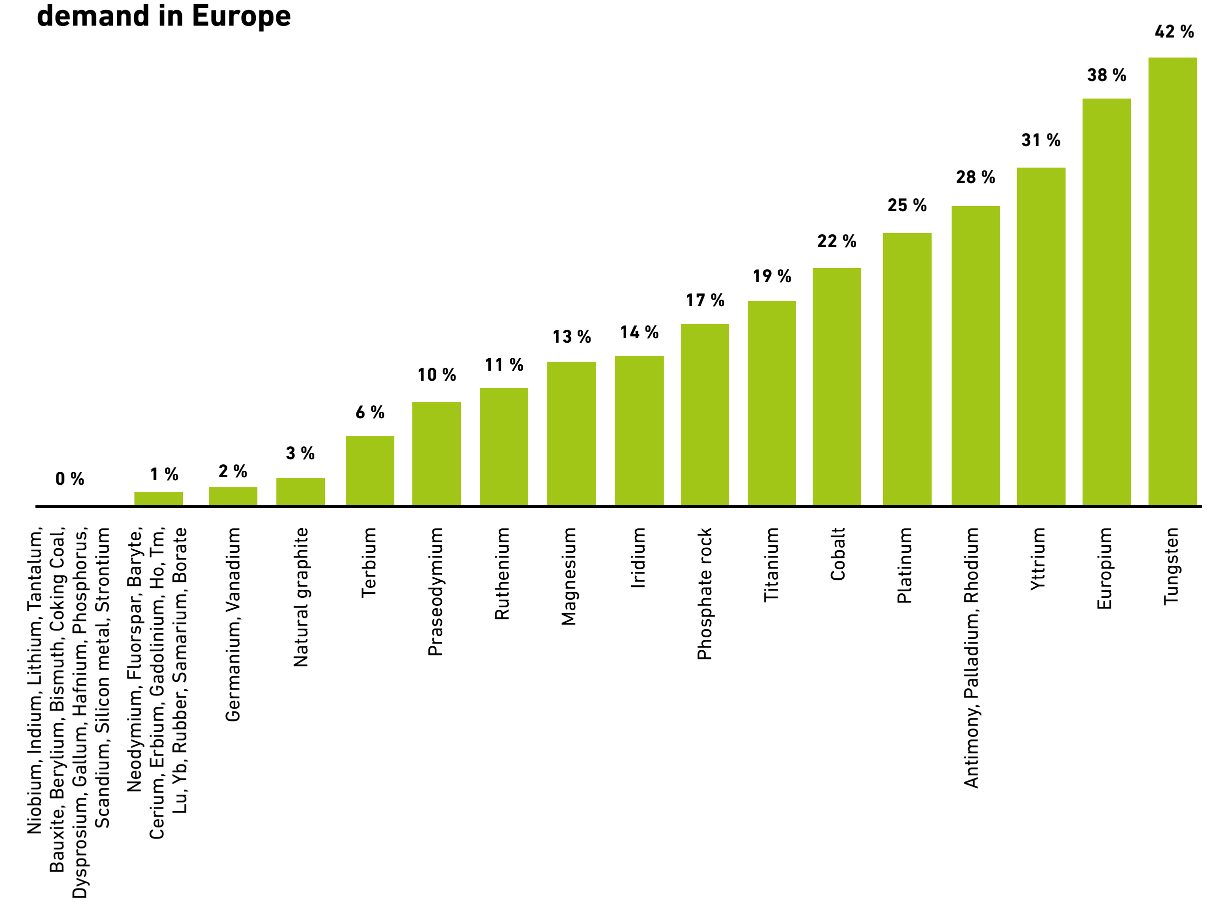
"Four new raw materials were added to the European Commission's list of critical raw materials. "

Sulphate management and by-product potential active projects

OUR technology development related to sodium sulphate, which we have been working on for several years in an EU-level co-operation project, also continued in 2020. In this project, the goal is to find a technically and economically feasible solution for reducing sodium sulphate emissions. One possible solution could be electrolysis-based technology, which will be tested in Finland in an environment similar to industrial production.

We also continued our technology work to develop Terrafame's recovery process for manganese. We carried out a laboratory-scale research project, which included a feasibility study. In late 2020, the manganese recovery project was integrated into Terrafame's production development work where the potential for productising a battery-grade manganese sulphate will be assessed more closely.

Recycling's contribution to meeting materials demand in Europe



Recycling's contribution to meeting materials demand in Europe

Source: European Commission, September 2020

Several approaches to reducing CO_2 emissions

TERRAFAME'S NICKEL SULPHATE:

60%

LOWER CARBON FOOTPRINT

THE electrification of transport will help to reduce CO2 emissions and mitigate climate change. One of our objectives is to develop in Finland a responsible electric car battery value chain, which is an essential part of the change in car traffic.

In 2020, the new battery material production plant projects focused on the preliminary planning for the EIA procedure. The technically and economically feasible options will be evaluated during the basic engineering phase.

In the autumn, Terrafame published a calculation, which showed that its bioleaching process-based carbon footprint for nickel sulphate was approximately 60 per cent lower than that of conventional production technologies.

The company also listed several actions that it will be taking to reduce its CO2 emissions based on its corporate responsibility programme 2020–2024.

CORPORATE GOVERNANCE

Corporate governance and decision-making in Finnish Minerals Group are guided by the Articles of Association, the Limited Liability Companies Act and other legislation in force. We are also guided by the Government Resolution on State Ownership Policy and the company's policies and guidelines.

CORPORATE GOVERNANCE IS ON A SOLID BASIS

After the General Meeting of Shareholders, the Board of Directors continued its work with a composition of five members.

CORPORATE governance and decision-making at Finnish Minerals Group are guided by its Articles of Association, the Limited Liability Companies Act and other legislation in force, the Government Resolution on Ownership Policy, and the policies and guidelines adopted by the Board of Directors.

The company's highest decision-making body is the General Meeting of Shareholders. The General Meeting was held on 26 March 2020. No Extraordinary General Meetings were held during the year.

Finnish Minerals Group's Board of Directors is responsible for managing the company and for the appropriate organisation of its operations. The composition of the Board is at least three and at most seven members, who are elected for one year at a time. The term of office for Board members ends at the close of the next General Meeting following the election of the Board. The General Meeting of Shareholders elected Antti Kummu (Chair), Janne Känkänen (Vice Chair), Teija Kankaanpää, Ilpo Korhonen and Eeva Ruokonen as Board members. Juha Majanen and Minna Pajumaa were also Board members until the General Meeting.

The Board of Directors has adopted written rules of procedure, in which the main tasks and operating principles of the Board and its committees have been recorded. The Board convened 15 meetings in 2020.

After the General Meeting, the members of the Personnel and Remuneration Committee were Antti Kummu (Chair), Ilpo Korhonen and Janne Känkänen, and the committee had three meetings. The members of the Corporate Responsibility Committee were Eeva Ruokonen (Chair), Teija Kankaanpää and Ilpo Korhonen, and the committee had two meetings. The Responsibility Committee was confirmed as a standing committee.

The Leadership Team assists the CEO

The Chief Executive Officer (CEO) is responsible for the company's operational management in accordance with the Limited Liability Companies Act and other legal provisions, as well as the guidelines and regulations issued by the Board. The CEO is appointed and dismissed by the Board, which also decides on the terms of employment for the position. Matti Hietanen has served as the CEO since 1 September 2015.

The company's Leadership Team assists the CEO in the management and development of the business and prepares matters to be discussed by the Board of Directors. At the end of 2020, the members of the Leadership Team were: Matti Hietanen, CEO; Katri Kauppila, Head of Sustainability and Communications; Jani Kiuru, CTO; Vesa Koivisto, SVP, Battery Operations; Timo Kärkkäinen, Investment Director; and Aapo Nikunen, CFO. The Leadership Team met regularly.

The Board of Directors and CEO are responsible for the arrangement of internal control, risk management and internal auditing. The Board has confirmed the principles of risk management and the policy for organising related party governance and dealing with related party transactions.

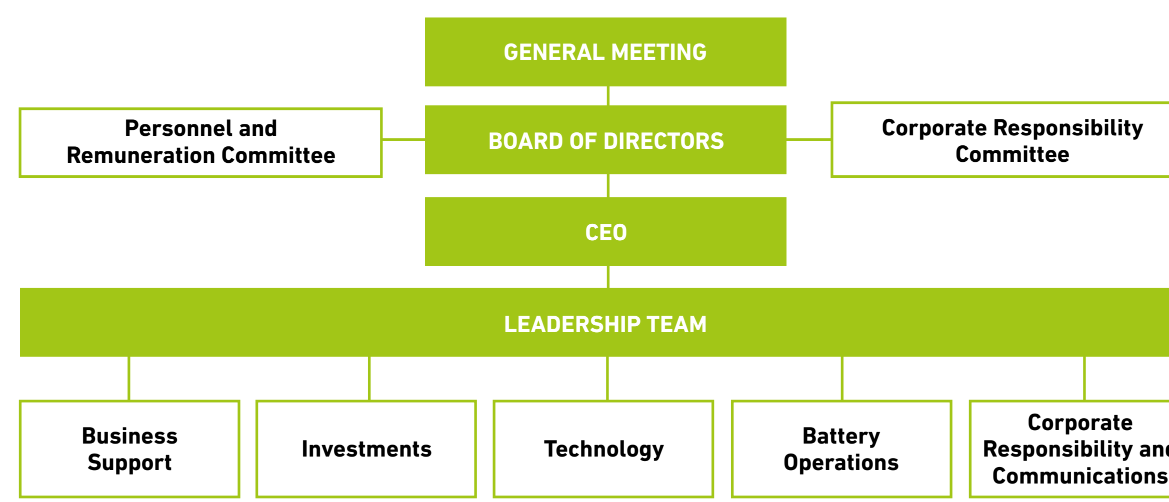
The company's auditor was KPMG Oy Ab, on behalf of which APA Antti Kääriäinen was the principal auditor.

Separate companies for battery material and mining projects

IN 2020, Finnish Battery Chemicals Oy, a project company fully owned by Finnish Minerals Group, was the project owner in the EIA procedure for battery material production and participated in the preparation of the feasibility studies. At the end of the year, the company signed letters of intent with the cities of Kotka and Hamina for industrial areas that could serve as the sites for precursor and cathode active material plants.

In December, we signed a deal with Yara Suomi for the rights to the Sokli mining project in Northern Finland and set up Sokli Oy to investigate the project's further development opportunities.

The management system of Finnish Minerals Group



TAX CONTRIBUTION OF GROUP COMPANIES

We report on the management of tax matters and publish an itemisation of taxes paid to Finland in accordance with the guidance on tax reporting issued by the Government Ownership Steering Department.

TAX contribution reporting and preparing for taxes are part of the corporate responsibility requirements of Finnish Minerals Group. The Group companies are committed to comply with tax legislation in addition to other laws and regulations, and also with the tax reporting guidelines issued by the parent company's state owner.

We pay and report taxes in a timely manner. Where necessary, we use the best possible external expertise to supplement the know-how of our personnel.

Organisation of tax matters

The most important tax-related matters are dealt with by the Boards of Directors of Group companies in accordance with the Finnish Limited Liability Companies Act and the relevant tax practices. The CEOs of Group companies are responsible for the organisation of tax matters in their respective companies.

In accordance with the principles of corporate responsibility, the Group does not plan its operations with the aim of gaining tax benefits, nor does it have operations or assets abroad.

Reporting principles

Tax reporting is based on the financial statements and accounting documents prepared in accordance with the Finnish Accounting Act and on the basis of account-specific and voucher-specific accounting.

Excluded from the tax contribution report are mandatory insurance premiums that are included in salary costs. Due to their nature, these insurance premiums are dealt with as direct salary costs. The Group companies also do not report small amounts of value-added tax included in foreign travel and training costs in the tax contribution report.

So far in their years of operation, Finnish Minerals Group and Terrafame have accumulated losses that are deductible for tax purposes. For this reason, the companies do not yet have any taxable income. However, a considerable amount of other tax expenses have been accumulated from the energy and fuel taxes. Furthermore, the companies have paid the usual taxes related to the acquisition and ownership of assets.

2020 EUR 1,000	**Finnish Minerals Group**	**Terrafame Oy**	**Group total**
Taxes paid			
Direct taxes paid	**23**	**1,285**	**1,308**
Income taxes	0	0	0
Transfer taxes	0	48	48
Property taxes	0	544	544
Employer's social security contributions	20	490	510
Parafiscal charges	3	203	206
Indirect taxes paid	**0**	**5,998**	**5,998**
Electricity taxes, net	0	943	943
Electricity taxes	0	3,039	3,039
Electricity taxes, return	0	-2,096	-2,096
Insurance premium tax	0	412	412
Fuel taxes, net	0	4,642	4,642
Fuel taxes	0	5,393	5,393
Fuel taxes, return	0	-750	-750
Waste tax	0	1	1
Taxes collected and accounted for	**356**	**-10,555**	**-10,618**
Tax withheld in advance	-176	8,562	7,956
Value-added tax, net	343	-19,116	-18,719
Value-added tax, sales	-519	78,267	77,264
Value-added tax, purchases	532	-97,384	-96,841
Total	**379**	**-3,272**	**-3,302**
Ratio of tax payments to net sales	32,06%	-0,97%	-0.98%

2019 EUR 1,000	**Finnish Minerals Group**	**Terrafame Oy**	**Group total**
Taxes paid			
Direct taxes paid	**15**	**829**	**844**
Income taxes	0	0	0
Transfer taxes	0	0	0
Property taxes	0	454	454
Employer's social security contributions	9	257	266
Parafiscal charges	6	118	124
Indirect taxes paid	**0**	**5,597**	**5,597**
Electricity taxes, net	0	576	576
Electricity taxes	0	2,819	2,819
Electricity taxes, return	0	-2,243	-2,243
Insurance premium tax	0	465	465
Fuel taxes, net	0	4,553	4,553
Fuel taxes	0	5,298	5,298
Fuel taxes, return	0	-745	-745
Waste tax	0	3	3
Taxes collected and accounted for	**413**	**18,175**	**18,553**
Tax withheld in advance	404	7,798	8,202
Value-added tax, net	9	10,377	10,351
Value-added tax, sales	127	85,072	85,199
Value-added tax, purchases	-118	-74,695	-74,848
Total	**428**	**24,601**	**24,994**
Ratio of tax payments to net sales	69,14%	7,93%	8,04%

BOARD OF DIRECTORS

ANTTI KUMMU
Chair of the Board
M.Sc. (Econ.), CFA
b. 1976

JANNE KÄNKÄNEN
Vice Chair of the Board
M.Soc.Sc
b. 1967

TEIJA KANKAANPÄÄ
M.Sc. (Tech.)
b. 1964

ILPO KORHONEN
B.Sc. (Eng.), eMBA
b. 1964

EEVA RUOKONEN
Lic.Sc. (Tech.), MBE (diploma)
b. 1960


Antti Kummu


Janne Känkänen


Teija Kankaanpää


Ilpo Korhonen


Eeva Ruokonen

PERSONNEL

MATTI HIETANEN*
CEO
LL.M (trained on the bench),
M.Sc. (Econ.), b. 1977

SINI ESKONNIEMI
Senior Development Manager,
M.Sc. (Tech.), b. 1984

ROBERT GUSTAFSSON
Investment Manager
B.Soc.Sc., b. 1989

ATTE JORTIKKA
Analyst, B.Soc.Sc.
b. 1995

KATRI KAUPPILA*
Head of Sustainability
and Communications
M.Soc.Sc., b. 1965

KAISA KIIPULA
Development Manager
M.Sc. (Tech.), b. 1990

JANI KIURU*
Chief Technology Officer
Doc.Sc. (Tech.), b. 1975

VESA KOIVISTO*
SVP, Battery Operations
M.Sc. (Tech.), MBA, b. 1966

TIMO KÄRKKÄINEN*
Investment Director
M.Sc. (Econ.), b. 1963

AAPO NIKUNEN*
CFO, LL.M (trained on the bench),
MBA, M.Sc. (Econ.), b. 1965

* Member of Leadership Team

SANJA-MARIA OLLI
Chemist, M.Sc.
b. 1995

RISTO PIEVILÄINEN
Senior Process Engineer
M.Sc. (Tech.), b. 1984

LAURI PURO
Head of Strategy and
Business Development
M.Sc. (Tech.), M.Sc. (Econ.)
b. 1983

RONJA RUISMÄKI
Development Engineer
M.Sc. (Tech.), b. 1993

VILHELMIINA RUOHONEN
Executive Assistant,
M.Hosp.Man., b. 1980

PIRITTA SALONEN
Head of Process Technology
M.Sc. (Tech.), b. 1974

TIMO STRENGELL
Project Director, M.Sc. (Tech.)
b. 1974

MERJA TAKALA
Business Controller
M.Sc. (Econ.)
b. 1979

EMIL VIITALA
Legal Counsel, LL.M, b. 1986

MINYUE ZHU
Senior Project Advisor, MA
b. 1989

Personnel includes staff leasing and the staff of wholly owned subsidiaries.

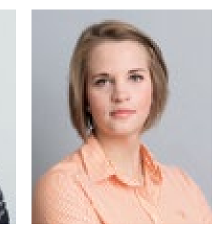

Matti Hietanen

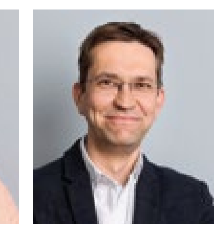

Sini Eskonniemi


Robert Gustafsson


Atte Jortikka

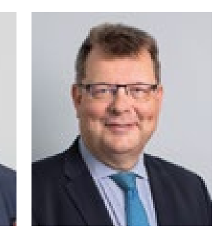

Katri Kauppila

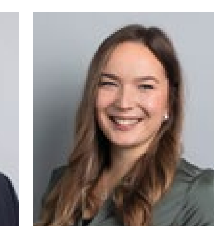

Kaisa Kiipula


Jani Kiuru


Vesa Koivisto

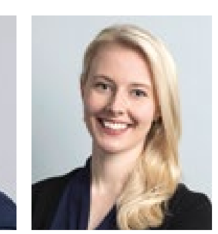

Timo Kärkkäinen


Aapo Nikunen


Sanja-Maria Olli


Risto Pieviläinen

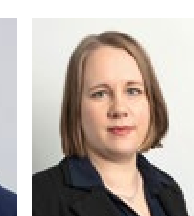

Lauri Puro

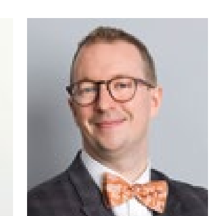

Ronja Ruismäki

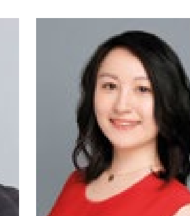

Vilhelmiina Ruohonen


Piritta Salonen


Timo Strengell


Merja Takala


Emil Viitala


Minyue Zhu

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REPORT FOR THE FINANCIAL PERIOD 1 JANUARY – 31 DECEMBER 2020

Significant events during the financial period

Finnish Minerals Group is a state-owned special-purpose company developing the Finnish mining sector and a battery value chain in Finland. The current mandate and name were given to the company in June 2018, so the year 2020 was the company's second full year of operation under its current mandate.

In autumn 2020, the company updated its strategy. Updating was needed due to the changes in the company's external operating environment, as well as the achievements made in the company's business areas in the past two years. As previously, the strategy as a whole is built on three pillars: the development of the electric vehicle battery value chain, technological development, and active ownership.

