



Financial statements release Jan-Dec  
2014





**Tulikivi Corporation**  
**Financial statements release Jan-Dec 2014**  
**6 February 2015, 10.00 a.m.**

- The Tulikivi Group's fourth-quarter net sales totalled EUR 10.7 million (EUR 11.8 million Q4/2013), the operating result was EUR -0.2 (-1.8) million and the profit before taxes was EUR -0.6 (-2.0) million. The fourth-quarter operating result before non-recurring expenses was EUR 0.0 (0.5) million.
- Net sales in 2014 totalled EUR 39.3 million (EUR 43.7 million in Jan-Dec 2013), the operating result was EUR -2.4 million (-4.3) and the result before taxes was EUR -3.3 million (-5.3). The operating result in 2014 before non-recurring expenses was EUR -1.0 (-1.4) million.
- Net cash flow from operating activities during the financial year was EUR -2.1 (2.6) million.
- Year-end order books were at EUR 4.2 (4.4) million.
- Future outlook: Due to an uncertain market outlook, the company will not issue a net sales or profit outlook for the 2015 financial year.

Key financial ratios	1-12/14	1-12/13	Change, %	10-12/14	10-12/13	Change, %
Sales, MEUR	39.3	43.7	-10.1	10.7	11.8	-9.4
Operating profit/loss, MEUR	-2.4	-4.3	42.7	-0.2	-1.8	87.7
Operating profit/loss before non-recurring expenses, MEUR	-1.0	-1.4	23.0	0.0	0.5	-103.7
Profit before tax, MEUR	-3.3	-5.3	37.7	-0.5	-2.0	76.6
Total comprehensive income for the period, MEUR	-2.6	-4.5	40.7	-0.4	-2.0	82.3
Earnings per share, Euro	0.0	-0.1		0.0	0.0	
Net cash flow from operating activities, MEUR	-2.1	2.6		2.7	2.4	
Equity ratio, %	39.0	38.1				
Net indebtedness ratio, %	89.8	59.3				
Return on investments, %	-5.4	-9.8		-0.2	-4.0	

**Comments by Heikki Vauhkonen, Managing Director:**

Demand for Tulikivi Corporation's products continued to decline in most of the principal markets and the market environment was challenging. As a result, net sales were lower than expected in the autumn. In the principal markets, net sales increased in Russia and Sweden during late autumn.



Europe's persistent recession has increased price competition. In the autumn, fireplace markets declined in Central Europe, especially in France and Germany. In France the government relaunched its programme to support energy-efficient construction, but the programme did not yet have a positive impact on demand in 2014.

In Finland demand for fireplaces and interior stone products was weak as a result of the low number of construction and renovation projects.

Of the new product groups, saunas achieved favourable net sales. Despite the challenging market, demand has also grown for design fireplaces and the new-generation Hiisi fireplace collection. The renewed ceramic collection has also been positively received.

The measures to cut fixed costs included in the performance improvement programme have been completed. The efficiency of soapstone and ceramic fireplace production has improved but price competition, low capacity utilisation and clearance sales of old products weakened profitability in the final quarter of the year.

## **Financial statements Jan-Dec 2014**

### **Operating environment**

The demand for fireplaces in Finland was weakened by the reduced level of low-rise housing construction and renovation projects and by low consumer confidence. The slow pace of economic recovery has not yet boosted the fireplace market in Central Europe, following the prolonged economic recession. The French government started to grant a 30 % tax rebate on residential energy efficiency investments, which is expected to have a positive effect on the demand for fireplaces.

Demand for fireplaces was good in Russia in late 2014 but the outlook for 2015 is uncertain.

Tulikivi's order books at the end of the reporting period amounted to EUR 4.2 (4.4) million.

**Net sales and result**

The Tulikivi Group's fourth-quarter net sales totalled EUR 10.7 million (EUR 11.8 million Q4/2014), the operating result was EUR -0.2 (-1.8) million and the profit before taxes was EUR -0.6 (-2.0) million. The operating result before non-recurring items was EUR 0.0 (0.5) million. These adjustments resulted in non-recurring expenses of EUR 0.1 (2.3) million for the fourth quarter.