The Finnish Minerals Group companies consist of Suomen Malminjalostus Oy, Terrafame Oy, Sokli Holding Oy and its subsidiary Sokli Oy, and Finnish Chemicals Battery Oy and its subsidiaries. Suomen Malminjalostus also uses the auxiliary business name Finnish Minerals Group.

Operations of Finnish Minerals Group

Finnish Minerals Group's mission is to responsibly maximise the value of Finnish minerals. The company's three business areas are: (1) Investments, which includes the duties as Terrafame's parent company, (2) Technology, and (3) Battery Operations.

Investments

On 31 December 2020, the investment portfolio of Finnish Minerals Group consisted of Terrafame Oy (shareholding 66.8%), Sokli Oy (shareholding 100%) and Keliber Oy (shareholding 26.3%). The activities of Finnish Battery Chemicals Oy (shareholding 100%), a project company established to handle the preparations for battery material production, are discussed in more detail in the section on battery value chain development.

In December 2020, Finnish Minerals Group finalised the sale of its shares in Sotkamo Silver AB (2.0% shareholding before sale) on the stock market. The bankruptcy estate of Ferrovan Oy repaid close to EUR 0.5 million to Finnish Minerals Group.

TERRAFAME OY

The subsidiary Terrafame Oy is the main asset of Finnish Minerals Group, so the company is discussed more extensively in the parent company's annual review than the other portfolio companies. In 2020, Terrafame produced nickel, zinc, cobalt and copper at its mine and metals production plant located in Sotkamo, and continued the construction of the battery chemicals plant. Production at the new plant will start in early 2021, as will the further processing of Terrafame's main product into nickel and cobalt sulphates, which are needed to manufacture electric car batteries.

In February, Finnish Minerals Group invested EUR 30 million in Terrafame's battery chemicals plant in accordance with the funding package agreed between Terrafame and its owners in 2018. In August, Terrafame's owners and Terrafame agreed on finance restructuring and further financing for the company. The aim was to ensure that Terrafame will be able to continue the development of its operations under the uncertain market situation and finalise the battery chemicals plant investment project as planned. In the funding package, Finnish Minerals Group agreed to grant at most approximately EUR 80.5 million in equity financing to Terrafame. EUR 16.1 million of this amount was transferred to Terrafame during 2020.

Over the course of the year, Finnish Minerals Group actively participated in the development of Terrafame's operations. The company's experts were involved in the work of the Steering Committee for the battery chemicals plant project and Terrafame's Technical Committee. In addition, the company provided Terrafame with services related to the preparation of financial arrangements, legal matters, public relations, as well as research and development activities.

Finnish Minerals Group acts on the premise that active ownership policy includes participating in the work of the Boards of Directors of its portfolio companies. Under the shareholders' agreement, five people are appointed to Terrafame's Board on Finnish Minerals Group's proposal. In 2020, no changes were made to the composition of the Board.

KELIBER OY

Keliber, based in Central Ostrobothnia in Finland, aims to start producing lithium hydroxide, which is used to manufacture lithium-ion batteries. With the rise of electric cars, the European automotive industry will need battery cells to be produced at an annual rate of around 500 gigawatt hours at the end of the decade, which is estimated to require approximately 340 kilotonnes of lithium hydroxide monohydrate ($LiOH \cdot H2O$). The company aims to commence production in late 2024.

In March, Finnish Minerals Group participated in Keliber's directed share issue for shareholders and personnel. The participation increased Finnish Minerals Group's shareholding in Keliber by two percentage points, to 26.3 per cent. During the year, Finnish Minerals Group actively assessed, together with Keliber and its other owners, the best ways to arrange financing to Keliber and move the project towards the construction phase.

Finnish Minerals Group has been represented in Keliber's shareholders' Nomination Board, and the representative has served as the chair of the Nomination Board after the company became the largest shareholder in Keliber. Based on the Nomination Board's proposal, it was decided at the Annual General Meeting that the Board of Directors shall consist of five members. Hannu Hautala, M.Sc. (Engineering), became CEO of Keliber in March 2020. In late 2020, the company submitted an environmental impact assessment report concerning the extension of the Central Ostrobothnia lithium province as well as an application for an environmental permit for the lithium chemical plant in Kokkola to the coordinating authority.

SOKLI OY

In the autumn, Finnish Minerals Group started negotiations with Yara Suomi Oy on the rights to the Sokli mining project in Savukoski, Finland. The arrangement was based on Yara's strategic decision to cease advancing the project.

In December, the parties signed an agreement on the transfer of the feasibility studies, geological models and rights related to the project to Finnish Minerals Group, as well as certain land areas connected to the deal. In practice, the transferee was Sokli Oy, a company established specifically to handle the Sokli mining project. The mining rights and the right to continue with the ongoing execution of the mining concession to change the Sokli mining concession will also be transferred to Sokli Oy, provided that the decision issued by the Finnish Safety and Chemicals Agency in December becomes final. The environmental permit for the Sokli mine continued in the Supreme Administrative Court.

In addition to phosphorus, ore in the Sokli area contains rare earth elements, the exploitation potential of which must be analysed further. The organisation of logistics in the area also requires further investigation. Overall, further information is needed to make any final conclusions about the viability of the Sokli mine. Based on current information, the total investment in opening the Sokli mine would be approximately EUR one billion.

SOTKAMO SILVER AB

Listed company Sotkamo Silver's shares were transferred from Finnish Industry Investment Oy to Finnish Minerals Group in 2018. Sotkamo Silver's main project has been the silver mine, which was opened in Sotkamo in March 2019. In spring 2020, Finnish Minerals Group subscribed to shares in the company in a public share issue in proportion to its 2.0 per cent shareholding.

Later in the year, Finnish Minerals Group decided to divest its shareholding in Sotkamo Silver in order to focus on the development of larger mining projects and the battery value chain. The sale was finalised in December when the shares were traded on the stock exchange. The loss of Finnish Minerals Group was of EUR 0.1 million.

FERROVAN OY

In February 2020, Ferrovan announced that the bankruptcy estate had reached an agreement to sell the rights and samples related to the Mustavaara mine area to the Canadian mineral exploration and development company, Strategic Resources Inc. In December, the bankruptcy estate made a payment of approximately EUR 460,000 to Finnish Minerals Group, which was one of its creditors.

Technology

The importance of mining and battery manufacturing has grown considerably in recent years as societies are experiencing a profound energy transition, shifting from fossil fuels to renewable energy. In order to make the existing and new industry as sustainable as possible, new technologies must be created for the mining and battery sector while simultaneously developing the existing technologies further.

The IPCEI (Important Project of Common European Interest) process, for which preparations were made in late 2019, received a funding decision from Business Finland in February. The decision was based on the EUR 3.2 billion funding package approved by the European Commission for a pan-European research and innovation project covering the whole battery value chain. Several participants are gathered to work together in Europe-wide co-operation under the project until the end of 2031. Participating in the project from Finland are subsidiary Terrafame, with a project related to its battery chemicals plant investment, and portfolio company Keliber, with a project for developing lithium chemical production.

In research, the most important theme for Finnish Minerals Group in 2020 was the traceability of mineral raw materials, which the company participated in developing, for example, under the national BATTRACE project. Tracking raw materials and developing indicators for raw materials production promote responsible mining and, at their best, provide a competitive edge for Finnish production. Towards the end of the year, the company also participated in the preparations for the BATCircle 2.0 project, which focuses on the recycling of batteries.

Some longer-term research and development projects related to the recovery of manganese from ores handled by Terrafame were completed during the year. The opportunities for productisation can be further investigated as part of Terrafame's operational production development.

As a whole, the company's technological experts focused more on supporting activities related to battery operations and investments during 2020 than in the previous years. This work included several technical surveys. Other efforts included actively monitoring the technical performance of portfolio companies and participating in drawing up the EIA programme and EIA report on battery materials production and various other reports related to the EIA procedure.

The goal set for 2021 is to support the responsibility and value creation of Finnish Minerals Group and its portfolio companies through technology work. Efforts will be directed at investment projects, technical monitoring of portfolio companies, and the company's own research and development work. The key focus areas are environmental technologies and the traceability of minerals.

Battery value chain development

In 2020, new car sales reduced globally due to the coronavirus pandemic. On the other hand, according to Rho Motion, sales of electric cars increased by approximately 50 per cent from the previous year. In January 2021, International Energy Agency IEA estimated that in Europe, the market share of electric cars grew from 2.5 per cent to 4.4 per cent year-on-year.

By the end of 2020, the collective planned capacity for European cell production was more than 500 GWh a year (Benchmark Minerals, January 2021). In Finnish Minerals Group's view, this creates a solid foundation for the European cell production supply chain. Battery cell production requires precursor cathode active material (pCAM) and cathode active material (CAM) production.

When the company strategy was updated in the autumn, Finnish Minerals Group highlighted the importance of building an electric vehicle battery value chain in Finland by making it a strategic priority. The company has set a concrete goal of attracting industrial investments related to the value chain to Finland, in which it will act as a strategic partner. Over the course of the year, the company negotiated with several potential business partners on a variety of projects. The most progress was made in negotiations concerning the pCAM and CAM production plants and the related feasibility studies.

In March 2020, Finnish Minerals Group initiated the EIA procedure for the establishment of pCAM and CAM production plants in Finland by submitting the EIA programme to the project's coordinating authority, the Centre for Economic Development, Transport and the Environment for Southeast Finland. Finnish Battery Chemicals Oy, a project company fully owned by Finnish Minerals Group, acted as the project owner of the EIA procedure. In the EIA programme, project implementation options were presented for four potential locations – Kokkola, Vaasa, Kotka and Hamina. The coordinating authority issued its statement on the EIA programme in May.

In October, Finnish Battery Chemicals split the EIA procedure into two parts in order to enable more flexible examination of two potential methods of producing battery materials. Also in October, the company submitted an updated version of the EIA programme to the Southeast Finland ELY Centre. In the updated programme, the goal was to examine two different implementation options, with Kotka and Hamina as the potential locations for the plants. The company also continued preparing an EIA report on the basis of the updated programme, with the aim of submitting the report to the co-ordinating authority in early 2021.

In December, Finnish Battery Chemicals signed letters of intent with the cities of Kotka and Hamina for the industrial sites for battery material plants. The letter of intent signed with the City of Kotka concerns an area of around 50 hectares located in the Keltakallio industrial site. The letter of intent signed with the City of Hamina concerns two plots in Hillonkylä district constituting an area of around 45 hectares in total.

In addition to the plant projects, the holdings of Finnish Minerals Group were related to the building of a battery value chain in Finland. Terrafame Oy's mining activities and construction of the battery chemicals plant continued in 2020 with the aim of commencing nickel and cobalt sulphate production in 2021. Keliber Oy was getting ready to commence lithium hydroxide production in 2024. In December, Finnish Minerals Group made a deal with Yara Suomi Oy for the Sokli mining project; however, the decisions on the transfer of the mining rights and the right to continue with the ongoing execution of the mining concession did not become final in 2020. Were the Sokli mining project to move forward, the mined minerals could also potentially be used in the battery industry.

Furthermore, representatives of Finnish Minerals Group participated in the preparations for the national battery strategy and in the work of a battery committee set up by the Chemical Industry Federation of Finland.

Operations of Terrafame

Production and deliveries

Terrafame aims to enhance low-carbon mobility with responsible battery chemicals. The construction of the battery chemicals plant and the plant's commissioning and start-up measures proceeded despite the coronavirus pandemic in 2020, and the recruitment process was also completed. Battery chemicals production is expected to start increasing the company's net sales in late 2021.

Terrafame's nickel production for the year totalled 28,740 (2019: 27,468) tonnes, which is a new record. Zinc production remained at the previous year's level, totalling 55,100 (55,222) tonnes. The net sales for 2020 increased by 9.0 per cent to EUR 338.3 (310.4) million. Strong production activities at the beginning of the year and during the fourth quarter resulted in net sales growth.

All nickel-cobalt deliveries and most of the zinc deliveries to end customers were made through Trafigura's sales network. The coronavirus pandemic did not have any impact on deliveries.

Occupational safety

In Terrafame's operations, the most significant occupational safety risks are associated with maintenance operations, construction work, large machinery and the use of chemicals. However, most injuries are sustained during normal installation work or as a result of slipping and falling in the yard, for example.

In 2019, the rolling 12-month lost-time injury frequency rate (LTIFR), or the number of accidents resulting in absence per one million hours worked, of the companies operating in the battery chemicals plant was very high in respect of the conditions at Terrafame. For this reason, safety work focused especially on improving the safety of employees in partner companies. The LTIFR for companies operating in the battery chemicals plant decreased considerably by the end of 2020, to 11.4 (2019: 32.9). The LTIFR for production and maintenance partners also decreased, and was 9.7 at the end of the year (17.5).

In 2020, the lost-time injury frequency rate of Terrafame's own personnel was 8.3 (9.6) which was slightly lower than in the previous year.

Market developments

According to estimates by Rho Motion, electric car (incl. EVs and PHEVs) sales grew globally around 50 percent from the 2019 level, to around 3.2 (2019: 2.2) million. In December 2020, the sales-weighted average pack size was 52 (56) kWh. The market share of NCM 811 batteries in December was 8 (5) percent of all battery categories. The market share of NCM 622 batteries grew the most globally, and was 28 (14) percent in December.

The 2020 average price of nickel – USD 13,789 per tonne – in the London Metal Exchange (LME) ended up being 1.0 percent lower than the price in 2019 (USD 13,926 per tonne). The 2020 average price of zinc – USD 2,267 per tonne – in the London Metal Exchange (LME) ended up being 11.0 percent lower than the price in 2019 (USD 2,547 per tonne).

At the end of 2020, the total combined nickel stocks of the London Metal Exchange (LME) and Shanghai Futures Exchange (SHFE) stood at 267,012 (188,097) tonnes. The combined zinc stock levels at the end of the year were 266,136 (79,285) tonnes.

The year 2020 saw the euro strengthen slightly against the US dollar. The average EUR/USD exchange rate for 2020 was 1.14 (1.12).

Cash flow and financial position

In 2020, Terrafame's cash flow from operating activities was EUR 43.0 (2019: 10.6) million, of which change in net working capital comprised EUR 19.1 (-15.7) million. Cash flow from investment activities was EUR -171.7 (-105.8) million. Cash flow from investing activities was increased by the strong progress made in the construction of the battery chemicals plant during 2020.

At the end of 2020, the company's cash and cash equivalents totalled EUR 58.6 (61.9) million.

The balance sheet total on 31 December 2020 was EUR 918.5 (749.5) million. Year-end inventories totalled EUR 220.5 (218.2) million.

Trade receivables totalled approximately EUR 15.9 (15.2) million at the end of the financial period.

Other receivables totalled approximately EUR 2.8 (0.2) million. Prepaid expenses and accrued income totalled approximately EUR 17.1 (13.8) million, the most significant of which were derivative assets amounting to approximately EUR 12.7 (6.4) million due to hedging activities.

Shareholders' equity on 31 December 2020 was EUR 442.1 (349.8) million. The total amount of debt was EUR 317.4 (242.4) million. In addition to this, the balance sheet includes a rehabilitation provision for mine closure and environmental clean-up costs amounting to EUR 159.1 (157.4) million.

Terrafame's equity ratio at the end of the financial period was 48.1 (46.7) percent, and net gearing was 31.0 (31.7) percent.

Cash flow hedging against the weakening of the US dollar and decline in metal prices continued during the financial period 2020 in line with the company's hedging policy.

Environment

During 2020, 41 percent of the environmental permit's sulphate quota – 13,067 tonnes in total – was used. The sulphate burden increased especially due to higher than normal precipitation. In 2020, 8.0 (2019: 4.5) cubic meters of purified water was released from Terrafame's industrial site.

The management of circulating leaching solution played a key role in 2020 due to higher than normal precipitation. In late 2020, a new gypsum pond had to be commissioned as a risk management measure, even though the Northern Finland Regional State Administrative Agency (RSAA) was yet to make the final decision on the permit application submitted in August 2017. A notification concerning the gypsum pond was submitted to the Kainuu ELY Centre at the beginning of November 2020, as required by section 123 of the Environmental Protection Act (527/2014). The Kainuu ELY Centre issued its decision on 19 November 2020, approving Terrafame's notification of an exceptional circumstance in an activity subject to a permit. In connection with the decision, the Kainuu ELY Centre issued regulations concerning, among other things, the use of gypsum ponds and the management of solution circulation. Commissioning the new gypsum pond meant that the neutralisation processes and the removal of excess water from the circulating leaching solution could continue. As a result, the environmental safety of solution circulation was ensured despite the precipitation.

During 2020, the Kainuu ELY Centre called on Terrafame to pay attention to both the long-term development of water management and dam safety. Water management was developed by building two individual water treatment lines for the central water treatment plant. One of the lines is for harvested water, and the other for process water containing sulphates. The new lines will be put into service during 2021. The other targets for development included monitoring of dams, dam safety documentation and reporting.

Twenty environmental non-compliances occurred in 2019, and they were reported to the supervisory authority, i.e. Kainuu ELY Centre. Most of the non-compliances were related to exceptional circumstances in respect of the management of solution circulation or water management. At Terrafame, the threshold for making a notification is low.

An assessment carried out by an international expert company to calculate the carbon footprint for nickel sulphate was completed in 2020. The results of the certified assessment showed that the carbon footprint for the main product of Terrafame's battery chemicals plant is more than 60 percent lower than the average carbon footprint in the industry.

Late 2020 saw the launch of the new 10 MW solid fuel energy plant built by partner company Adven. The new plant uses renewable fuel to produce steam and heat energy for the manufacture of battery chemicals and for the other needs of the site. In addition, a partner company is developing the energy production infrastructure of the plant area and its energy efficiency as a whole. Also during 2020, Terrafame launched a project that aims to produce process steam by utilising the excess energy streams of its hydrogen plants.

Together with the bioenergy plant and the recovery of excess energy, the measures will reduce carbon dioxide emissions by 9,000 tonnes per year, reducing the carbon dioxide emissions from Terrafame's heat production by 90 percent.

Terrafame also carried out self-assessments and internal auditing in line with the Towards Sustainable Mining standard using all the available assessment tools.

Permit processes

The permitting process on Terrafame's application for renewing the master permit was still pending at the Northern Finland Regional State Administrative Agency (RSAA) during 2020. The application was submitted in August 2017 and supplemented in July 2018. The company expects the decision on the permit to be made during 2021. In October 2020, the RSAA granted an environmental permit for heat and steam production at the battery chemicals plant, and later, in January 2021, for the battery chemicals plant as a whole.

The Finnish Safety and Chemicals Agency Tukes granted a chemical licence for the battery chemicals plant in September 2020. During 2020, Terrafame launched a new permitting process by submitting an application for an environmental permit to the Northern Finland RSAA for the construction and operation of waste rock area KL1.

Terrafame also had two other ongoing EIA procedures. One EIA procedure concerned the disposal of the old water treatment sludges generated when the previous operator was still in charge, and the other EIA procedure concerned the use of the ore deposit in Kolmisoppi and the expansion of the mining concession. Both EIA procedures will end in early 2021 and proceed to the environmental permit phase.

In its decision of February 2020, the Government authorised Terrafame to recover uranium. An appeal against the Government decision has been lodged with the Supreme Administrative Court. Terrafame estimates that, due to the appeal process, it will take about two years before the decision becomes final.

Financial review and key figures

Finnish Minerals Group companies (consolidated)

The Group companies' net sales in the financial year 2020 totalled EUR 338.3 (2019: 310.4) million, EBITDA totalled EUR 23.3 (2019: 29.6) million, and operating profit was EUR -17.5 (2019: -9.1) million. The profit/loss before tax was EUR -18.3 (2019: -31.6) million. The loss for the financial year was EUR -18.7 (2019: -31.6) million. The consolidated total assets of Finnish Minerals Group companies amounted to EUR 975.9 (2019: 861.6) million.

The Group companies' return on equity was -3.9 percent (2019: -6.8 percent) and equity ratio 50.9 percent (2019: 53.5 percent). The shareholders' equity totaled EUR 496.7 (2019: 460.9) million, of which the share of non-controlling interests was EUR 141.1 (2019: 100.9) million. Liabilities totaled EUR 320.1 (2019: 243.3) million and provisions EUR 159.1 (2019: 157.4) million. The debt amounted to EUR 195.8 (2019: 172.8) million, of which EUR 3.6 (2019: 31.9) million were current and EUR 192.2 (2019: 140.9) million were non-current liabilities.

Terrafame Oy (subsidiary)

The net sales of the subsidiary Terrafame for the financial year 2020 were EUR 338.3 (2019: 310.4) million, EBITDA EUR 23.8 (2019: 32.0) million and operating profit/loss EUR -16,9 (2019: -5.6) million. The total assets of Terrafame were EUR 918.5 (2010: 749.5) million.

Shareholders' equity at the end of 2020 was EUR 442.1 (2019: 349.8) million. The total amount of debt was EUR 317.4 (2019: 242.4) million. Terrafame's equity ratio at the end of the financial period was 48.1 (2019: 46.7) percent, and net gearing was 31.0 (2019: 31.7) percent.

Terrafame's total capital expenditure for 2020 was EUR 201.8 (2019: 130.6) million. Of this amount, EUR 162.3 million was allocated to increasing capacity and improving productivity (2019: 88.5) million, while sustaining capital expenditure amounted to EUR 39.5 (2019: 42.1) million.

The key investments for increasing capacity were related to the construction of the battery chemicals plant, set to become operational in 2021. In addition, the construction work to extend the primary leaching area progressed as planned. At the end of 2020, the battery chemical plant's construction project was 90 percent complete, and the first commissioning measures were initiated.

The most significant investments related to sustaining production were the construction works in the new block of the waste rock area KL2, the construction of gypsum pond 3, the acquisition of spare parts for mining equipment and the ore crushing line, the modifications to the conveyor in the secondary leaching area, and the commencement of building a new roof for the interim storage facility.

Personnel

At the end of the financial year, Finnish Minerals Group and its wholly-owned subsidiaries employed 20 persons (2019: 15) including staff personnel. During the year, five new permanent employees were hired.

During 2020, approximately 2,000 people worked regularly at Terrafame's industrial site. At the end of the year, the company employed 870 (2019: 754) people, of which 97 (77) were fixed-term employees. The company also hired 52 people for summer jobs. In addition to the company's own personnel, a total of 1,166 (735) employees (full-time equivalent, FTE) on average worked at the industrial site during the year through partner companies and subcontractors. This number was increased especially by the personnel working at the construction site of the battery chemicals plant. The total number of the company's own personnel increased by 15 percent compared to 2019, mainly due to the recruitments to the battery chemicals plant.

Corporate responsibility development

The objectives for developing responsibility set by Finnish Minerals Group in its corporate responsibility programme for 2020–2024 are related to social impact, a sustainable value chain, and responsibility for the environment and climate. The progress made in achieving these objectives during the year 2020 is

KEY FIGURES

Consolidated	**2020**	**2019**
Net sales	EUR 338.3 million	EUR 310.4 million
EBITDA	EUR 23.3 million	EUR 29.6 million
Operating profit/loss	EUR -17.5 million	EUR -9.1 million
Operating profit, %	-5.2%	-2.9%
Equity ratio	50.9%	53.5%
Total assets	EUR 975.9 million	EUR 861.6 million
Wages and salaries	EUR 40.5 million	EUR 35.6 million
Average number of personnel	850 persons	735 persons

Parent company	**2020**	**2019**
Net sales	EUR 1.2 million	EUR 0.6 million
EBITDA	EUR -2.5 million	EUR -2.5 million
Operating profit/loss	EUR -2.5 million	EUR -2.5 million
Operating profit, %	-210.5%	-404.2%
Equity ratio	99.8%	99.9%
Total assets	EUR 528.7 million	EUR 530.2 million
Wages and salaries	EUR 1.7 million	EUR 1.5 million
Average number of personnel	16 persons	13 persons

Key figure calculation formulas

Equity ratio, % $= \dfrac{100 \times \text{Equity}}{\text{Total assets – advances received}}$

EBITDA = Operating profit + depreciation + amortisation + impairment

EBITDA, or earnings before interest, taxes, depreciation, and amortisation, is an Alternative Performance Measure (APM) defined by the European Securities and Markets Authority (ESMA), which Finnish Minerals Group uses in its reporting as a measure of the company's overall financial performance. EBITDA provides useful additional information in the company's financial statements, and the company management monitors this key performance measure internally.

discussed in the beginning of the Annual Report.

The company develops its social responsibility on the basis of the Government Resolution on State Ownership Policy and the ISO 26000 standard on social responsibility. The aim is to identify the company's corporate responsibility in various situations and its stakeholders, i.e. those who could be affected by what the company does. The UN guiding principles reporting framework has been applied in the section covering human rights.

The Corporate Responsibility Committee set up by the company's Board of Directors on a fixed-term basis in 2019 was confirmed as a standing committee in 2020. The committee is tasked with supporting the implementation of the company's responsibility policy and the company's management in taking account of various considerations regarding responsibility. The committee convened two times during the year. It also provided support to operations by commenting on EIA materials and responsibility-related processes, for example. The committee members had opportunities similar to Board members to directly influence the actions and decisions taken by the Board of Directors.

In the operations function, corporate responsibility was linked to the activities of all teams, as well as to the work of each employee and executive staff member through the targets set in the company's remuneration programme. The performance targets used as basis for remuneration were linked to the company's corporate responsibility programme.

Organisational governance

The foundation for corporate governance at Finnish Minerals Group was laid during its first year of operations. The internal structures and processes of the governance model were further developed in 2020.

In the end of the year, Finnish Minerals Group set up Sokli Oy, so that the development of the Sokli mining project could continue under this company. Separate organisational structures were also created under the project company Finnish Battery Chemicals Oy for handling the preparations for the pCAM and CAM production plant projects.

The Responsibility Policy and the Code of Ethics for personnel were updated during the year. The final changes were reviewed with personnel before publishing the documents and the news on the company website. A document containing the principles for corporate responsibility was drawn up for service providers and suppliers, and its use as an annex to key agreements was started. Personnel were also advised to discuss the principles with subcontractors, to ensure they agree to the principles.

Any internal policies and guidelines issued at Finnish Minerals Group directly apply to all fully-owned Group companies.

Human rights

In 2020, the Responsibility Policy was updated to express the company's commitment to respect universal human rights in accordance with the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, as well as the ILO Declaration on Fundamental Principles and Rights at Work. The processing of human rights issues at least twice a year was added to the tasks of the Responsibility Committee. The human rights issues may be related to, for example, strategic risk assessments, results of employee and stakeholder surveys, and raising a concern/whistleblowing. With regard to overall operations, the CEO is responsible for human rights issues.

A closer look was taken on human rights inside the company during 2020 by sending a survey to the personnel and Board of Directors. The survey results and human rights in general were discussed by the Leadership Team and the Responsibility Committee, as well as in a staff briefing session. The discussions also covered topics such as the obligation of companies to carefully deal with any human rights issues and their duty to respect human rights and take immediate action to remedy any concerns raised.

Risks related to human rights are part of Finnish Minerals Group's risk management policy and risk assessment. During the year, the company made its own preliminary assessment of the human rights impacts and risks of its operations at the Group level. Based on the preliminary assessment, the key impacts and risks were related to occupational safety and hygiene at industrial sites, the overall safety of the neighbouring areas of industrial sites, the minimisation of environmental impacts, and the working of subcontractors. Towards the end of the year, building a Group-level human rights impact and risk assessment process, that would be based on the UN Guiding Principles on Business and Human Rights, including stakeholders' views, was taken under consideration.

During the autumn, the company received feedback on how to develop its obligation to respect human rights and ways of publishing human rights information from the Finnish Government's Status of Human Rights Performance of Finnish Companies (SIHTI) project, in which 78 Finnish companies were assessed based on publicly available information. The actions taken on the basis of the feedback included describing the company's process for whistleblowing/raising concerns and publishing the process description on the company website.

A feedback channel was added to the website of Finnish Minerals Group in 2019 to provide the company's employees as well as external individuals and communities a way of raising any concerns about anything that the company does. No concerns were raised during 2020.

Labour practices

Early in the year, Finnish Minerals Group introduced a human resources policy to promote the company strategy and objectives, ensure the occupational well-being and job satisfaction of personnel, and encourage the continuous improvement of personal competence and role at work. The HR policy defines, for example, remuneration principles, working time arrangements and basis for occupational health and safety.

Information on the company's efforts to prevent discrimination and enhance diversity in the workplace was recorded in the company's Code of Ethics. At the same time, personnel members were obliged to report any cases of misconduct or suspicious activities either to their supervisors or through the company's feedback channel, which enables raising a concern anonymously. When new employees were hired, the Code of Ethics was gone through with them, and a staff briefing session was organised to introduce the updates made to the Code.

Practices in working life were also made part of the principles of corporate social responsibility for suppliers on the basis of, for example, the ILO Declaration on Fundamental Principles and Rights at Work. The company's main subcontractors during the year were Finnish consulting firms and other service companies, such as companies providing earnings-related pension insurance, engineering and legal services.

The quality of the responsibility work performed by most significant potential partners was assessed through written material analysis and on-site visits. Based on the results, companies with global operations usually organise their governance and human rights management satisfactorily, while they may struggle with their practices in working life and occasionally with environmental affairs. The responsibility work of subcontractors that Finnish Minerals Group used to provide technical services was assessed with a web survey. The results showed that attention has been paid to organisational governance, the environment and nature, and labour practices, whereas there still seems to be room for improvement with regard to supply chains and community involvement and development.

The low organisational hierarchy and small staff of 20 people at Finnish Minerals Group and its fully-owned subsidiaries were ideal for maintaining a flexible and open governance model. The goal is to maintain active, anticipatory and respectful dialogue, regardless of everyone's role at work. Development discussions were held once during the year, as were semi-annual development discussions. Feedback was collected from personnel twice during the year using a barometer that contained questions on the meaningfulness of work, feeling of being heard, coping with work, and ability to maintain a healthy work-life balance.

To ensure occupational safety, the company requires everyone entering the industrial sites to undergo the Occupational Safety Card training and the occupational safety training organised by each industrial facility, such as the subsidiary Terrafame. The company provides safety equipment and personal protective equipment for everyone who needs them. In office work, the focus during the year 2020 was on minimising the risk of contracting COVID-19 in accordance with the company's own health and safety guidelines, which were updated on the basis of the guidelines issued by the authorities and discussed in staff briefings after each change.

No accidents at work occurred to the personnel of Finnish Minerals Group or to the personnel of its fully-owned companies during 2020. The personnel took a total of 74 days of sick leave during the year.

Environment

During the year, Finnish Minerals Group provided technological support to its Group and portfolio companies regarding environmental affairs. In practice, this meant evaluating technical solutions and providing feedback on how to develop plans and operations. In addition, Finnish Minerals Group's fully-owned project company Finnish Battery Chemicals was undergoing the environmental impact assessment (EIA) procedure for the new pCAM and CAM production plants.

In the Finnish Battery Chemicals' EIA procedure, special attention was paid to identifying the optimal discharge locations for process and cooling waters and to minimising the impacts of sulphate emissions and heat load on the basis of water modelling made in accordance with the precautionary principle. The other impacts assessed were: community structure and land use; flora, fauna and nature conservation; traffic; living conditions and amenity; landscape and cultural heritage; and, noise and air quality. Assessing these required several background studies such as analysis of natural values, noise modelling, and visibility analysis.

In its responsibility program for 2020–2024, Finnish Minerals Group has set the objective that the boards of portfolio companies annually approve strategic action plans for minimising environmental impacts, promoting the circular economy and reducing carbon dioxide emissions. The company itself participated in several national and EU-wide technological development projects related to the sustainability of procurement, enhancement of material efficiency, and treatment of water and waste.

Fair operating practices

Corruption is prevented at Finnish Minerals Group through the company's policies and ethical principles. The annual updating process included going through with the personnel the financial instructions and examples of situations requiring special attention, such as deviations in financial reporting, confusing invoices, charging of excessive fees and nepotism. The personnel were also reminded of the channels for raising concerns. Also before the end of the year, Finnish Minerals Group signed up for the 'Say no to corruption' campaign, co-ordinated by the Ministry of Justice.

The company has issued corporate responsibility principles for its suppliers, expecting them to fight against corruption and play fair in competitive bidding.

Community involvement and development

One of the most important objectives of Finnish Minerals Group is to create new high-tech jobs in Finland by developing the domestic battery value chain. In 2020, the company put together EIA monitoring groups in four potential locations – Kokkola, Vaasa, Kotka and Hamina – and, in the name of its project company, initiated the EIA procedure for battery materials production.

Firstly, the identification of the stakeholders invited to the monitoring groups considered which local groups, or the issues they represent, could actually or potentially be affected by the project. Secondly, the issue was examined on the basis of which stakeholders influence, or could influence, the progress of the project, or the operations of the plants after commissioning. Some stakeholders were identified together with the EIA consultant, while some ideas were received from other stakeholders.

The stakeholders invited to the monitoring groups represented cities, regional development companies, regional councils, chambers of commerce, shareholders, water and rescue services, residents' associations, fishing associations, nature associations and ornithological societies. The exchange of ideas with stakeholders provided useful information for the production of EIA materials and conducting further studies. Based on stakeholder feedback, one separate presentation and discussion event was also organised in the Kotka-Hamina region in early 2021.

As part of the EIA procedure, a public event open to everyone was organised to present the EIA programme during the official announcement period. Due to the coronavirus epidemic, the event was organised as a webinar. Notice of the webinar was published in local newspapers and on the company's and co-ordinating authority's websites.

Through technological development work in the mining and battery sector, Finnish Minerals Group was involved in several research and development projects that brought together companies, research institutes and universities from Finland and the EU. During the year, the company agreed to participate in Finnish and EU-wide co-operation for ensuring the traceability of minerals, and joined the European Raw Material Alliance (ERMA) and Batteries European Partnership Association (BEPA), which have been established for developing the European mining and battery industry.

Finnish Minerals Group's portfolio companies participated in the activities of local communities in the Kainuu and Central Ostrobothnia regions. In addition, the company was invited to give presentations in a few local seminars such as the Kokkola Material Week and Virtual Arctic Mines Summer School.

Corporate governance at Finnish Minerals Group

Shares and shareholders

The State of Finland owns Finnish Minerals Group's entire share capital that on 31 December 2020 consisted of 558,408 shares. Each share entitles its holder to one vote.

Corporate governance

The main rules governing a state-owned special-purpose company are laid down in the Limited Liability Companies Act of Finland (624/2006) and the State Shareholdings and Ownership Steering Act (1368/2007). The company is also governed by the current Government Resolution on State Ownership Policy and the Articles of Association as well as the principles and guidelines defined by the company's Board of Directors. The General Meeting of Shareholders, the Board of Directors and the CEO are responsible for Finnish Minerals Group's administration and operations.

Until the Annual General Meeting of 2020, the Chair of the Board of Directors of Finnish Minerals Group was Janne Känkänen, and the other members of the Board were Teija Kankaanpää, Ilpo Korhonen, Antti Kummu (Vice Chair), Juha Majanen, Minna Pajumaa and Eeva Ruokonen. From the Annual General Meeting onwards, the Board of Directors consisted of Antti Kummu (Chair) and Board members Teija Kankaanpää, Ilpo Korhonen, Janne Känkänen (Vice Chair) and Eeva Ruokonen. The Board of Directors has a Personnel and Remuneration Committee and a Corporate Responsibility Committee, which was confirmed as a standing committee. All Board members are independent of the company. One out of five Board members is not independent of the company's sole shareholder, the State of Finland. The company's Board of Directors complies with the rules of procedure it has approved.

The Authorised Public Accountants KPMG Oy Ab acted as the auditor of Finnish Minerals Group and its subsidiaries in 2020, with Authorised Public Accountant Antti Kääriäinen acting as the principal auditor.

Related party transactions

The Board of Directors of Finnish Minerals Group has confirmed the policy on related party transactions for the Group companies. The key related parties include the State of

Finland, which is the Group's only shareholder, and the associated company Keliber Oy, Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P. and Galena Private Equity Resources Investment 4 L.P. funds, as well as Trafigura Ventures V B.V. The related parties also include members of Boards, CEOs and management team members of Group companies, persons responsible for Terrafame's commercial agreements, immediate family members of persons referred to here, and entities in which they or their immediate family members exercise control or considerable influence. Finnish Minerals Group's related parties also include companies in which the Government of Finland exercises control or considerable influence. The company has applied an exemption pursuant to which it only reports significant transactions with Government-related companies.

During the financial year 2020, Terrafame had a EUR 32.5 (2019: 32.5) million counter-guarantee granted by the State for arranging collateral in accordance with environmental permits. Terrafame has acquired legal and other administrative services from Finnish Minerals Group, whereas Finnish Minerals Group has acquired financial management services from Terrafame.

The sales of nickel cobalt sulphide and zinc sulphide to Trafigura Ventures V B.V. company amounted to EUR 319.3 (2019: 322.9) million for the financial period.

The Group companies' related party transactions are described in the notes. Financing arrangements with related parties are disclosed in the report's section concerning financing arrangements.

All business transactions between the Group companies and their related parties conformed to accepted market practices.

Remuneration of the Board of Directors and executives

The monthly fees paid in 2020 were EUR 1,500 to the Chair of the Board of Directors of Finnish Minerals Group, EUR 850 to the Vice Chair and EUR 700 to each Board member. In addition to the monthly fees, a meeting fee of EUR 500 was paid for each Board and committee meeting attended.

The Board of Directors of Finnish Minerals Group had 14 meetings in 2020 (2019: 13). In addition, the personnel and remuneration committee held three meetings and the corporate responsibility committee two meetings.

The total amount of monthly fees paid to Board members was EUR 57,600 (2019: 65,550) and the total amount of meeting fees paid to Board members EUR 45,000 (2019: 46,000). No performance-based remuneration was paid to the members of the Board.

Board members do not own shares in the company and the company has no option scheme.

The subsidiary Terrafame and the portfolio company Keliber report on the remuneration paid to their Board members and executives in their own reports.

Remuneration of the Board of Directors

(EUR)	Monthly fees	Attendance fees	Total remuneration	Board meetings	Committee meetings
Antti Kummu	16,050	8,500	24,550	14/14	3/3
Janne Känkänen	12,150	7,500	19,650	12/14	3/3
Juha Majanen	2,100	1,500	3,600	3/3	0/1
Minna Pajumaa	2,100	2,500	4,600	3/3	2/2
Eeva Ruokonen	8,400	8,000	16,400	14/14	2/2
Teija Kankaanpää	8,400	8,000	16,400	14/14	2/2
Ilpo Korhonen	8,400	9,000	17,400	14/14	5/5
Total remuneration 2020	**57,600**	**45,000**	**102,600**		

The remuneration of the Chief Executive Officer of Finnish Minerals Group consisted of a fixed salary, phone and meal allowances, and a performance bonus of up to 30 percent of the CEO's annual salary. The CEO was not covered by a contribution-based or other additional pension insurance. CEO Matti Hietanen did not own shares in the company, and the company has no option scheme.