The Tulikivi Group's net sales in 2014 totalled EUR 39.3 million (EUR 43.7 million in Jan-Dec 2013), the operating result was EUR -2.4 million (-4.3) and the result before taxes was EUR -3.3 million (-5.3). As a result of adjustments to production and a reduction in fixed costs, profitability improved in 2014, and the operating result before non-recurring expenses was EUR -1.0 (-1.4) million in 2014. Earnings per share were EUR -0.04 (-0.11) for the financial year.

Net sales in Finland were EUR 17.9 (20.8) million in 2014, or 45.6% (47.7%) of total net sales. Exports amounted to EUR 21.4 (22.9) million in net sales. The principal export countries were Sweden, Russia, France, Germany and Belgium.

**Performance improvement programme**

On 8 August 2013 Tulikivi issued a stock exchange release announcing a performance improvement programme to increase its annual operating result, before non-recurring expenses, by EUR 7 million on 2013 by the end of 2015. The programme includes measures to rationalise production, reduce costs and boost sales. Owing to a weak market, the impact of the sales efficiency measures that form part of the performance improvement programme will be felt more slowly than anticipated.

The performance improvement programme generated non-recurring expenses of EUR 2.9 million in 2013 and EUR 1.4 million in 2014. The programme is expected to generate further non-recurring expenses of about EUR 0.5 million in 2015.

The performance improvement programme has helped to improve the company's relative profitability on the previous year. This per-



formance improvement was achieved mainly through savings in fixed costs. The centralisation of soapstone fireplace production and the reorganisation of ceramic fireplace production have been completed.

### **Financing**

Cash flow from operating activities before investments was EUR -2.1 (2.6) million. The non-recurring costs of the performance improvement programme affecting cash flow were roughly EUR 3 million in 2014. Committed working capital increased by EUR 2.1 (-3.9) million during the reporting period. The increase in working capital was due to an increase of EUR 0.7 million in trade receivables and a decrease of EUR 1.2 million in short-term provisions. At the end of 2014, working capital stood at EUR 7.6 (5.5) million. Interest-bearing debt was EUR 20.0 (23.0) million, and net financial expenses were EUR 0.9 (1.0) million. The equity ratio was 39.0 (38.1) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 89.8 (59.3) per cent. The current ratio was 1.6 (1.8). Equity per share was EUR 0.30 (0.35). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 3.7 (10.7) million.

The company has several finance providers with which it has separate credit agreements. The company's credit agreements include financial covenants that concern the equity ratio, the ratio of interest-bearing debt to EBITDA and the ratio of net debt to EBITDA. The company meets the covenants associated with the equity ratio according to the situation on 31 December 2014. In addition, the company has negotiated a waiver from the covenants on the ratio of interest-bearing debt and on the ratio of net debt and EBITDA as of 31 December 2014. An agreement has been reached with finance providers to postpone the repayment of debt totalling EUR 10.9 million from 2015 to 2016-2018. The covenants will be examined again on 30 June 2015.

### **Investments and product development**



The Group's investments in the reporting period came to EUR 2.4 (1.6) million, and investments in the performance improvement programme accounted for EUR 1.4 million of this figure.

Research and development expenditure was EUR 1.4 (1.6) million, or 3.5% (3.7%) of net sales. EUR 0.3 (0.2) million of this was capitalised in the balance sheet. In accordance with the performance improvement programme, product development focused on the commercialisation of the new ceramic fireplace collection.

### **Personnel**

The Group employed an average of 249 (293) people during the financial year. Salaries and bonuses during the review period totalled EUR 11.2 (13.4) million. The salaries during the financial year included EUR 0.4 (1.6) million of non-recurring expenses. The Tulikivi Group has an incentive pay scheme for all personnel. It also operates a stock option scheme for management and key personnel. As the EBITDA goal set for 2014 was not achieved, no incentive pay was paid and no options were distributed for 2014.

### **Annual General Meeting**

Tulikivi Corporation's Annual General Meeting, held on 2 April 2014, resolved not to distribute a dividend on the 2013 financial year. Nella Ginman-Tjeder, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Harri Suutari, Heikki Vauhkonen and Anu Vauhkonen were elected as members of the Board of Directors. The Board elected Harri Suutari as its Chairman. The auditor appointed was KPMG Oy Ab, Authorised Public Accountants, with Kirsi Jantunen, APA, as chief auditor.