The total amount of remuneration, excluding the performance bonus, paid to the CEO Matti Hietanen in 2020 was EUR 192,896 (2019: 182,136). The CEO received a performance bonus of EUR 33,495. The total amount of remuneration paid to the other members of the Leadership Team was EUR 590,876 (2019: 458,686). Of this amount, the performance bonuses paid for 2019 accounted for EUR 64,562.27 euroa.

From 2020, a performance bonus of EUR 31,827.84 will be paid to the CEO and a total of EUR 68,818 to the other Leadership Team in 2021.

Estimate of major risks and uncertainty factors affecting operations

The Board of Directors and Chief Executive Officer of the Group companies are responsible for organising internal control, risk management and internal auditing within the companies.

In 2020, Finnish Minerals Group updated its risk management policy. The update also included an evaluation of the most significant risks associated with the company's operations. Efforts are made to identify risks, their impact on company operations is assessed, and risk management measures are planned as required. The company's Board of Directors regularly monitors and assesses risks related to the activities, as well as its risk management measures.

From the perspective of shareholder value, the key risks of Finnish Minerals Group relate to the business activities of the subsidiary, Terrafame. The business is affected by various risks typical to the mining industry, such as fluctuations in exchange rates and the price of nickel and zinc, the counterparty risk associated with customers and other business partners, as well as risks related to the prices of major raw materials and energy.

Terrafame's risk management and the risks associated with the related activities are discussed in Terrafame's reporting.

Significant events after the end of the financial period

The financial period of Finnish Minerals Group ended on 31 December 2020. In February 2021, Finnish Minerals Group's fully owned project company Finnish Battery Chemicals Oy submitted an EIA report on battery materials production to the coordinating authority, the Southeast Finland ELY Centre.

Portfolio company Keliber announced a funding arrangement in February, which will make the South African company Sibanye-Stillwater one of Keliber's main owners.

In March, a share issue of EUR 30 million increased the company stock of Finnish Minerals Group to 588,408 shares.

Estimate of future developments

Finnish Minerals Group continues to operate as the Group's parent company, whose core activities are to develop a lithium-ion battery value chain in Finland, invest in the mining and battery industry, and carry out technological development work.

The process equipment installation work for Terrafame's upcoming battery chemicals plant is progressing and commercial production will commence in the spring of 2021. The company will also continue to take measures to improve occupational safety as well as production and cost efficiency.

Board of Directors' proposal for the disposal of the result

The result of Finnish Minerals Group for the financial year 2020 shows a loss of EUR 2,035,528.89. On 31 December 2020, the distributable equity of Finnish Minerals Group totalled EUR 524.585,020.22.

The Board of Directors will propose to the Annual General Meeting that Finnish Minerals Group's loss for the financial year be recorded in the retained earnings account and that no dividend be paid.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR 1,000)	Note	2020	2019
Net sales	1.1	338,320	310,436
Cost of goods sold	1.3	-325,350	-292,786
Gross profit		12,970	17,650
Other operating income	1.4	2,089	2,005
Sales and marketing expenses	1.5	-2,750	-1,391
Administrative expenses	1.6	-20,723	-19,534
Other operating expenses	1.7	-9,133	-7,793
Operating profit/loss		-17,547	-9,063
Finance income and cost	1.8		
Other finance income		16,996	1,244
Change in fair value, other investments		464	-8,155
Interest and other finance costs		-17,102	-14,486
Share of profit from associated company	1.15	-1,105	-1,094
Total finance income and cost		-746	-22,491
Profit/loss before tax		-18,293	-31,554
Income taxes	1.9	-366	-60
Profit/loss for the period		**-18,659**	**-31,614**
Other comprehensive income			
Items that will not be subsequently transferred to profit or loss			
Cash flow hedging – effective portion of changes in fair value reserve		-11,525	-9,114
Taxes on items that may be subsequently transferred to profit or loss		2,305	1,823
Other comprehensive income, net		-9,220	-7,291
Total comprehensive income for the period		**-27,879**	**-38,905**
Distribution of profit for the period			
Owners of the parent		-13,758	-25,905
Non-controlling interests		-4,901	-5,709
		-18,659	**-31,614**
Distribution of comprehensive profit for the period			
Owners of the parent		-19,916	-31,140
Non-controlling interests		-7,963	-7,764
		-27,879	**-38,905**
Earnings per share calculated from the profit attributable to the owners of the parent			
Basic earnings per share	1.10	-24,65	-48,34
Diluted earnings per share		-24,65	-48,34
Average number of shares:			
Undiluted		558,038	535,908
Diluted		558,038	535,908

The parent company does not have equity arrangements with a dilution effect on earnings per share.

CONSOLIDATED BALANCE SHEET

	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	1.12	2,158	1,079
Property, plant and equipment	1.13	596,930	433,888
Biological assets	1.14	7,950	6,974
Investments in other shares and participations	1.15	10,503	10,329
Deferred tax assets	1.22	2,532	227
Other receivables	1.16	0	4,621
Total non-current assets		**620,073**	**457,118**
Current assets			
Inventories	1.17	220,486	218,157
Trade and other receivables	1.18	37,123	33,658
Cash and cash equivalents	1.19	98,182	152,682
Total current assets		355,792	404,497
Total assets		**975,865**	**861,615**
EQUITY AND LIABILITIES			
Equity attributable to equity owners of the parent	1.20		
Subscribed capital		2,258	2,258
Invested unrestricted equity fund		563,054	559,519
Fair value reserve	1.21	-6,765	-653
Earnings from previous periods		-189,173	-175,177
Profit/loss for the period		-13,758	-25,905
		355,615	360,043
Share of non-controlling interests		141,076	100,888
Total equity		**496,691**	**460,931**
Non-current liabilities			
Deferred tax liabilities	1.22	948	583
Interest-bearing liabilities	1.26	192,238	140,857
Provisions	1.25	159,077	157,398
Total non-current liabilities		**352,263**	**298,838**
Current liabilities			
Interest-bearing liabilities	1.26	3,588	31,931
Trade and other payables	1.27	123,322	69,915
Total current liabilities		**126,910**	**101,846**
TOTAL EQUITY AND LIABILITIES		**975,865**	**861,615**

CONSOLIDATED CASH FLOW STATEMENT

	Note	2020	2019
Cash flow from operating activities			
Profit/loss before tax		-18,293	-31,554
Adjustments to operating profit/loss	1.28	-200	21,308
Depreciation and amortisation		40,846	38,666
Change in net working capital		18,555	-15,943
Interest paid		-4,921	-5,104
Interest received		3,401	979
Realised foreign exchange gains and losses		0	0
Net cash flow from operating activities		**39,389**	**8,352**
Cash flow from investing activities			
Investments in tangible and intangible assets		-188,077	-118,833
Proceeds from disposal of tangible and intangible assets		991	12,725
Collateral deposits on behalf of subsidiary		0	0
Investments in other investments		-2,353	-6,024
Proceeds from disposal of other investments		464	0
Net cash flow from investing activities		**-188,975**	**-112,132**
Cash flow from financing activities			
Subscription issue		36,903	22,500
Borrowings		66,471	62,947
Repayment of non-current borrowings and transfers between items			-28,619
Current borrowings and transfers between items			28,619
Repayment of loans		-2,516	-203
Payment of finance lease liabilities		-3,388	-2,551
Cash flow from financing activities		**97,470**	**82,692**
Change in cash and cash equivalents		**-52,116**	**-21,087**
Effects of foreign exchange rate changes on foreign currency transactions and operations		-2,384	210
Cash and cash equivalents at beginning of year		152,682	173,559
Cash and cash equivalents at end of year		**98,182**	**152,682**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity owners of the parent						
	Subscribed capital	**Invested unrestricted equity fund**	**Fair value reserve**	**Retained profits**	**Attributable to parent**	**Attributable to non-controlling interests**	**Total equity**
Equity 1 Jan 2019	2 258	533,651	4,914	-186,445	354,377	116,338	470,715
Error correction	0	0	12	0	12	-12	0
Adjusted equity 1 Jan 2019	2 258	533,651	4,926	-186,445	354,389	116,326	470,715
Comprehensive income							
Profit/loss for the period	0	0	0	-25,905	-25,905	-5,709	-31,614
Other comprehensive income (adjusted basis)							
Cash flow hedging	0	0	-5,235	0	-5,235	-2,056	-7,291
Total comprehensive income for the period	0	0	-5,235	-25,905	-31,140	-7,765	-38,905
Business transactions with shareholders							
Share issue	0	22,500	0	0	22,500	6,620	29,120
Total business transactions with shareholders	0	22,500	0	0	22,500	6,620	29,120
Changes in subsidiary holdings							
Acquisitions of non-controlling interests not leading to change of control	0	3,369	0	0	3,369	-3,369	0
Acquisitions of non-controlling interests leading to change of control	0	0	-343	11,268	10,925	-10,925	0
Equity 31 Dec 2019	2,258	559,519	-653	-201,081	360,043	100,888	460,931
Equity 1 Jan 2020	2,258	559,519	-653	-201,081	360,043	100,888	460,931
Comprehensive income							
Profit/loss for the period	0	0	0	-13,758	-13,758	-4,901	-18,659
Other comprehensive income (adjusted basis)							
Cash flow hedging	0	0	-6,158	0	-6,158	-3,062	-9,220
Total comprehensive income for the period	0	0	-6,158	-13,758	-19,916	-7,963	-27,879
Business transactions with shareholders							
Share issue	0	0	0	0	0	67,007	67,007
Total business transactions with shareholders	0	0	0	0	0	67,007	67,007
Changes in subsidiary holdings							
Acquisitions of non-controlling interests not leading to change of control	0	6,904	0	0	6,904	-6 904	0
Acquisitions of non-controlling interests leading to change of control	0	-3,369	46	11,908	8,585	-11,953	-3,369
Equity 31 Dec 2020	2,258	563,054	-6,765	-202,932	355,615	141,076	496,691

ACCOUNTING POLICIES FOR CONSOLIDATED FINANCIAL STATEMENTS, AND NOTES

Basic information about the Group

Finnish Minerals Group is a Group formed by companies operating in the mining and minerals sector, set up to develop the Finnish mining sector and build a battery value chain in Finland. The Group operates internationally and is engaged in the exploration, recovery and mining of ores as well as other mining and quarrying operations, the purchase and sale of mining rights, and any other business based on or related to knowledge acquired in these areas or otherwise suitable for the said areas. In line with its strategy, the Group's parent company focuses on the battery value chain, technological development and active ownership. The Group comprises the parent company Finnish Minerals Group (Business ID 2674050-9), the subsidiary Terrafame Oy (Business ID 2695013-5), in which the parent has a shareholding of 66.8 percent, and the subsidiaries Finnish Battery Chemicals Oy (Business ID 2999094-1) and Sokli Holding Oy (Business ID 3174771-3), in which the parent has a shareholding of 100 percent.

Finnish Minerals Group is a state-owned special-purpose company subject to ownership steering by the Ministry of Economic Affairs and Employment, tasked with developing the Finnish battery and mining industry. The current mandate and trade name were given to the company in June 2018. Before that, starting from 2015, the company operated under the name Terrafame Group Oy and focused on the duties of the parent of Terrafame Oy.

Finnish Minerals Group's most important asset item is its subsidiary, Terrafame Oy. Terrafame produces nickel, zinc, cobalt and copper at its mine and metal works located in Sotkamo. The company continued to build the battery chemicals plant during the financial year. Production in the new plant will start as planned in early 2021, when Terrafame will be able to further process its main product into nickel and cobalt sulphates, which are needed to manufacture electric car batteries.

The portfolio companies of Finnish Minerals Group during the annual reporting period ended on 31 December 2020 were associated company Keliber Oy (shareholding of 26.3%) and Sotkamo Silver AB. Ownership in the latter was divested in December 2020.

The parent company is domiciled in Helsinki and its visiting address is Keskuskatu 5 B, 8th floor, FI-00100 Helsinki, Finland. The Group's subsidiary Terrafame Oy was registered in the Trade Register on 5 June 2015, and its address is Malmitie 66, FI-88120 Tuhkakylä, Finland.

Finnish Minerals Group's Board of Directors approved these financial statements in its meeting of 16 March 2021. According to the Limited Liability Companies Act of Finland, shareholders may approve or reject the financial statements in the Annual General Meeting held after their publication. The General Meeting may also decide to amend the financial statements.

Copies of the consolidated financial statements are available at Finnish Minerals Group's office, and they can be viewed on the Company's website at www.mineralsgroup.fi.

Accounting policies for consolidated financial statements

Basis of preparation

Finnish Minerals Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the IAS and IFRS standards and SIC and IFRIC interpretations effective on the date of closing of the accounts, 31 December 2020. The International Financial Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Act and regulations based on it. The notes to the consolidated financial statements also comply with Finnish accounting and corporate legislation. The financial statement information is reported in tables and related texts in thousands of euros and in the report of the Board of Directors in millions of euros to one decimal place. The comparative figures reported in brackets are figures for the financial year 2019. All the presented figures have been rounded according to general rounding rules, so the sum of the individual figures may be different from the sum presented. Key figures have been calculated using exact values. Comparative information has been adjusted where necessary to correspond with the information of the year under review.

The consolidated financial statements are drawn up on the basis of initial acquisition costs, with the exception of assets and liabilities measured at fair value through profit or loss and biological assets measured at fair value less estimated costs to sell. The assets, liabilities and contingencies acquired in a business transaction have been measured at fair value at the time of acquisition.

The preparation of financial statements under IFRS means that Group management must necessarily make certain estimates and judgements concerning the application of the accounting policies. Information about such considerations made by the management with the greatest influence on the figures presented in the financial statements are explained under the item 'Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates'.

New and amended standards and interpretations applied

Amendments to IFRS 3 *Business Combinations* – Definition of a business
(effective for annual periods beginning on or after 1 January 2020). The amendments are changes that narrowed and clarified the definition of business. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 *Financial Statement Presentation* and IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors* – Definition of 'material'
(effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of 'material' and provide additional guidance for applying the concept in the context of IFRS. The also provide more clarity as to what is and is not material.

Amendments to IFRS 9 *Financial instruments* , IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial instruments: Disclosures* – Interest Rate Benchmark Reform
(effective for annual periods beginning on or after 1 January 2020). The amendments address the uncertainties caused by the preparation and introduction of the amendments to the EU Benchmark Regulation (or, the IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to the IBOR reform.

Amendments to IFRS 16 *Leases* – Covid-19-related Rent Concessions
(effective for annual periods beginning on or after 1 June 2020). The amendment allows lessees to account for rent concessions occurring as a direct consequence of the Covid-19 pandemic, and that meet certain conditions, as if they were not lease modifications.

Other amended standards or interpretations have not had any impact on the consolidated financial statements of Finnish Minerals Group.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group owns more than half of the voting rights or otherwise has a controlling interest. The existence of potential voting rights is also considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Control exists when the Group, by virtue of being part of the entity, is subject or entitled to its variable returns and is able to influence those returns by exercising it power within the entity.

Acquired subsidiaries are consolidated from the date on which the Group gains control. The consolidation ends when on the date on which control is lost.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset item transferred.

Associated companies

The equity method of accounting has been applied to associated companies. If the Group's share of the losses of an associated company or a joint venture exceeds the carrying amount of the investment, the investment is recognised at zero value in the balance sheet and losses exceeding the carrying amount are not aggregated, unless the Group has agreed to fulfil the associates' obligations. Unrealised gains and losses have been eliminated to the extent of the Group's interest in the associated company or joint venture. Unrealised losses are not eliminated if the business transaction provides evidence of an impairment of the transferred asset. The Group reports the revenue earned by associated companies or joint ventures below its operating profit in financial income and expenses, in an amount proportional to the percentage of its equity investment in the company/venture. Similarly, the Group's share of the changes recognised in the other comprehensive income of the associated company or joint venture is recognised in the Group's other comprehensive income. The Group's associated companies and joint ventures have not had any of the profit and loss items described above during the financial years 2020 or 2019.

Separate recognition of non-controlling interests

Non-controlling interests are separately recognised in proportion to their share of ownership on the balance sheet date in the company's financial result and equity, which first have been adjusted to reflect the accounting policies adopted by Finnish Minerals Group.

Translation of items denominated in foreign currencies

Figures in the consolidated financial statements are shown in euro, the euro being the functional and presentation currency of the parent company, Finnish Minerals Group.

Transactions in foreign currencies are entered in euro at the rates prevailing at the transaction date or average rates provided by central banks. Monetary foreign currency items are translated into euro using the rates prevailing at the balance sheet date. Foreign exchange gains and losses related to business operations are included in the corresponding items of net sales, operating expenses or financial income and expenses.

Operating profit

IAS 1 *Presentation of Financial Statements* does not define the concept of operating profit. The Group has defined it as follows: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses, purchase expenses are adjusted for changes in inventories (growth in these increases and reductions decrease the operating profit) and expenses from production for own use, less employee benefit expenses, depreciation, amortisation and any impairment losses and other operating expenses. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations with third parties. Otherwise they are recognised in financial income and expenses. The realised earnings-related impacts of changes in the value of effective hedging instruments that are covered by hedge accounting are presented uniformly with the hedged item.

Revenue recognition

The revenue of Finnish Minerals Group mainly consists of metal sales. A large portion of the company's production is sold under long-term contracts, but sales revenue is recognised on the basis of individual sales transactions. The terms of delivery determine when the transfer of control to the customer takes place. Revenue is recognised net of sales-related foreign exchange gains and losses and any applicable sales taxes. Most sales are priced in US dollars. Individual deliveries constitute a separate performance obligation.

According to established business practices, recognition of sales revenue based on a best estimate per delivered batch of metals is, if necessary, adjusted according to the final weighing and analysis data.

Sales revenue recognition is based on a preliminary invoice drawn up upon delivery according to preliminary analysis and measurement results and the market prices at the time of delivery. Therefore, the offsets may be variable and will be adjusted as needed on the basis of the final analysis and measurement results. Furthermore, the prices of delivered metals are adjusted to correspond to the market prices of the agreed pricing period. The final analysis and measurement results are normally obtained within a few months.

With regard to deliveries for which final analysis and measurement results have not yet been obtained, the sales prices and euro-denominated valuations are adjusted at the date of reporting so as to correspond to the average market prices of the month of the financial statements and the exchange rates at the balance sheet date. With regard to these deliveries, the company also considers the need to make write-downs due to the changes in analysis and measurement results. No such write-downs have been recorded in the financial statements of 31 December 2020 or 31 December 2019. In addition, the commodity and currency hedges for metal tonnes sold have been taken into account in the valuation of sales.

Government grants

Government grants related to the acquisition of tangible fixed assets have been recognised by deducting the grant from the asset's carrying amount when there is reasonable assurance that the grant will be received and the Group will comply with any conditions attached to the grant. Grants are recognised as deferred income on a systematic basis over the useful life of the asset. Grants receivable as compensation for costs already incurred are recognised as income in profit or loss in the period in which the grant is receivable. Grants received are shown in other operating income.

Pension obligations

The Group companies have pension schemes in accordance with the local conditions and practices. The schemes are generally funded through payments to insurance companies. Currently all pension schemes are defined contribution plans.

Defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to pay all employees the benefits related to employee service in current and prior periods. Under defined contribution plans the payments are accounted for as an expense for the period for which the payment is made.

Leases

Finnish Minerals Group acts as a lessee, in which role it has mainly leased machinery and equipment, other small appliances, and premises. As a rule, the Group records all its right-of-use assets and lease liabilities associated with leases in its balance sheet. The Group applies the standard's exemptions concerning short-term leases of up to 12 months and goods of a value of up to approximately EUR 5,000. The Group does not recognise these in the balance sheet, but accounts for the lease payments of the above-mentioned leases on a straight-line basis over the lease term. The lease term is the period during which the lease cannot be cancelled. It includes the period covered by an extension or termination option, if the lessee is reasonably certain to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

At the inception date of the lease, the Group recognises a lease liability and a corresponding right-of-use asset. A right-of-use asset is initially measured at cost, which includes the original amount of the lease liability, plus any lease payments made at or prior to the inception date of the lease, less lease incentives obtained, plus any initial direct costs incurred by the Group, as well as the estimated restoration costs.

After the inception date of the lease, the right-of-user asset is measured at cost less the accumulated depreciation, amortisation and impairment loss. The asset is adjusted with certain items attributable to the re-measurement of the lease liability. The right-of-use asset is depreciated on a straight line basis starting from the inception date of the lease over the asset's useful life or the lease term. The useful life of the right-of-use asset is determined in the same way as the useful life of corresponding fixed assets held. If necessary, the right-of-use asset is tested for impairment and any impairment losses are recognised through profit or loss.

The original lease liability is measured at the current value of lease payments that were not made at the inception date of the lease. The Group discounts leases using agreement-specific borrowing rates. The value of the lease liability consists of: fixed payments, including factually fixed payments; variable lease payments that depend on an index or a rate and which are initially measured using the index or rate as at the lease's inception date; amounts payable by the lessee based on residual value guarantees; and the purchase option exercise price, if it is reasonably certain that the Group will exercise the option.

In subsequent periods, lease liabilities are measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments due to a change in the index or rate used to determine those payments, or if there is a change in the amounts expected to be payable under a residual value guarantee. Changes made by the Group in the assessment of a purchase option of an underlying asset or an extension or termination option may also lead to a re-measurement of the lease liability. When the lease liability is remeasured, a corresponding adjustment is made to the asset's carrying amount, or it is recognised through profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

Finnish Minerals Group does not act as a lessor.

Impairment losses

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use refers to the estimated future net cash flows obtainable from the asset or cash-generating unit, discounted to their current value. The value in use is forecast on the basis of circumstances and conditions prevailing at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures in different lines of business, and the investors' return expectations for similar investments. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. As at the date of reporting or the end of the reference period, the Group has no goodwill contributing to its valuation.

The impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised.

Borrowing costs
Borrowing costs are recognised as an expense for the financial period during which they are incurred. Borrowing costs that directly attributable to acquisition, construction or manufacturing of a tangible fixed asset (property, plant and equipment) that meets the criteria shall be capitalised as part of the asset's acquisition cost.

Income taxes
Tax expenses on the income statement consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous periods.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable amount. Deferred taxes are calculated using the tax rates set at the balance sheet date. Deferred tax assets arising from taxable losses carried forward are recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Property, plant and equipment
Property, plant and equipment, which on 31 December 2020 include buildings and infrastructure, machinery and equipment used in production operations, laboratory equipment, vehicles, roads, and structures for environmental protection, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs that are directly attributable to the acquisition, construction or production of an asset, and borrowing costs that meet the criteria.

Spare parts with a useful life of more than one year have been recognised in property, plant and equipment.

The recovery of ore reserves in the areas identified in the excavation plan requires removing the soil and waste rock overlying the mineral ore deposit. The resulting stripping costs have been capitalised and will be charged to expense as planned under the usage-based depreciation method as the recovery of the identified ore reserves progresses under the excavation plan. This balance sheet item is accounted for and tracked in accordance with the interpretation requirements of IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine*.

Depreciation charges are not recorded for work in progress or land. Other assets are depreciated using the straight line method so that the depreciable amount – acquisition cost less residual value – is allocated on a systematic basis over the asset's useful life as follows:

Tangible asset	Depreciation period
Roads and power lines	25 years
Buildings and structures	10–40 years
Leaching heap foundations	10–30 years
Machinery and equipment	4–25 years
Stock	5–10 years
Vehicles	5–10 years
Spare parts recognised as PPE	3 years
Environmental containment structures	25 years

The useful life, depreciation methods and potential residual values of assets are reassessed at each reporting date. The reassessment is based on the Group's estimates of ore reserves, mineral resources, production capacity and other relevant factors. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or expenses, respectively, in the income statement.

Other intangible assets
Other intangible assets are recorded at cost if the cost is reliably measurable and the future economic benefits for the Group are probable. Other intangible assets mainly consist of IT applications supporting the Group's business operations, which are amortised over 3–5 years.

Research and development costs
Research costs are recognised as an expense in profit or loss once they have been incurred. Expenses related to development projects may be recognised as an intangible asset if the acquisition cost is reliably measurable and the future economic benefits for the Group are probable. Otherwise, these costs are to be recognised as an expense in profit or loss once they have been incurred.

Development projects are analysed separately to determine the date on which the project has reached the phase after which the capitalisation of development costs can begin. After initial recognition, capitalised development costs are measured at cost less accumulated depreciation and impairment losses. The depreciation period is determined individually for each project. If it is found that the carrying amount exceeds the recoverable amount, the impairment loss corresponding to the difference is recognised in profit or loss.

Biological assets
Biological assets, i.e. living trees on company-owned land, are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. The fair values of biological assets other than young seedlings are based on quoted prices in active markets for biological assets. Biological assets, i.e. those physically attached to land, are recognised and measured at their fair value separately from the land.

The fair value of harvest, measured as its value at the time of sale, is deducted from the fair value of the biological assets. The estimated growth of trees is recognised as gains in the fair value of biological assets. The changes in the fair value of biological assets are included in operating profit in the income statement.

Inventories
The Group classifies its inventories into three groups: raw materials and consumables, work in progress, and finished products.

Raw materials and consumables are measured at the average purchase price of the goods in stock. A so-called write-down on slow-moving items is made on the slow-moving goods in the raw materials and consumables inventory. If an item has been in stock for more than a year, a write-down of 25 per cent is made. The write-down increases annually by 25 percentage points, so the value of an item that has been stored for more than four years is zero.

Work in progress and finished products (metal content for sale) are presented in the balance sheet as valued at actual production costs but up to the net realisable value of the products on the balance sheet date. Net realisable value refers to the estimated selling price in the ordinary course of business, less the production costs necessary to making work in progress and finished products ready for sale.

The acquisition cost of work in progress and finished products (production cost) includes the fixed and variable costs of production and maintenance that supports production, as well as depreciation on these operations, based on the actual production costs in the production process. Borrowing costs are not included in the acquisition cost.

Finished products include nickel cobalt sulphide, zinc sulphide and copper sulphide. Work in progress includes metals in the ore in primary and secondary heaps, as well as metals in the leaching process or metal precipitation and filtration process that can be processed for sale as a finished product.

The amount of metal included in work in progress is determined by calculating the metal tonnes added to and removed from the production process. The recoverable quantities of nickel, zinc, copper and cobalt included in work in progress are determined on the basis of the estimated ore concentrations based on geological surveys, the estimated recovery percentages of metals in the bio heap leaching process and the recovery percentages of the metal recovery plant.

Ore concentrations, the amount of metals in the production process and the metals recovery percentage are reviewed monthly.

With the net realisable value being higher than the at-cost value, the Group's finished products on 31 December 2020 were valued at EUR 6.1 million at cost on the basis of the acquisition cost. Finished products on 31 December 2019 were also valued on a cost basis. As of 2017, work in progress has been valued in the company's financial statements on a cost basis, as it was lower than the net realisable value. On 31 December 2020, the value of work in progress on a cost basis was EUR 190.2 million.

The value of inventories determined in accordance with the principle of net realisation value includes discretionary factors related to, for instance, the measurement of metal volume in work in progress, metals recovery percentages, production costs, the production time necessary to complete sales, and sales prices.

Financial assets
Financial assets are classified based on the Group's business model for managing financial assets and their contractual cash flow characteristics to the following categories:
- Measured at amortised cost
- Measured at fair value through other comprehensive results
- Measured at fair value through profit or loss.

The classification is based on the Group's business model objective and the contractual cash flow characteristics of the investments. Purchases and sales of financial assets are recognised on the basis of the settlement date. At the time of initial recognition, the Group designates financial asset items as measured at fair value and, in the case of items not measured at fair value through profit or loss, the transaction costs directly attributable to the item will be added to or deducted from it. Financial assets at fair value through profit or loss are recorded at the time of initial recognition in the balance sheet at fair value and transaction costs are recognised in profit or loss.

Classified in the **Financial assets measured at amortised cost** category are financial assets for which the objective of the business model is to hold financial assets and to collect contractual cash flows consisting solely or capital and interest payments. This item includes trade receivables, loan receivables and other receivables that are non-derivative financial assets. The assets classified in this category are measured at amortised cost under the effective interest rate method. The carrying amount of short-term trade receivables and other receivables is deemed to correspond to their fair value. These items are shown in the balance sheet as short-term assets if they are expected to be realised within 12 months of the end of the reporting period. If necessary, the Group recognises an expected credit loss reduction from the financial assets measured at amortised cost.

The Group applies a simplified procedure for the determination of expected credit losses for trade receivables measured at amortised cost. Under the simplified procedure, credit losses are determined using the reserve matrix and recorded in the amount corresponding to the credit losses expected to occur over the remaining life of the financial asset. Expected credit losses are estimated based on information about past events. The model also takes into account forecasts of future economic conditions available at the reporting date.

In the financial statements of 2020 and 2019, no expected credit losses have been recorded for trade receivables due to good credit rating and outstanding receivables from customers.

Receivables will be recognised as credit losses when there is objective evidence that the Group will not be able to collect all amounts. Any impairment is recognised in the income statement within operating expenses. When a receivable is deemed irrecoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Classified in the **Financial assets recognised at fair value through profit or loss** category are financial assets that are acquired to be held for trading purposes or classified at the time of initial recognition to be measured at fair value through profit or loss. The Group's financial assets at fair value through profit or loss consist of equity instruments.

Financial assets are derecognised when the Group's contractual entitlement to cash flows has lapsed or been transferred to another party or when the Group has transferred significant ownership risks and revenues outside the Group.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash at bank and cash in hand.

Financial liabilities

Financial liabilities are classified into the following categories:

- Recognised at amortised cost
- Recognised at fair value through profit or loss.

Financial liabilities are recognised at fair value at the time of initial recognition and, in the case of a financial liability other than that recorded at fair value through profit or loss, transaction costs directly attributable to the item will be added to or deducted from it.

Financial liabilities posted at amortised cost are measured at amortised cost under the effective interest rate method. The difference between the amount received and the recoverable amount is recorded in the income statement under the effective interest rate method over the loan period. Financial liabilities are classified as short-term unless the Group has an unconditional right to transfer the payment of the liability at least 12 months from the end of the reporting period. A financial liability is derecognised when the Group either pays the debt to the lender or has been legally exempted from the principal obligation relating to the liability as the result of a judicial process or by the lender. Interest-bearing liabilities are liabilities that either include a contractual interest component, or are discounted to reflect the fair value of the liability.

The interest-bearing loans, including lease liabilities, trade payables and other non-interest bearing liabilities, included in the Group's financial liabilities are classified as liabilities measured at amortised cost.

The Group's financial liabilities recognised at fair value through profit or loss consist of derivative instruments.

A financial liability is derecognised when the Group either pays the debt to the lender or has been legally exempted from the principal obligation relating to the liability as the result of a judicial process or by the lender. A financial liability is derecognised if the terms of the liability are changed and the change leads to a significant change in future cash flows. The new liability is recognised at fair value. Where changes occur in the amount of timing of the loan's expected cash flow, the carrying amount of the loan is adjusted to reflect actual and expected cash flows and the resulting income or expense is recognised in the income statement.

Derivatives and hedge accounting

Derivatives

The Group's subsidiary uses foreign exchange and commodity derivatives to hedge the Group's exposure to risks arising from balance sheet item and foreign currency purchase and sales contracts. The derivatives used by Terrafame were acquired for hedging purposes, and hedge accounting has been applied to them. All derivatives are recognised initially at fair value. Unrealised change in the value of derivatives that are considered effective hedges are recognised at fair value in the balance sheet's fair value reserve as per the portfolio valuation report for the last day of the reporting period. The accounting process for gains and losses on fair value measurement is based on the purpose of use of the derivative contract.

The realised earnings-related impacts of changes in the value of effective hedging instruments that are covered by hedge accounting are presented uniformly with the hedged item. In the event of any ineffective hedging, changes in the fair value of hedging instruments are recognised in profit or loss.

Hedge accounting

The subsidiary applies hedge accounting to all hedging instruments. At the beginning of the hedging arrangement, the relationship between each hedging instrument and the hedged asset, as well as the risk management objectives, are documented by hedging instrument type. The effectiveness of the hedging relationship is assessed at the beginning of hedging and in quarterly accounts at a minimum.

If the hedging relationship no longer meets the hedge accounting criteria or the hedging instrument is sold, expires, or the related contract is terminated or realised, hedge accounting will be terminated prospectively.

Cash flow hedging

The subsidiary's hedging activities are entirely focused on cash flow hedging. The effective portion of changes in the fair values of derivatives acquired for the purpose of hedging forecasted cash flows are recognised at fair value through other comprehensive income in the fair value reserve under equity. The cumulative fair value is shown in the cash flow hedge reserve under equity. Changes in fair value are recognised in profit or loss for the same periods in which hedged cash flows affect the result. The subsidiary can use currency swaps (forward contracts and options) as hedging instruments for future cash flows denominated in a foreign currency.

When hedge accounting for a cash flow hedge is terminated, the amount accumulated in the cash flow hedge reserve is included in equity until it is transferred to profit or loss for the same financial period in which the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, the amount accumulated in the cash flow hedge reserve will be immediately transferred as a reclassification adjustment to profit or loss.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted at the current pre-tax interest rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation provision for mine closure and environmental clean-up costs

A rehabilitation provision for mine closure costs is made with respect to the estimated future costs of closure and restoration, and for environmental restoration and rehabilitation to the condition required by the environmental permits granted for mining operations.

Prevention of the threat of environmental pollution entails environmental and landscaping obligations. After mining operations have ceased, any machinery and equipment, chemicals, fuels and waste involving the risk of environmental pollution must be removed from the site. This will be carried out as part of normal mining operations. In addition, the open pit must be restored to the condition required by public safety.

The majority of the estimated restoration costs arises from the closure of waste rock dumps and primary and secondary leaching areas, the treatment and clean-up of primary and secondary leaching solution channels, the construction, covering and landscaping of gypsum ponds, the clean-up of the water treatment sludges caused by the gypsum pond leak of 2012, the treatment of rock drainage, the fencing of open pits and the ex post supervision of the mining site.

The mine closure plan is based on the covering of areas with water- and oxygen-impermeable material, and long-term aftercare. It is assumed that environmental monitoring of the mine will continue for 30 years after closure of the mine.

The rehabilitation costs have been estimated in accordance with the cost level at the date of closing of the accounts. The rehabilitation provision in Terrafame's balance sheet of 31 December 2020 and that of the corresponding consolidated balance sheet was EUR 159.1 million. Finance costs in accordance with IFRIC 1:8 have not been presented since the company estimates that they will have little impact due to low interest rates.

Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

The estimates made when preparing the financial statements are based on the management's best knowledge at the balance sheet date. The estimates are based on prior experience, as well as future assumptions that are considered to be the most likely on the balance sheet date with regard to issues such as the expected development of the Group's economic operating environment in terms of sales and cost levels. The Group monitors changes on a regular basis using both internal and external sources of information, and any changes to these estimates and assumptions are entered in the accounts for the period in which the estimate or assumption is adjusted and for all periods thereafter.

Tangible and intangible assets

The management of Finnish Minerals Group has used its judgment in the recognition of tangible and intangible assets in the balance sheet and in determining their useful lives, which has an impact on the consolidated balance sheet and the amount of depreciation to be recorded. Similarly, management is required to use judgment in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and changes in deferred taxes.

For tangible fixed assets, comparisons have been made of the market prices of similar assets, and the depreciation of the acquired assets due to aging, wear and other similar factors has been estimated. The fair value measurement of intangible fixed assets is based on estimates of cash flows associated to fixed assets. Management considers the assumptions and estimates to be sufficiently accurate to provide a basis for estimating the fair value. The Group also reviews any indication of impairment loss of tangible and intangible fixed assets at each date of the financial statements.

Valuation of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets on the consolidated balance sheet. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third-party analyses of the quantities, mineral content, estimated production costs and recovery potential of the resource. The reliability of the evaluation and calculation basis for mineral resources and ore reserves is also a key consideration. In the mining and minerals business, mineral resources and ore reserves are commonly classified into categories such as 'proven' and 'probable' ore reserves, and 'measured' and 'indicated' mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the amount of provision, the Group has listed matters that it will rehabilitate and/or restore to the condition required by the licence terms in accordance with the nature of its operations and the official permit conditions. The Group estimates that it will take rehabilitation measures in connection with its mining operations or, at the latest, in connection with mine closure. These measures are estimated to take a few years after the mine closure.

At the date of the financial statements, the Group has estimated the extent and unit cost of the various matters requiring rehabilitation and calculated the rehabilitation provision accordingly. In estimating the extent and unit cost of the various matters, the Group has used its best in-house experts in the matters in question.

In determining the fair value of the provisions, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual rehabilitation costs to differ from the provision which has been made.

Definition of value of work in progress

The value of inventories determined in accordance with the principle of net realisation value includes discretionary factors related to, for instance, the measurement of metal volume in work in progress, metals recovery percentages, production costs, the production time necessary to complete sales, and sales prices.

Valuation offinancial assets recognised at fair value through profit or loss

Financial assets at fair value consist of investments for which no direct market quotation is available. The fair values of these investments are based on valuation models including judgment by management. No revaluated amounts based on management's judgment have been recorded in the books for financial year 2020. During the financial year 2019, management used its judgment in the valuation of investments in associated companies in the manner described in the notes to the financial statements. The company's investment in Ferrovan Oy had already been recognised at 'zero' value based on management's judgment.

Leases

To process leases in accordance with IFRS 16, estimates and assumptions made by management must be used, inter alia, when assessing factors that have an impact on defining the lease term as well as leases that are valid until further notice. In addition, management's assumptions are used when assessing leases with termination and continuation options. Management's estimates are also required to determine which discount rate to use. Management's estimates have an impact on the amount of right-of-use assets and lease liabilities in the balance sheet, as well as on the recording of income and expenses in the income statement.

New and revised standards applicable to future financial years, and their interpretations

At the reporting date of 31 December 2020, new and amended standards or interpretations are assumed not to have had any impact on the consolidated financial statements of Finnish Minerals Group.

Amendments to IFRS 9 *Financial instruments* , IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and *IFRS 16 Leases* – Interest Rate Benchmark Reform – Phase 2

(effective for annual periods beginning on or after 1 January 2021). The amendments provide guidance for the period after the interest rate benchmark reform with regard to changes in cash flows under the agreement and changes in hedging relationships, where the changes are specifically due to the entry into force of the EU Benchmark Regulation (changes caused by the IBOR reform). The amendments are intended to guide companies in the provision of information on the impact of the reform in their financial statements.