The Annual General Meeting authorised the Board of Directors to decide on issuing new shares and on the transfer of Tulikivi Corporation shares held by the company in accordance with the proposals of the Board. Tulikivi can issue new shares or transfer treasury shares held by the company as follows: a maximum of 10 358 248 Series A shares and 1 616 000 Series K shares.



The authorisation includes the right to decide on a directed rights issue, deviating from the shareholders' right of pre-emption, provided that there is compelling financial reason for the company. The authorisation also includes the right to decide on a bonus issue to the company itself, where the number of shares issued to the company is no more than one tenth of the total number of the company's shares.

The authorisation also includes the right to issue special rights referred to in Chapter 10, section 1, of the Limited Liability Companies Act, which would give entitlement to Tulikivi shares against payment or by setting off the receivable. The authorisation includes the right to pay the company's share rewards. The Board is authorised to decide on other matters concerning share issues. The authorisation is valid until the 2015 Annual General Meeting.

#### **Treasury shares**

The company did not purchase or assign any treasury shares during the reporting period. At the end of the period, the total number of Tulikivi shares held by the company was 124 200 Series A shares, corresponding to 0.2 per cent of the company's share capital and 0.1 per cent of all voting rights.

#### **Board of Directors' proposal on use of distributable equity**

The parent company has no distributable equity. The Board will propose to the Annual General Meeting that no dividend be paid out for 2014.

#### **Near-term risks and uncertainties**

A continued weak economic environment in Tulikivi's principal market areas is the Group's most significant risk. The decrease in new construction and renovation projects in Finland is affecting the demand for fireplaces. The effects of a continuation of the Ukraine crisis may have a significant impact on economic development in Russia and the EU.



Maintaining the Group's financing position at the present level and securing the continuation of financing will depend on an improvement in profitability in the future. If the company's business operations and result do not develop as planned, the repayment of its debts may create a greater burden on the company's cash flow than anticipated. The company's management will evaluate and monitor the amount of financing available for operations to ensure that the company has sufficient liquid funds to finance its operations and repay its maturing debt. Delays in the planned schedule of measures under the performance improvement programme would cause a significant risk to the company's profit performance and financing position.

As regards the company's foreign currency risk, the most significant currencies are the U.S. dollar and Russian rouble. About 90 per cent of the company's cash flow is in euros, which means the company's exposure to foreign currency risks is very low. The decline of the rouble weakens the sales margin.

#### **Future outlook**

Due to an uncertain market outlook, the company will not issue a net sales or profit outlook for the 2015 financial year.

#### **Segment reporting**

In connection with the performance improvement programme, the organisation has been streamlined and the Fireplace and Interior Stone businesses have been integrated. Therefore, as of the beginning of 2014, the company is no longer reporting these segments separately.