Amendments to IAS 16 *Property, plant and equipment* – Proceeds before Intended Use

(effective for annual periods beginning on or after 1 January 2022). The amendment requires that an entity recognises the proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of producing those items, in profit or loss.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Cost of Fulfilling a Contract

(effective for annual periods beginning on or after 1 January 2022). The amendments clarify that accounting for the 'cost of fulfilling' a contract also comprises 'costs that relate directly to the contract', which can be either incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Annual improvements to IFRS Standards 2018–2020

(effective for annual periods beginning on or after 1 January 2022). Smaller, less urgent changes to the standards are compiled and implemented collectively once a year through the Annual Improvements process. The amendments have clarified the following standards:

- IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities: The improvement to the guidance on the '10 per cent' test for derecognition clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability: the borrower only includes the fees paid or received between the borrower and the lender, including those paid or received by the borrower or lender on behalf of others.
- IFRS 16 *Leases*, Illustrative Example 13: The amendment removes from the example the payments made by the lessor for the renovation of the rental premises, as the example was unclear as to why such payments are not lease incentives.

Amendments to IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current

(effective for annual periods beginning on or after 1 January 2023 with early application permitted). The aim of the amendments is to harmonise the application of IAS 1 and to clarify the classification of liabilities as current or non-current.

1 NOTES

1.1 Net sales

	2020	2019
Breakdown by sector		
Metal	338,258	310,426
Other service	62	10
Total	338,320	310,436
Geographical breakdown		
Europe	338,337	310,194
Asia	0	0
United States	-17	242
Australia	0	0
Total	338,320	310,436

1.2 Employee benefit expenses and total depreciation

	2020	2019
Wages and salaries	40,541	35,640
Pension costs	6,518	6,584
Other social security expenses	1,447	1,126
Total	48,506	43,349
The Group's average number of employees during the financial year	851	736
The Group's number of employees at the end of the financial year	888	768

Total depreciation, amortisation and impairment charges	**2020**	**2019**
Intangible rights	563	466
Other long-term expenditure	58	25
	620	491
Tangible assets		
Buildings	4,093	4,078
Machinery and equipment	22,721	20,844
Right-of-use assets, machinery and equipment	2,534	2,740
Other tangible assets	10,877	10,512
	40,226	38,175
Total	40,846	38,666

1.3 Cost of goods sold

	2020	2019
Materials and services		
Raw materials and consumables		
Purchases during the financial year	114,479	119,045
Change in inventory	785	1,625
	115,264	120,671
External services	70,257	66,344
Total	185,521	187,015
Change in inventory, products		
Change in inventory		
Change in inventory, semifinished products	-3,913	-15,583
Change in inventory, finished products	799	-5,004
Total	-3,114	-20,587
Personnel expenses		
Wages and salaries	31,820	27,806
Pension costs	5,139	5,155
Other social security expenses	1,083	857
Total	38,042	33,818
Depreciation, amortisation and impairment charges		
Intangible rights	310	333
Tangible assets		
Buildings and structures	3,994	3,984
Machinery and equipment	12,365	20,678
Right-of-use assets, machinery and equipment	2,442	2,690
Other tangible assets	20,976	10,458
Total	40,087	38,143
Other costs of goods sold	64,814	54,397
Total	**325,350**	**292,786**

1.4 Other operating income

	2020	2019
Revaluation of biological assets	976	262
Insurance claims	1	400
Grants received	419	495
Proceeds from disposal of tangible and intangible assets	26	184
Other fees and compensation, including sales of scrap metal and proceeds from tree felling	667	665
Total other operating income	**2,089**	**2,005**

1.5 Sales and marketing expenses

	2020	2019
Personnel expenses		
Wages and salaries	940	806
Pension costs	147	147
Other social security expenses	31	25
Total	1,118	979
Depreciation, amortisation and impairment charges		
Depreciation and amortisation charges	62	0
Total	62	0
Other expenses		
Sales and marketing misc. charges	1,569	412
Total	1,569	412
Total sales and marketing expenses	**2,750**	**1,391**

1.6 Administrative expenses

	2020	2019
Personnel expenses		
Wages and salaries	4,625	4,442
Pension costs	784	786
Other social security expenses	261	144
Total	5,669	5,372
Depreciation, amortisation and impairment charges		
Depreciation and amortisation charges	274	277
Right-of-use assets, depreciation	37	0
Total	311	277
Other expenses		
Other administrative expenses	14,446	13,666
Total	14,446	13,666
Auditors' fees		
Auditing	126	134
Certificates and statements	2	23
Tax advisory services	57	31
Other services	111	30
	297	**219**
Total administrative expenses	**20,723**	**19,534**

1.7 Other operating expenses

	2020	2019
Research and development costs		
Total research and development costs recognised as an expense	**993**	**1,964**
Personnel expenses		
Wages and salaries	1,269	653
Pension costs	191	120
Other social security expenses	41	20
Total	1,501	793
Depreciation, amortisation and impairment charges		
Depreciation and amortisation charges	439	215
Total	439	215
Other expenses		
Other operating expenses	6,201	4,820
Total	6,201	4,820
Total other operating expenses	**9,133**	**7,793**

1.8 Finance income and cost

	2020	2019
Finance income		
Interest income from other deposits	51	89
Foreign exchange gains	16,774	541
Other finance income	171	614
Total finance income	**16,996**	**1,244**
Change in fair value of financial assets carried at fair value		
Change in fair value, other investments	464	-8,155
Change in fair value, financial securities	0	0
Total impairment charges	**464**	**-8,155**
Finance expenses		
Other interest expenses	-14,524	-8,015
Foreign exchange losses	-2,410	-1,901
Other finance expenses	-168	-4,570
Share of profit from associated company and joint venture	-1,105	-1,094
	-18,207	**-15,580**
Total finance income and costä	**-746**	**-22,491**

In the financial year 2020, EUR 464 thousand was recognised as an impairment reversal in respect of the write-down made in 2018 for the convertible bond issued to Ferrovan Oy. The entry is based on a payment received from the bankruptcy estate and does not involve estimates.

Other finance expenses for the financial year 2020 include interest expenses of EUR 4.2 million (2019: EUR 4.2 million), which relate to the fair value of cancelled options during the financial year. Finance costs in accordance with IFRIC 1:8 and associated with the cancellation of discounting for environmental provisions have not been recognised, since the company estimates that they will have little impact due to low interest rates.

1.9 Income taxes

	2020	2019
Income taxes in the income statement		
Tax based on taxable income for the financial period	0	0
Taxes from previous periods	0	0
Tax based on taxable income for the period	0	0
Deferred taxes	-366	-60
Income tax expense	**-366**	**-60**

The Finnish corporate tax rate in the financial year 2020 and the reference year was 20.0%

Deferred tax on the balance sheet	**1,584**	**-355**

1.10 Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the parent company's shareholders by the weighted average number of ordinary shares in issue during the financial period.

	2020	2019
Profit/loss for the period attributable to owners of the parent	-13,758	-25,905
Weighted average number of shares during the period	558,038	535,908
Basic earnings per share, EUR/share	-24,65	-48,34

1.11 Business acquisitions and divestitures

The Group made no business acquisitions in the financial year 2020 or 2019.

1.12 Intangible assets

	Development costs	Intangible rights	Other intangible assets	Construction in progress	Total
Acquisition cost 1 Jan 2019	0	2,404	144	0	2,548
Increase	0	14	0	92	107
Acquisition cost 31 Dec 2019	**0**	**2,418**	**144**	**92**	**2,654**
Accumulated depreciation and write-downs 1 Jan 2019	0	-1,015	-69	0	-1,084
Depreciation for the year	0	-466	-25	0	-491
Accumulated depreciation 31 Dec 2019	**0**	**-1,481**	**-94**	**0**	**-1,575**
Carrying amount 31 Dec 2019	**0**	**937**	**50**	**92**	**1,079**
Acquisition cost 1 Jan 2020	0	2,418	144	92	2,654
Increase	901	103	611	84	1,700
Activated during the period	0	0	176	-176	0
Acquisition cost 31 Dec 2020	**901**	**2,521**	**932**	**0**	**4,354**
Accumulated depreciation and write-downs 1 Jan 2020	0	-1,481	-94	0	-1,575
Depreciation for the year	-90	-469	-61	0	-620
Accumulated depreciation 31 Dec 2020	**-90**	**-1,950**	**-155**	**0**	**-2,195**
Carrying amount 31 Dec 2020	**811**	**571**	**777**	**0**	**2,158**

1.13 Property, plant and equipment

	31 Dec 2020	31 Dec 2019
Property, plant and equipment	582,926	418,023
Right-of-use assets	14,004	15,865
Carrying amount 31 Dec	**596,930**	**433,888**

Property, plant and equipment	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2019	1,399	70,672	153,414	154,656	26,810	406,952
Increase	10	0	9,300	0	115,893	125,202
Activated during the period	0	159	9,408	21,828	-31,395	0
Decrease	0	0	-14,208	0	0	-14,208
Transfers between items	0	-5,965	0	5,965	0	0
Acquisition cost 31 Dec 2019	**1,409**	**64,866**	**157,915**	**182,449**	**111,308**	**517,946**
Accumulated depreciation and write-downs 1 Jan 2019	0	-12,019	-40,174	-13,952	0	-66,144
Decrease		445	0	-445	0	0
Accumulated depreciation on decreases and transfers	0	0	1,655	0	0	1,655
Depreciation for the year	0	-4,078	-20,844	-10,512	0	-35,435
Accumulated depreciation 31 Dec 2019	**0**	**-15,652**	**-59,363**	**-24,910**	**0**	**-99,924**
Carrying amount 31 Dec 2019	**1,409**	**49,215**	**98,552**	**157,539**	**111,308**	**418,022**
Acquisition cost 1 Jan 2020	1,409	64,866	157,915	182,449	111,308	517,946
Increase	1,299	20	9,962	1,679	189,697	202,657
Activated during the period	0	355	8,500	35,906	-44,740	0
Decrease	0	0	-57	0	0	-57
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2020	**2,708**	**65,221**	**176,320**	**220,033**	**256,264**	**720,547**
Accumulated depreciation and write-downs 1 Jan 2020	0	-15,652	-59,363	-24,910	0	-99,924
Decrease		0	0	0	0	0
Accumulated depreciation on decreases and transfers	0	0	50	0	0	50
Depreciation for the year	0	-4,093	-22,721	-10,933	0	-37,747
Accumulated depreciation 31 Dec 2020	**0**	**-19,745**	**-82,034**	**-35,843**	**0**	**-137,621**
Carrying amount 31 Dec 2020	**2,708**	**45,476**	**94,287**	**184,191**	**256,264**	**582,926**

In October 2018, the Board of Directors of the subsidiary, Terrafame, made the decision to invest EUR 240.0 million in building a new battery chemicals plant. The aim is that the plant will be completed in early 2021 and that commercial production will commence during 2021.

Right-of-use assets	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost 1 Jan 2019	**0**	**0**	**4,538**	**0**	**0**	**4,538**
Increase	0	0	17,799	0	0	17,799
Activated during the period	0	0	0	0	0	0
Decrease	0	0	0	0	0	0
Transfers between items	0	0	-609	0	0	-609
Acquisition cost 31 Dec 2019	**0**	**0**	**21,728**	**0**	**0**	**21,728**
Accumulated depreciation and write-downs 1 Jan 2019	**0**	**0**	**-2,886**	**0**	**0**	**-2,886**
Decrease	0	0	0	0	0	0
Accumulated depreciation on decreases and transfers	0	0	0	0	0	0
Depreciation for the year	0	0	-2,977	0	0	-2,977
Accumulated depreciation 31 Dec 2019	**0**	**0**	**-5,863**	**0**	**0**	**-5,863**
Carrying amount 31 Dec 2019	**0**	**0**	**15,865**	**0**	**0**	**15,865**
Acquisition cost 1 Jan 2020	**0**	**0**	**21,728**	**0**	**0**	**21,728**
Increase	0	0	685	0	0	685
Activated during the period	0	0	0	0	0	0
Decrease	0	0	-11	0	0	-11
Transfers between items	0	0	0	0	0	0
Acquisition cost 31 Dec 2020	**0**	**0**	**22,402**	**0**	**0**	**22,402**
Accumulated depreciation and write-downs 1 Jan 2020	**0**	**0**	**-5,863**	**0**	**0**	**-5,863**
Decrease	0	0	0	0	0	0
Accumulated depreciation on decreases and transfers	0	0	0	0	0	0
Depreciation for the year	0	0	-2,534	0	**0**	-2,534
Accumulated depreciation 31 Dec 2020	**0**	**0**	**-8,398**	**0**	**0**	**-8,398**
Carrying amount 31 Dec 2020	**0**	**0**	**14,004**	**0**	**0**	**14,004**

The right-of-use assets leased by Terrafame consist mainly of production-related machinery and equipment, such as heavy-duty dumper trucks, excavators, lorries and service vehicles. The length of the leases is typically approximately five years, after which the company and the lessor can decide on the use the lease's continuation option, if one is included in the agreement. As at 31 December 2020, no continuation options were included in the lease liability, as Terrafame does not yet have reasonable assurance that the continuation options will be exercised.

The maturity analysis of the lease liabilities is shown in Note 1.24 'Financial risk management'.

IFRS 16 Leases – Notes to the standard Items recognised through profit or loss	2020	2019
Lease expenses of low value assets	90	39
Lease expenses of short-term leases	4,565	3,344
Depreciation of fixed assets (machinery and equipment)	2,534	2,741
Interest expenses on leases (included in item 'Interest expenses')	438	370

The lease expenses itemized above are mainly included in the income statement item 'Production expenses'.

Items recognised in the cash flow statement		
Total cash outflow from leases	7,975	5,934

1.14 Biological assets

The land owned by Terrafame Oy includes biological assets (forest). The forests are managed in accordance with a forest management plan. Approximately one-third of the mining concession area has been taken into production use. As the mining operations continue, more areas will be taken into use and, at the same time, forests be cleared.

Biological assets have been measured at fair value based on a third-party estimate, less sales-related costs. Growing stock and seeding stand have been measured at fair value, separately from land. Seeding stands have no value in timber trade since the trees will not be saleable until after 25–30 years. The value of seeding stands has been taken into account in the value of forests by discounting them at 31 December 2020 (time 25 years, interest rate 5 per cent).

Biological assets	31 Dec 2020	31 Dec 2019
Value of growing stock	7,844	6,868
Value of seeding stands	105	106
	7,950	6,974
Total growing stock, m³	328,897	307,422
Total seeding stands, ha	326.9	321.0
Balance at 1 Jan 2019		**6,712**
Gains and losses on fair value measurement		262
Balance at 31 Dec 2019		**6,974**
Balance at 1 Jan 2020		**6,974**
Gains and losses on fair value measurement		976
Balance at 31 Dec 2020		**7,950**

1.15 Investments in other shares and participations

Non-current	31 Dec 2020	31 Dec 2019
Investments in associated companies	12,702	10,349
Share of profit from associated companies	-2,199	-1,094
Investments in other shares and participations	0	1,074
Balance at 31 Dec	10,503	10,329

	Holdings in associated companies	Other shares and participations	Total
Acquisition cost 1 Jan 2019	0	17,994	17,994
Increase	0	6,024	6,024
Transfers between items	18,503	-18,503	0
Acquisition cost 31 Dec 2019	18,503	5,515	24,018
Accumulated impairment losses 1 Jan 2019	0	-4,441	-4,441
Impairment losses	-8,155	0	-8,155
Accumulated impairment losses 31 Dec 2019	-8,155	-4,441	-12,596
Gain on impairment reversal	0	0	0
Carrying amount 31 Dec 2019	10,349	1,074	11,423
Acquisition cost 1 Jan 2020	18,503	5,515	24,018
Increase	2,353	0	2,353
Decrease	0	-5,515	-5,515
Transfers between items	0	0	0
Acquisition cost 31 Dec 2020	20,857	0	20,857
Accumulated impairment losses 1 Jan 2020	-8,155	-4,441	-12,596
Impairment losses	0	4,441	4,441
Accumulated impairment losses 31 Dec 2020	-8,155	0	-8,155
Gain on impairment reversal	0	0	0
Carrying amount 31 Dec 2020	12,702	0	12,702

	31 Dec 2019 Company holdings	Book-entry	Number of shares	Carrying amount
Ferrovan Oy, Oulu, Finland		Option right	623,659	0
Keliber Oy, Kaustinen, Finland	24,3%	Class B shares	313,599	10,349
Sotkamo Silver AB, Stockholm, Sweden	Approx 2,0%	Book-entry shares	2,685,952	1,074
				11,423

	31 Dec 2020 Company holdings	Book-entry	Number of shares	Carrying amount
Keliber Oy, Kaustinen, Finland	26,3%	Class B shares	384,905	12,702
Sotkamo Silver AB, Stockholm, Sweden	0,0%	Book-entry shares	0	0
				12,702

In the financial year 2020, the Group's proportionate share of the profit from the associated company, EUR -1,105 thousand, has been accounted for in Investments in other shares and participations.

1.16 Other receivables

Non-current	31 Dec 2020	31 Dec 2019
Other receivables		
Accounts receivable put options	0	4,621
	0	**4,621**

1.17 Inventories

	31 Dec 2020	31 Dec 2019
Raw materials and consumables	24,231	25,016
Work in progress	190,150	186,237
Finished products	6,105	6,904
	220,486	**218,157**

The value of raw materials and consumables on 31 December 2020 includes a provision of EUR 7.2 million for slow-moving inventory, which reduces the value of inventory. The corresponding provision on 21 December 2019 amounted to EUR 6.4 million.

1.18 Trade and other receivables

Current	31 Dec 2020	31 Dec 2019
Trade receivables	15,865	15,270
Prepaid expenses and accrued income	5,279	7,627
Derivative assets	12,668	6,364
Accounts receivable put options	0	4,155
Collateral	209	208
Other receivables	3,102	34
	37,123	**33,658**

Aging of trade receivables and items recognised as credit loss	31 Dec 2020	31 Dec 2019
Undue	15,863	15,263
Overdue	0	0
Under 30 days	0	0
30–60 days	1	6
61–90 days	0	0
Over 90 days	1	0
	15,865	**15,270**
Recognised impairment losses	0	0

Expected credit losses have not been recorded in the Group's financial statements of December 31 2020 as, based on the good credit rating of customers and the long-term payment method of customer relationships, the company does not consider that there are sufficient grounds to prepare for future impairment losses.

Current receivables by currency, EUR	31 Dec 2020	31 Dec 2019
USD	28,474	11,460
EUR	8,622	22,142
AUD	28	55
	37,123	**33,658**
Other receivables consist of the following items:		
Loan receivable	0	0
Value added tax receivables	3,102	32
	3,102	**32**

1.19 Cash and cash equivalents

	31 Dec 2020	31 Dec 2019
Cash in hand and at banks	98,182	152,682
	98,182	**152,682**

1.20 Notes on shareholders' equity

The parent company's share capital entered in the trade register on 31 December 2020 was EUR 2 258 thousand, divided into 558,408 shares of the same value. The nominal value of the share has not been specified. There were no changes in share capital during the financial year 2020 or 2019.

	2020		2019	
Subscribed capital	Number of shares	Subscribed capital	Number of shares	Subscribed capital
1.1.	535,908	2,258	535,908	2,258
Issued shares	22,500	0	0	0
Subscribed capital 31 Dec	**558,408**	**2,258**	**535,908**	**2,258**

The invested unrestricted equity fund comprises other investments in the nature of equity and the subscription price of shares, insofar as this is not credited to the share capital on the basis of a specific decision.