**FINANCIAL STATEMENT Jan-Dec 2014. SUMMARY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Eur million	1-12/14	1-12/13	Change. %	10-12/14	10-12/13	Change. %
<b>Sales</b>	39.3	43.7	-10.1	10.7	11.8	-9.4
Other operating income	1.0	0.4		0.1	0.1	
Increase/decrease in inventories in finished goods and in work in progress	-0.1	-0.6		-0.2	-0.3	
Production for own use	0.3	0.2		0.1	0.1	
Raw materials and consumables	-8.8	-9.1		-2.3	-2.5	
External services	-5.5	-6.0		-1.3	-1.4	
Personnel expenses	-14.0	-17.0		-3.8	-5.3	
Depreciation and amortisation	-3.5	-3.8		-0.9	-1.0	
Other operating expenses	-11.2	-12.2		-2.7	-3.4	
<b>Operating profit/loss</b>	-2.4	-4.3	42.7	-0.2	-1.8	87.7
Percentage of sales	-6.2 %	-9.7 %		-2.1 %	-15.1 %	
Finance income	0.2	0.1		0.1	0.1	
Finance expense	-1.1	-1.0		-0.4	-0.2	
Share of the profit of associated company	0.0	0.0		0.0	0.0	
<b>Profit before tax</b>	-3.3	-5.3	37.7	-0.5	-2.0	76.6
Percentage of sales	-8.3 %	-12.0 %		-4.4 %	-17.1 %	
Direct taxes	0.6	0.9		0.1	0.1	
<b>Profit/loss for the period</b>	-2.6	-4.4	40.2	-0.4	-1.9	80.0
Other comprehensive income						
Items that may later have effect on profit or loss						
Interest rate swaps	-0.1	0.0		0.0	0.0	
Translation difference	0.1	0.0		0.0	0.0	
<b>Total comprehensive income for the period</b>	-2.6	-4.5	40.7	-0.4	-2.0	82.3
Earnings per share attributable to the equity holders of the parent company, EUR, basic and diluted	-0.04	-0.11		0.00	-0.04	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<b>ASSETS (EUR million)</b>	12/14	12/13
<b>Non-current assets</b>		
Property, plant and equipment		
Land	0.9	0.9
Buildings	5.3	5.5
Machinery and equipment	3.8	4.0
Other tangible assets	1.2	1.2
Intangible assets		
Goodwill	4.2	4.2
Other intangible assets	10.4	11.3
Investment properties	0.2	0.2
Available-for sale-investments	0.0	0.0
Receivables		
Other receivables	0.0	0.0
Deferred tax assets	3.3	2.8
<b>Total non-current assets</b>	<b>29.3</b>	<b>30.1</b>
<b>Current assets</b>		
Inventories	10.1	10.3
Trade receivables	3.2	2.6
Current income tax receivables	0.0	0.0
Other receivables	0.9	1.0
Cash and cash equivalents	3.7	10.7
<b>Total current assets</b>	<b>17.9</b>	<b>24.6</b>
<b>Total assets</b>	<b>47.2</b>	<b>54.7</b>



<b>EQUITY AND LIABILITIES (EUR million)</b>	12/14	12/13
<b>Equity</b>		
Share capital	6.3	6.3
The invested unstricted equity fund	14.4	14.4
Revaluation reserve	-0.2	-0.1
Treasury shares	-0.1	-0.1
Translation difference	0.1	0.0
Retained earnings	-2.3	0.3
<b>Total equity</b>	<b>18.2</b>	<b>20.8</b>
<b>Non-current liabilities</b>		
Deffered income tax liabilities	0.9	1.0
Provisions	1.1	1.6
Interest-bearing debt	15.8	18.0
Other debt	0.0	0.0
Total non-current liabilities	17.8	20.6
<b>Current liabilities</b>		
Trade and other payables	7.0	7.0
Short-term interest bearing debt	0.0	1.3
Current liabilities	4.2	5.0
<b>Total current liabilities</b>	<b>11.2</b>	<b>13.3</b>
<b>Total liabilities</b>	<b>29.0</b>	<b>33.9</b>
<b>Total equity and liabilities</b>	<b>47.2</b>	<b>54.7</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS (EUR million)**

	1-12/14	1-12/13
<b>Cash flows from operating activities</b>		
Profit for the period	-2.6	-4.4
Adjustments		
Non-cash transactions	3.2	3.8
Interest expenses and interest income and taxes	0.2	0.1
Change in working capital	-2.1	3.9
Interest paid and received and taxes paid	-0.8	-0.8
<b>Net cash flow from operating activities</b>	<b>-2.1</b>	<b>2.6</b>
 <b>Cash flows from investing activities</b>		
Investment in property, plant and equipment and intangible assets	-2.3	-1.7
Grants received for investments and sales of property, plant and equipment	0.7	0.2
<b>Net cash flow from investing activities</b>	<b>-1.6</b>	<b>-1.5</b>
 <b>Cash flows from financing activities</b>		
Proceeds from non-current and current borrowing	2.0	8.8
Repayment of non-current and current borrowing	-5.1	-9.6
Dividends paid and treasury shares	0.0	0.0
<b>Net cash flow from financing activities</b>	<b>-3.2</b>	<b>6.3</b>
 <b>Change in cash and cash equivalents</b>	<b>-6.9</b>	<b>7.4</b>
 Cash and cash equivalents at beginning of period	10.7	3.3
<b>Cash and cash equivalents at end of period</b>	<b>3.7</b>	<b>10.7</b>