	2020		2019	
Invested unrestricted equity fund	Number of shares	Subscribed capital	Number of shares	Subscribed capital
1.1.	535,908	556,151	535,908	533,651
Issued shares	22,500	0	0	22,500
Invested unrestricted equity fund 31 Dec	**558,408**	**556,151**	**535,908**	**556,151**

Decisions made and authorisations given by the General Meeting of Shareholders of the subsidiary, Terrafame Oy

The shareholders of Terrafame Oy have, on 27 August 2020, authorised the company's Board of Directors to decide on the issuance of a maximum of 757,867 new shares in the company in deviation from the shareholders' pre-emptive rights. The authorisation for 716,867 new shares in the company remains valid until 31 March 2023, and the authorisation for 41,000 new shares in the company remains valid until 24 April 2024. In addition, the shareholders have authorised the Board of Directors to decide on the issuance of a maximum of 81,000 new shares in the company in a directed share issue to the company's parent on the grounds of maintaining control over the company. The authorisation is valid until further notice. The shareholders have also authorised the Board of Directors to decide on the offering of option rights entitling to subscription of a maximum of 107,590 new shares in the company. The authorisation is valid until 31 March 2023.

Options and other special rights

With the consent of the holders of the option rights, the shareholders of Terrafame Oy have decided to cancel the decisions on rights offerings made since 10 February 2017 and all valid option rights entitling to shares in the company. The cancelled option rights were replaced with option rights entitling to subscription of new shares in the company. The options rights can be transferred to the permitted transferees. Both the direct and indirect pledging of options are prohibited. The subscription price agreed for tranche 7 is the subscription price at the time of the arrangement, and the end date for the subscription period was 27 August 2020, for subscription rights to be exercised in one tranche. The subscription prices agreed for tranches 8 and 9 were 10 per cent higher than the subscription price at the time of the arrangement, and the subscription rights may be exercised in several tranches. For tranche 8, the subscription period is divided for 84 per cent of the subscription rights (8_1) to be exercised between 27 August 2020 and 31 December 2023, and for 16 per cent of subscription rights (8_2) to be exercised between 27 August 2020 and 31 December 2024. The subscription period for tranche 9 is between 27 October 2020 and 30 June 2024.

Share of non-controlling interests

Non-controlling interests accounted for EUR 141.1 million of the Group's equity in the financial year 2020 (2019: 100.9 million). This holding of the Group consists of financing arrangements made during financial years 2017–2020, and it concerns the Group's subsidiary, Terrafame Oy, for which the non-controlling interest was approximately 33.2 per cent at the balance sheet date (2019: 28.2%).

Options and other special rights

(pcs)

	31 Dec 2020	31 Dec 2019
Tranche 1 Maximum number of issued shares	0	566,712
Tranche 2 Maximum number of issued shares	0	244,265
Tranche 4 Maximum number of issued shares	0	244,264
Tranche 5 Maximum number of issued shares	0	140,190
Tranche 6 Maximum number of issued shares	0	93,460
Tranche 7 Maximum number of issued shares	1,034,008	
Tranche 8 Maximum number of issued shares	582,033	
Tranche 9 Maximum number of issued shares	21,518	
At end of year	**1,637,559**	**1,288,891**

1.21 Notes to hedging derivatives

	31 Dec 2020			31 Dec 2019			2020	2019
	Positive fair values	Negative fair values	Net fair values	Positive fair values	Negative fair values	Net fair values	Nominal amounts in USD	Nominal amounts in USD
Currency and interest rate derivatives								
Currency forwards	10,133	0	10,133	565	1,358	-793	381,500	177, 000
Currency options	0	0	0	0	0	0	0	0
Metal derivatives							Tonnes	Tonnes
Nickel forwards	2	10,783	-10,781	1,904	5,876	-3,972	14,350	8,600
Nickel options	0	0	0	0	0	0	0	0
Zinc forwards	2	9,481	-9,479	3,649	0	3,649	32,100	17,800
Zinc options	0	0	0	601	601	0	0	0
Total derivatives	**10,136**	**20,264**	**-10,128**	**6,719**	**7,835**	**-1,117**		
Total long-term	1,287	4,405	-3,118	0	0	0		
Total short-term	8,849	15,859	-7,010	6,719	7,835	-1,117		

	31 Dec 2020	31 Dec 2019
Gross assets on the balance sheet (included in prepaid expenses and accrued income)	12,668	6,364
Gross liabilities on the balance sheet (included in accruals and deferred income)	25,329	7,500

The fair value calculation of hedges is based on market rates and quotations on the balance sheet date in accordance with the hedging portfolio. Counterparties to derivative transactions have been approved in accordance with the company's hedging policy. Intercompany receivables and liabilities are connected on a transaction level with each counterparty and accounted for on a daily level by transaction.

The importance of hedging instruments to the company's financial position and projected profitability for the next 12 months was high on 31 December 2020. The company had set up a cash flow hedge against a weakening US dollar with a hedging rate of approximately 65 per cent. The company had set up a cash flow hedge against a decline in the price of nickel for forecasted deliveries during the coming year using derivatives and fixed-price sales agreements, with a hedging rate of approximately 58 per cent. The company's cash flow hedge against forecasted deliveries of zinc had a hedging rate of approximately 68 per cent. In addition, in line with its hedging policy, the company had set up hedges for almost all of its nickel and zinc deliveries, which had been completed and previously reported as sales. As a result, the change in market prices after the closing of the accounts has hardly no effect on the sales revenue recognised for nickel and zinc deliveries completed during the financial year 2020.

1.22 Deferred tax assets and tax liabilities

Deferred taxes

On the balance sheet	**31 Dec 2020**	**31 Dec 2019**
Derivatives		
Deferred tax asset	2,532	227
Deferred tax liability	0	0
Biological assets		
Deferred tax liability	-568	-372
Finance leases		
Deferred tax liability	-381	-210
Balance at 31 Dec	1,584	-355
Unrecognised deferred tax assets		
Confirmed and carried-forward loss for tax purposes		
Deferred tax asset	29,914	32,200
Depreciation not deductible for tax purposes		
Deferred tax asset	13,227	9,171

The Finnish corporate tax rate in the financial year 2020 and the reference year was 20.0 per cent.

On 31 December 2020, the Group companies had unrecognised deferred tax assets of approximately EUR 29.9 million, which consisted of the confirmed losses for tax years 2015–2019 (EUR 32.1 million in tax assets), of which EUR 2.2 million (change in tax assets EUR -2.2 million) is estimated to be covered based on taxable income in 2020.

With respect to the annually updated rehabilitation provision recorded in connection with the acquisition of the mining business, a deferred tax asset of approximately EUR 32 million has not been recognised. The utilisation of deferred tax assets involves uncertainties. Fro this reason, the above deferred tax assets have not been recognised in the balance sheet.

1.23 Contingent liabilities and other liabilities

	31 Dec 2020	**31 Dec 2019**
Fixed assets serving as collateral for hire-purchase debt	**328**	**425**
Amount of debt		
Within one year	76	137
After one year but within five years	239	313
Total	**315**	**450**
Other contractual exposures		
Within one year	8,341	0
After one year but within five years	5,600	0
Total	**13,941**	**0**
Bank deposits	**150**	**150**
Total	**14,405**	**600**

Securities complying with environmental and mining permits	**Type of security**	**31 Dec 2020** Amount of security	**31 Dec 2019** Amount of security
Beneficiary			
Kainuu ELY Centre; securities in accordance with permit condition 117	Credit insurance	127,945	122,030
Security in accordance with permit decision no. 33/07/1	Bank guarantee	1,500	1,500
Security in accordance with permit decision no. 43/2014/2	Bank guarantee	6	6
Security in accordance with permit decision no. 43/2015/1	Bank guarantee	100	100
Security in accordance with permit decision no. 3/2017/1	Bank guarantee	50	50
Security in accordance with permit decision no. 76/2017/1	Bank guarantee	100	100
Decision of the Finnish Safety and Chemicals Agency, 30 June 2014, KaivNro: 2819	Bank guarantee	100	100
Decision of the Finnish Safety and Chemicals Agency, 30 June 2014, KaivNro: 2819	Bank guarantee	35	35
Decision of the Finnish Safety and Chemicals Agency, 30 June 2014, KaivNro: 2819	Bank guarantee	50	50
Total		**129,886**	**123,971**
Other collateral	Bank guarantee	**2,453**	**2,453**
Real estate investments' VAT refund liability		**2,690**	**3,644**
Business mortgages		**320,000**	**320,000**
Real estate mortgage		**1,200,079**	**1,200,079**
Mining certificate, Mining Register registration number 2819, mining concession	Pledge	**Yes**	**Yes**

For the financial year 2020, Terrafame Oy has a pledge account for the benefit of Customs. Terrafame Oy also has a supply contract bank guarantee for the supplier's benefit in the amount of EUR 1.5 million. Business and real estate mortgages and the pledge on the mining certificate are collateral for Terrafame's long-term financing agreements.

1.24 Financial risk management

The nature of Finnish Minerals Group's business exposes the company to foreign exchange, commodity price, credit and liquidity risks. The goal of the Group's financial risk management is to minimise the negative effects of changes in financial and commodity markets on its result and cash flow.

As the Group's main operating subsidiary, Terrafame is exposed to all the risks listed above. Terrafame's commercial and finance department identifies and assesses risks, acquires the instruments needed to hedge against risks, and reports on risks and any changes therein to the company's CEO and Board of Directors. Hedging transactions are carried out in accordance with the principles approved by the Board of Directors. If necessary, foreign-exchange forward transactions and options, foreign currency loans, interest rate swaps and nickel and zinc forwards, and options are used in financial risk management. The financial structure of subsidiaries is planned, evaluated and controlled whilst taking financial risk management into account.

The hedging policy adopted by Terrafame's Board of Directors defines the objectives of hedging, permitted hedging instruments, hedging levels, organisational responsibilities and reporting necessary for the management and control of financial risks. The accounting policies to be applied are also outlined in the hedging policy. The company's Board of Directors approves all counterparties to agreements relating to financial risk management. According to the hedging policy, derivative instruments can only be used to manage business risks. The use of derivative instruments to hedge against non-business risks (for trading purposes or speculative use) is prohibited.

The company's financial management submit reports on risk management, hedging position and outcomes to the CEO and Board of Directors on a monthly basis.

Currency risks

Since Finnish Minerals Group operates in the euro area and sales are made in US dollars, the company's business operations involve currency risks.

In 2020, the Group had USD-denominated sales worth USD 383.2 million, and the USD-denominated foreign-exchange forward transactions due during the financial year totalled USD 250.0 million. The hedge ratio was therefore set at 65 per cent. As a result, a 10 per cent change in the value of EUR/USD would have only affected the Group's net sales by 3.5 per cent.

A significant portion of Terrafame's long-term loans from financial institutions are USD-denominated. In accordance with the hedging policy, the risk of revaluation of loans is not subject to hedging measures.

Interest rate risk

The Group's interest rate risk arises from loans from financial institutions for which the reference rate is a variable interest rate. At the date of closing the accounts, the consolidated balance sheet showed EUR 195.8 million in interest-bearing liabilities (2019: 172.8 million). On the same date, the repayment period of interest-bearing liabilities was approximately four years. This calculation includes all of the liabilities for which a repayment period can be defined. The company has not taken any special measures to hedge against interest rate risks during the financial year.

Reasonably possible changes in the interest rate level would not have had a significant impact on the Group's result and shareholders' equity. An increase of one percentage point in the reference rate would have increased the interest costs of finance loans by approximately EUR 1.9 million. In accordance with the hedging policy, the risk of revaluation of loans is not subject to hedging measures.

Credit risk

The internal guidelines of Finnish Minerals Group define the principles and responsibilities of credit control. Once a new customer agreement has been signed, the Group estimates its expected annual volume and share of net sales, as well as the customer's creditworthiness.

No credit losses have been recognised for the financial year 2020 or 2019. Credit insurance has not been applied to secure trade receivables.

The aging schedule for trade receivables is presented in Note 1.18.

Capital management

The aim of the Group's capital management is to support business through an optimal capital structure and increase shareholder value by aiming at the highest possible return. An optimal capital structure also ensures smaller capital costs.

Developments in capital structure are monitored through the equity-to-assets ratio. The equity ratio on 31 December 2020 was 50.9 per cent (31 December 2019: 53.5 per cent).

Liquidity risk

Finnish Minerals Group continuously assesses and monitors the amount of financing required for business operations, so that the Group has sufficient liquid funds to finance its operations.

The maturity distribution based on debt contracts is as follows:

31 Dec 2020	**Carrying amount**	**Cash flow**	**0–6 mths**	**6 mths–1 yr**	**1–2 yrs**	**More than 2 yrs**
Interest-bearing liabilities	183,293	183,293	38	38	93,574	89,642
Accounts payable	81,782	81,782	81,782	0	0	0
Lease liabilities	12,533	12,533	1,756	1,756	3,580	5,442
Derivative liabilities	25,329	25,329	8,826	10,998	5,506	0
31 Dec 2019	**Carrying amount**	**Cash flow**	**0–6 mths**	**6 mths–1 yr**	**1–2 yrs**	**More than 2 yrs**
Interest-bearing liabilities	172,788	174,184	11,557	20,874	41,792	99,962
Accounts payable	50,039	50,039	50,039	0	0	0

Market risk

The Group's sales in 2020 amounted to EUR 338.3 million (2019: 310.4 million). Selling prices are especially affected by world-wide prices of nickel and zinc. The importance of hedging instruments to the company's financial position and projected profitability for the next 12 months was high on 31 December 2020. The company had set up a cash flow hedge against a weakening US dollar with a hedging rate of approximately 65 per cent. The company had set up a cash flow hedge against a decline in the price of nickel for forecasted deliveries during the coming year using derivatives and fixed-price sales agreements, with a hedging rate of approximately 58 per cent. The company's cash flow hedge against forecasted deliveries of zinc had a hedging rate of approximately 68 per cent. In addition, in line with its hedging policy, the company had set up hedges for almost all of its nickel and zinc deliveries, which had been completed and previously reported as sales. As a result, the change in market prices after the closing of the accounts has hardly no effect on the sales revenue recognised for nickel and zinc deliveries completed during the financial year 2020.

1.25 Provisions – rehabilitation provision

Long-term provisions on the balance sheet are related to the environmental and rehabilitation liabilities associated with the Group's mine and production plants. The provisions are based on estimates of future liabilities.

Non-current

Rehabilitation provision, in euro	**31 Dec 2020**	**31 Dec 2019**
At beginning of year	157,398	158,363
Increase	1,679	0
Decrease	0	965
At end of year	159,077	157,398
Total non-current	**159,077**	**157,398**
Estimated cost of the rehabilitation provision		
Rehabilitation of primary and secondary heaps, waste rock area and gypsum pond area	130,194	126,815
Repair of damages resulting from gypsum pond leak in 2012	20,000	20,000
Rehabilitation and fencing of the open pit area	883	2,583
Ex-post monitoring of mining site after completion of rehabilitation measures	8,000	8,000
Total estimated rehabilitation costs	**159,007**	**157,398**

1.26 Interest-bearing and non-interest bearing liabilities

Non-current financial liabilities measured at amortised cost	**31 Dec 2020**	**31 Dec 2019**
Loans from financial institutions – finance loan	182,978	128,656
Other payables – hire-purchase debt	239	313
Lease liability	9,021	11,887
Total	**192,238**	**140,857**
Current financial liabilities measured at amortised cost		
Loans from financial institutions – finance loan	0	28,434
Other payables – hire-purchase debt	76	137
Lease liability	3,512	3,360
Total	**3,588**	**31,931**

The fair values of current and non-current liabilities do not differ significantly from their carrying amounts.

1.27 Provisions, trade and other payables

Current	**2020**	**2019**
Advances received	538	213
Accounts payable	81,782	50,039
Accruals and deferred income	14,384	9,419
Derivatives	25,329	7,500
Other payables	1,290	2,745
	123,322	**69,915**

Non-interest bearing liabilities by currency

EUR	**2020**	**2019**
USD	31,105	9,876
GBP	20	2
SEK	2	0
EUR	92,196	60,037
	123,322	**69,915**

During the financial year 2020 and 2019, derivative assets and liabilities were recognised at fair value. A breakdown of these is presented in the Notes to hedging derivatives (see 1.21).

Classification of financial assets and liabilities

31 Dec 2020	Carrying amount: Measured at amortised cost	Carrying amount: Measured at fair value through profit or loss	Carrying amount: Financial assets covered by Hedge accounting	Total carrying amount	Fair value	Level 1	Level 2	Level 3
Investments in shares and participations		10,503		10,503	10,503	0		10,503
Accounts receivable put options		0		0	0		0	
Derivatives			12,668	12,668	12,668		12,668	
Trade receivables	15,865			15,865	15,865			
Cash and cash equivalents	98,182			98,182	98,182			
Total	**114,047**	**10,503**	**12,668**	**137,218**	**137,218**			
Financial liabilities								
Loans from financial institutions	182,978			182,978	182,978			
Other payables – hire-purchase debt	315			315	315			
Lease liabilities	12,533			12,533	12,533			
Accounts payable	81,782			81,782	81,782			
Derivatives			25,329	25,329	25,329		25,329	
Total	**277,608**	**0**	**25,329**	**302,937**	**302,937**			

For financial assets and liabilities measured at amortised cost, the carrying amount is considered to be the best estimate of their fair value. The Group made no transitions between the classification levels of fair value during the financial year.

31 Dec 2019	Carrying amount: Measured at amortised cost	Carrying amount: Measured at fair value through profit or loss	Carrying amount: Financial assets covered by Hedge accounting	Total carrying amount	Fair value	Level 1	Level 2	Level 3
Investments in shares and participations		10,329		10,329	10,329	1,074		9,255
Accounts receivable put options		8,776		8,776	8,776		8,776	
Derivatives			6,364	6,364	6,364		6,364	
Trade receivables	15,270			15,270	15,270			
Cash and cash equivalents	152,682			152,682	152,682			
Total	**167,952**	**19,105**	**6,364**	**193,421**	**193,421**			
Financial liabilities								
Loans from financial institutions	157,090			157,090	157,090			
Other payables – hire-purchase debt	450			450	450			
Lease liabilities	15,248			15,248	15,248			
Accounts payable	50,039			50,039	50,039			
Derivatives			7,500	7,500	7,500		7,500	
Total	**222,827**	**0**	**7,500**	**230,327**	**230,327**			

Classification level 1 fair values are based on the quoted (unadjusted) prices of identical assets or liabilities in an appropriate market. In determining the fair value of these instruments, the Group has mainly used Bloomberg valuations as the source of prices and the Group has verified that the prices received represented actual and frequent market transaction prices for the instruments in question.

The fair values of instruments in classification level 2 are for a significant part based on inputs other than the prices quoted in classification level 1, however, it is based on data that is observable for the asset or liability in question either directly (as the price) or indirectly (derived from the price). In order to determine the fair value of these instruments, the Group uses generally accepted valuation models, the inputs of which are nonetheless for a significant part based on observable market data.

The fair values of level 3 instruments, on the other hand, are based on inputs on an asset or a liability that are not based on observable market data (unobservable inputs) but for a significant part on estimates made by management and the generally accepted methods of valuation used.

The fair value classification level for a specific item measured at fair value as a whole is determined on the basis of the lowest level input data relevant to the item in question. The significance of the input has been assessed in relation to the item measured at fair value as a whole.

Reconciliation of level 3 financial assets measured at fair value

Recognised at fair value through profit or loss

Shares and participations	**2020**	**2019**
At beginning of year		
Total gains and losses	10,329	13,554
In the income statement		
In finance income and cost	-1,221	-9,249
Adjustment to sales revenue		
In the comprehensive income statement		
In other comprehensive income (other reserves)		
Purchases	2,353	6,024
Sales	-958	0
Issues		
Implementations		
Transfers to level 3		
At end of year	**11,502**	**10,329**
Total recognised gains and losses from assets held at the end of the reporting period		
In finance income and cost	-1,221	-9,249
As adjustments to sales revenue		

1.28 Adjustments to cash flows from operating activities

	2020	2019
Unrealised foreign exchange gains and losses		
Unrealised foreign exchange gains and losses	-11,259	1,297
Finance income and cost	11,224	11,900
Other income and expenses that do not include payments	197	129
Other adjustments	-361	7,982
	-200	**21,308**

Other adjustments for the period include the treatment of associated companies' profits, revaluation of biological assets and gains recorded on a previous write-down of an investment. During the reference period, other adjustments include an impairment charge of EUR 8.2 million for an associated company recognised in the financial statements of Finnish Minerals Group.

The finance income and costs include an interest-rate adjustment for options totalling EUR 8.8 million (2019: 4.2 million).

Changes in liabilities arising from financing activities

	1 Jan 2020	Changes arising from cash flows	Non-cash changes				31 Dec 2020
			Foreign exchange movements	Transfers	Changes in fair value	Other changes	
Non-current liabilities	**128,970**	69,532	-15,210	-75			**183,217**
Current liabilities	**28,571**	-2,591	-1,419	75		-24,559	**76**
Lease liabilities: long-term	**11,887**			-3,394		528	**9,021**
Lease liabilities: short-term	**3,360**	-3,388		3,394		146	**3,512**
Total liabilities arising from financing activities	**172,787**	**63,553**	**-16,629**	**0**	**0**	**-23,885**	**195,826**

The change in current liabilities shown in the 'Other Changes' column relates to an agreement with the financiers of the subsidiary Terrafame, in which the loan capital is partially set off as a share subscription payment.

	Non-current liabilities	Current liabilities	Non-current lease liabilities	Current lease liabilities	Total liabilities from financial operations
Net liabilities 1 Jan 2019	93,135	155	364	199	93,853
Cash flows	0	-203	0	-2,328	-2,531
Date of acquisition	62,947	0	13,929	3,084	79,961
Exchange rate variations	3,073	-1,566	-2	1	1,505
Other changes that do not include payment	-30,185	30,185	-2,404	2,404	0
Net liabilities 31 Dec 2019	128,970	28,570	11,887	3,360	172,788

	Non-current liabilities	Current liabilities	Non-current lease liabilities	Current lease liabilities	Total liabilities from financial operations
Net liabilities 1 Jan 2020	128,970	28,570	11,887	3,360	172,788
Cash flows	0	-2,591	0	-3,388	-5,979
Date of acquisition	69,532	0	528	146	70,205
Exchange rate variations	-15,210	-1,419	0	0	-16,629
Other changes that do not include payment	-75	-24,484	-3,394	3,394	-24,559
Net liabilities 31 Dec 2020	183,217	76	9,021	3,512	195,826

1.29 Related party transactions

Business transactions with related parties	**31 Dec 2020**	**31 Dec 2019**
Net sales from goods and services		
Other related entities	319,923	338,694
Purchases of goods and services		
Other related entities	33,889	32,130
Open balances on sales and purchases of goods and services		
Trade receivables		
Other related entities	17,278	24,571
Accounts payable		
Other related entities	4,768	2,822
Loans received		
Other related entities	149,645	121,733

Executives' benefits	**31 Dec 2020**	**31 Dec 2019**
Salaries and other short-term benefits	2,798	2,144
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Share-based payments	0	0
	2,798	**2,144**

The Executives' benefits table includes the salaries and remunerations of the Board of Directors and CEOs and the executives of Group companies.

Wages and salaries	**31 Dec 2020**	**31 Dec 2019**
Parent company		
CEO	226	209
Members of the Board of Directors		
Antti Kummu	25	17
Janne Känkänen	20	25
Juha Majanen	4	16
Minna Pajumaa	5	15
Eeva Ruokonen	16	16
Teija Kankaanpää	16	12
Ilpo Korhonen	17	11
Total remuneration of the Board of Directors	**103**	**112**
Subsidiaries		
CEO	408	416
Members of the Board of Directors		
Lauri Ratia	79	79
Jesus Fernandez	41	40
Emmanuel Henry	43	43
Matti Hietanen	0	0
Esa Lager	43	43
Riitta Mynttinen	43	43
Tuomo Mäkelä	43	43
Total remuneration of the Board of Directors	**293**	**292**
Total wages and salaries, Group	**1,031**	**1,028**

At the end of the financial year 2020 and 2019, the members and management of the Board of Directors of Finnish Minerals Group or Terrafame Oy and their related parties do not own the company's shares.

Financing arrangements are in place between Terrafame and three funds – Trafigura Ventures V B.V., Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P. and Galena Private Equity Resources Investment 4 L.P. – as well as between the company and Finnish Minerals Group. The value of the company's related-party borrowings connected with the financing arrangement is EUR 147.4 million. The commercial agreements between Terrafame and Trafigura Ventures V B.V. generated EUR 319.3 million in sales during the financial year. The company has spent approximately EUR 0.5 million on legal and other administrative services and approximately EUR 0.4 million on management services for product development projects purchased from Finnish Minerals Group. The maximum limit for the counter-guarantee granted by the State for arranging collateral in accordance with environmental permits is EUR 32.5 million.

All business transactions between the Group companies and their related parties conformed to accepted market practices.

The Board of Directors of Finnish Minerals Group has confirmed the Group's related party policy. The key related parties of the Group include the State of Finland, Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P. and Galena Private Equity Resources Investment 4 L.P. funds, as well as Trafigura Ventures V B.V. The related parties also include members of Boards, CEOs and management team members of Group companies, persons responsible for Terrafame Oy's commercial agreements, immediate family members of persons referred to here, and entities in which they or their immediate family members exercise control. Finnish Minerals Group's related parties also include companies in which the Government of Finland exercises control or considerable influence. Finnish Minerals Group has applied an exemption pursuant to which it only reports significant transactions with Government-related companies.

The pension cover of key personnel is determined on the basis of statutory pension provision. There are no option or other share-based incentive schemes in place for executives.

1.30 Parent company and subsidiary relationships of the Group

Company	**Domicile**	2020 **Holding (%)**	2020 **Share of votes (%)**	2019 **Holding (%)**	2019 **Share of votes (%)**
Finnish Minerals Group – parent company					
Terrafame Oy	Finland	66.8%	66.8%	71.8%	71.8%
Finnish Battery Chemicals Oy	Finland	100.0%	100.0%	100.0%	100.0%
FBC project 1 Oy	Finland	100.0%	100.0%		
FBC project 101 Oy	Finland	100.0%	100.0%		
FBC project 2 Oy	Finland	100.0%	100.0%		
FBC project 201 Oy	Finland	100.0%	100.0%		
Sokli Holding Oy	Finland	100.0%	100.0%		
Sokli Oy	Finland	100.0%	100.0%		

The Group's parent company provides administrative services to the companies belonging to the Group.

1.31 Events after the balance sheet date

The financial period of Finnish Minerals Group ended on 31 December 2020. In March, a share issue of EUR 30 million increased the company stock of Finnish Minerals Group to 588,408 shares.

In February 2021, Finnish Minerals Group's fully owned project company Finnish Battery Chemicals submitted an EIA report on battery materials production to the co-ordinating authority, the Southeast Finland ELY Centre.

Portfolio company Keliber announced a funding arrangement in February, which will make the South African company Sibanye-Stillwater one of Keliber's main owners.

The process equipment installation work for Terrafame's upcoming battery chemicals plant is progressing and commercial production will commence in the spring of 2021. The company will also continue to take measures to improve occupational safety, production and cost efficiency.

PARENT COMPANY FINANCIAL STATEMENTS (FAS)

PARENT COMPANY INCOME STATEMENT

(EUR 1,000)

Finnish Minerals Group	**Note**	**2020**	**2019**
Net sales	2.1	1,182	619
Gross profit		**1,182**	**619**
Other operating income	2.2	408	416
Administrative expenses	2.4	-2,551	-2,334
Research and development expenses	2.5	-1,529	-1,201
Operating profit/loss		**-2,489**	**-2,500**
Finance income and cost	2.6		
Other interest and finance income		123	545
Impairment of investments held as non-current assets		464	-8,155
Interest and other finance expenses		-134	-5
Total finance income and cost		453	-7,615
Profit/loss before tax		**-2,036**	**-10,115**
Profit/loss for the period		**-2,036**	**-10,115**

PARENT COMPANY BALANCE SHEET

(EUR 1,000)	**Note**	**31 Dec 2020**	**31 Dec 2019**
ASSETS			
Non-current assets			
Intangible assets	2.7		
Development costs		299	0
Investments			
Amounts owed by Group companies	2.8	473,097	427,001
Investments in other shares and participations	2.9	12,702	11,423
Total non-current assets		**486,098**	**438,424**
Current assets			
Non-current receivables			
Receivables from Group companies	2.10	2,224	200
Current receivables			
Current receivables	2.11	1,728	989
Cash and cash equivalents	2.12	38,666	90,556
Total current assets		42,618	91,746
TOTAL ASSETS		**528,717**	**530,169**
LIABILITIES			
Equity	2.13		
Subscribed capital		2,258	2,258
Invested unrestricted equity fund		556,151	556,151
Profit/loss from previous periods		-29,231	-19,115
Profit/loss for the period		-2,036	-10,115
Total equity		**527,142**	**529,177**
Current liabilities			
Current liabilities	2.14	1,575	992
Total current liabilities		1,575	992
TOTAL LIABILITIES		**528,717**	**530,169**

PARENT COMPANY CASH FLOW STATEMENT

(EUR 1,000)	2020	2019
Cash flow from operating activities		
Profit/loss for the period	-2,036	-10,115
Adjustments to operating profit/loss	-420	7,845
Change in net working capital	-156	-422
Interest paid	-18	-5
Interest received	99	315
Net cash flow from operating activities	**-2,531**	**-2,382**
Cash flow from investing activities		
Investments in tangible and intangible assets	-333	0
Proceeds from disposal of tangible and intangible assets	958	0
Investments in other investments	-4,353	-6,224
Proceeds from disposal of other investments	464	0
Investments in subsidiaries	-46,096	-200
Net cash flow from investing activities	**-49,360**	**-6,424**
Cash flow from financing activities		
Subscription issue	0	22,500
Cash flow from financing activities	**0**	**22,500**
Change in cash and cash equivalents	**-51,891**	**13,694**
Cash and cash equivalents at beginning of year	90,556	76,863
Cash and cash equivalents at end of year	**38,666**	**90,556**

PARENT COMPANY'S ACCOUNTING POLICIES AND NOTES

Accounting policies

The scope of financial statements, and accounting policies

The company has prepared the financial statements in accordance with Finnish accounting legislation and Finnish Accounting Standards (FAS). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statement information is reported in tables and related texts in thousands of euros and in the report of the Board of Directors in millions of euros to one decimal place. The comparative figures reported in brackets are figures for the financial year 2019. All the presented figures have been rounded according to general rounding rules, so the sum of the individual figures may be different from the sum presented. Key figures have been calculated using exact values. Comparative information has been adjusted where necessary to correspond with the information of the year under review.

Transactions in foreign currencies

Transactions in foreign currency are recorded at the rate prevailing on the transaction date. Receivables and liabilities on the balance sheet on the closing date of the accounts are value at closing rate.

Research and development costs

Research expenditure is treated as annual expenses and recognised as an expense in the income statement. The costs incurred in the development of battery business and battery technologies are capitalised on the balance sheet if the development activities are expected to generate income beyond the current accounting period. Capitalised development costs are amortised over ten years as planned.

Amortisation of pension costs

Pension expenditure is recognised as an expense in the year it was accrued.

Receivables

Receivables are valued at nominal value or at a lower probable value.

Non-current assets

Shares in subsidiaries are stated on the balance sheet at historical cost. If the future income generated from shares is estimated to be permanently lower than the undepreciated acquisition cost, the difference is entered as an expense under impairment.

Deferred taxes

No deferred tax assets or liabilities have been recognised on temporary differences between taxation and financial statements, but these have been presented in the notes. The most significant temporary difference is the loss to be confirmed for the financial period.

2 PARENT COMPANY'S NOTES

2.1 Net sales

	2020	2019
Intra-group sales	1,172	609
Selling to others	10	10
	1,182	619

2.2 Other operating income

	2020	2019
Grants and subsidies received	408	201
Other income	0	215
	408	416

2.3 Personnel expenses and number of employees

Personnel expenses	**2020**	**2019**
Wages and salaries	1,662	1,533
Pension costs	234	230
Other social security expenses	44	55
	1,940	**1,817**
Average number of employees		
Salaried employees	16	13
	16	**13**

2.4 Administrative expenses

Personnel expenses	**2020**	**2019**
Wages and salaries	1,200	985
Pension costs	169	148
Other social security expenses	32	35
	1,401	**1,168**
Auditors' fees		
Auditing	33	43
Certificates and statements	2	23
Tax advisory services	57	31
Other services	59	11
	151	**109**
Travel expenses	42	220
Rents	134	138
Other legal and consulting services	583	454
Other administrative expenses	151	236
Total administrative expenses	**2,551**	**2,334**
Management salaries and fees		
CEO and Board members	329	321

2.5 Research and development costs

	2020	**2019**
Total research and development costs recognised as an expense	1,529	1,201

2.6 Finance income and cost

	2020	**2019**
Other interest and finance income		
From Group companies	72	456
From other companies	51	89
Impairment of investments held as non-current assets	464	-8,155
Interest and other finance expenses		
To other companies	-134	-5
	453	**-7,615**

2.7 Intangible assets

	Development costs	**Other long-term expenditure**	**Construction in progress**	**Total**
Carrying amount 31 Dec 2019	0	0	0	0
Acquisition cost 1 Jan 2020	0	0	0	0
Increase	113	219		333
Decrease				
Acquisition cost 31 Dec 2020	113	219	0	333
Accumulated amortisation and impairment losses 1 Jan 2020	0	0	0	0
Amortisation for the year	11	22		33
Accumulated amortisation and impairment losses 31 Dec 2020	11	22	0	33
Carrying amount 31 Dec 2020	**102**	**197**	**0**	**299**

2.8 Investments in subsidiaries

Shares in Group companies	
Carrying amount 31 Dec 2019	427,001
Acquisition cost 1 Jan 2020	427,001
Increase	46,096
Acquisition cost 31 Dec 2020	473,097
Carrying amount 31 Dec 2020	473,097

Group companies **Parent company holdings**	**31.12.2020**	**31.12.2019**
Terrafame Oy, Sotkamo, Finland	66.8%	71.8%
Finnish Battery Chemicals Oy, Helsinki, Finland	100.0%	100.0%
Sokli Holding Oy, Helsinki, Finland	100.0%	

2.9 Investments in other shares and participations

	Holdings in associated companies	Receivables from associated companies	Other shares and participations	Other receivables	Total
Carrying amount 31 Dec 2019	10,349	0	1,074	0	11,423
Acquisition cost 1 Jan 2020	18,503	0	5,515	0	24,018
Increase	2,353				2,353
Decrease			-5,515		-5,515
Transfers between items					
Acquisition cost 31 Dec 2020	20,857	0	0	0	20,857
Accumulated impairment losses 1 Jan 2020	-8,155	0	-4,441	0	-12,596
Impairment losses			4,441		4,441
Accumulated impairment losses 31 Dec 2020	-8,155	0	0	0	-8,155
Gain on impairment reversal					
Carrying amount 31 Dec 2020	12,702	0	0	0	12,702

31 Dec 2020	**Company holdings**	**Book-entry**	**Number of shares**	**Carrying amount**
Ferrovan Oy, Oulu, Finland		Option right	623,659	0
Keliber Oy, Kaustinen, Finland	26,3%	Class B shares	384,905	12,702
Sotkamo Silver AB, Stockholm, Sweden	0,0%	Book-entry shares	0	0
				12,702

During the financial year 2020, the holding in Keliber Oy rose to 26.3 percent when an additional investment of EUR 2.4 million was made in the company during the financial period, and the company will continue operating as an associated company of Finnish Minerals Group. A write-down of EUR 8.2 million was recorded in the financial statements of 2018 for the convertible loans and associated option rights issued to Ferrovan Oy. In the financial year 2020, an impairment reversal of approximately EUR 0.5 million was recognised based on the amount of dividend distributed by the bankruptcy estate.

2.10 Non-current receivables

	31 Dec 2020	**31 Dec 2019**
Receivables from Group companies	2,224	200
Total receivables	**2,224**	**200**

2.11 Current receivables

	31 Dec 2020	**31 Dec 2019**
Receivables from Group companies	938	511
Trade receivables	0	27
Lease guarantees	35	37
Tax account receivable	53	32
Prepaid expenses and accrued income	701	383
Total receivables	**1,728**	**989**

2.12 Cash and cash equivalents

	31 Dec 2020	**31 Dec 2019**
Cash in hand and at banks	38,666	90,556

2.13 Equity

	31 Dec 2020	**31 Dec 2019**
Subscribed capital 1 Jan	2,258	2,258
Subscribed capital 31 Dec	2,258	2,258
Total restricted equity	2,258	2,258
Invested unrestricted equity fund 1 Jan	556,151	533,651
Issued shares	0	22,500
Invested unrestricted equity fund 31 Dec	556,151	556,151
Profit/loss from previous periods	-29,231	-19,115
Profit/loss for the period	-2,036	-10,115
Total unrestricted equity	524,884	526,920
Total equity	527,142	529,177
Calculation of distributable funds		
Reserve for invested unrestricted equity	556,151	556,151
Profit/loss for the previous period	-29,231	-19,115
Profit/loss for the period	-2,036	-10,115
	524,585	**526,920**

2.14 Current liabilities

	31 Dec 2020	**31 Dec 2019**
Amounts owed to Group companies		
Accounts payable	0	177
Advances received	538	213
Accounts payable	325	98
Other liabilities – withholding tax debt and social security contribution liabilities	54	41
Value added tax liability	104	30
Accrued expenses and deferred income – wages and salaries with social security expenses	276	231
Accrued expenses and deferred income – other	278	202
	1,575	**992**

2.15 Other notes

	31 Dec 2020	**31 Dec 2019**
Contingent liabilities and other liabilities		
Amounts due on leases and leasing commitments		
Within one year	68	66
After one year but within five years	0	6
Total	**68**	**72**

The company has approximately EUR 4.5 million in unrecognised deferred tax assets arising from the confirmed losses for tax years 2015–2019 (EUR 2.0 million in tax assets) and from the loss to be confirmed in the tax assessment of 2020 (EUR 2.5 million in tax assets).

Signatures to the financial statements

In Helsinki, 16 March 2021

Antti Kummu Chair of the Board of Directors	Teija Kankaanpää
Ilpo Korhonen	Janne Känkänen
Eeva Ruokonen	Matti Hietanen CEO

Auditor's confirmation

A report on the audit has been issued today.

In Helsinki, 22 March 2021

KPMG Oy Ab
Authorised Public Accountants

Antti Kääriäinen
APA

List of accounting books, voucher types and storage methods	**Accounting books**	
	Daily ledger	E-format
	General ledger	E-format
	Annual accounts	Paperback
	Balance sheet specification	Paperback
	Voucher types and storage merhods	
	Sales invoices	E-format
	Purchase invoices	Electronic archive on the recording of vouchers
	E-invoices (purchase)	E-format
	Travel invoices and other bills of cost, memo vouchers	E-format
	Payroll accounting documentation	E-format
	Bank account statements, payment vouchers	E-format
	VAT-calculations	E-format
	Tax return forms	E-format

The accounting entity keeps any original purchase invoices received in paper format. Scanned paper invoices are only kept in electronic format to promote paperless accounting.

The accounting entity keeps the original documents submitted for the reimbursement of travel and other expenses in paper format. Scanned paper invoices and supporting documents are only kept in electronic format to promote paperless accounting.

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