**Consolidated statement of changes in equity (EUR Million)**

	Share capital	The invested unstricted equity fund	Revaluation reserve	Treasury shares	Translations diff.	Retained earnings	Total
Equity Jan. 1, 2014	6.3	14.4	-0.1	-0.1	0.0	0.3	20.8
Total comprehensive income for the period			-0.1		0.1	-2.6	-2.6
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Dec. 31, 2014	6.3	14.4	-0.2	-0.1	0.1	-2.3	18.2
Equity Jan. 1, 2013	6.3	7.3	-0.1	-0.1	0.1	4.7	18.2
Total comprehensive income for the period		0.0	0.0		-0.1	-4.4	-4.5
Transactions with the owners							
Share issue		7.5					7.5
Transactions costs directly attributable to the issue of new shares		-0.4					-0.4
Dividends paid						0.0	0.0
Equity Dec. 31, 2013	6.3	14.4	-0.1	-0.1	0.0	0.3	20.8

**Key financial ratios and share ratios**

	1-12/14	1-12/13	10-12/14	10-12/13
Earnings per share, EUR	-0.04	-0.11	0.00	-0.04
Equity per share, EUR	0.30	0.35	0.30	0.35
Retrun on equity, %	-13.5	-22.6	-2.1	-10.4
Return on investments, %	-5.4	-9.8	-0.2	-4.0
Equity ratio, %	39.0	38.1		
Net debttness ratio, %	89.8	59.3		
Current ratio	1.6	1.8		
Gross investments, MEUR	2.4	1.6		
Gross investments, % of sales	6.1	3.7		
Research and development costs, MEUR	1.4	1.6		
%/sales	3.5	3.7		
Outstanding orders (31 Dec), MEUR	4.2	4.4		
Average number of staff	249	293		
Rate development of shares, EUR				
Lowest share price, EUR	0.19	0.31		
Highest share price, EUR	0.36	0.63		
Average share price, EUR	0.28	0.44		
Closing price, EUR	0.20	0.34		
Market capitalization at the end period, 1000 EUR	11 949	20 314		
(Supposing that the market price of the K-share is the same as that of the A-share)				
Number of the shares traded, (1000 pcs)	7 933	10 493		
% of total amount of A-shares	15.3	33.5		
Number of shares average	59 747 043	41 378 425	59 747 043	54 312 260
Number of the shares at the end of period	59 747 043	59 747 043	59 747 043	59 747 043



## Notes to the financial statements

The information presented in the financial statements release has not been audited.

This financial statements release has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. Tulikivi has applied the same IFRS accounting principles in this financial statements release as in the previous consolidated financial statements. The key figures presented in the financial statements release have been calculated using the same formulas as in the 2013 financial statements. The formulas can be found on page 90 of the 2013 Annual Report.

**Income taxes (EUR million)**

	1-12/14	1-12/13
Taxes for current and previous reporting periods	0.0	0.0
Deferred taxes	0.6	0.9
Total	0.6	0.9

**Commitments (EUR million)**

	12/14	12/13
Loans from credit institutions and other long term debts and loan guarantees, with related mortgages and pledges	20.0	23.0
Mortgages granted and collaterals pledged	34.8	32.7
Other given guarantees and pledges on behalf of own liabilities	0.5	0.5
Derivates		
Interest rate swpas: nominal value	7.0	7.8
Interest rate swaps; fair value	-0.2	-0.1
Foreign exchange forward contracts; nominal va	0.0	0.3
Foreign exchange forward contracts; fair value	0.0	0.0

The fair value of derivatives is the gain or loss for closing the contract based on market rates at the balance sheet date. Derivatives are classified as level 2 in the fair value hierarchy. Available-for-sale financial assets are investments in unlisted



companies. They are valued at acquisition cost because their fair value cannot be reliably determined.

**Provisions (EUR million)**

	Environmental provision	Warranty provision	Restructuring Provision
	12/14	12/14	12/14
Provisions January 1.	0.7	0.2	1.9
Increase in provisions	0.0	0.0	0.0
Used Provisions	0.0	0.0	-1.4
Discharge on reserves	-0.3	0.0	0.0
Provisions June 30.	0.4	0.2	0.5
	12/14		
Non-current provisions	1.1		
Current provisions	0.0		
Total	1.1		

**Changes in tangible assets are classified as follows (EUR million):**

	12/14	12/13
Acquisition costs	1.6	1.0
Proceeds from sale	-0.6	-0.1
Total	1.0	0.9

**Changes in intangible assets are classified as follows (EUR million):**

	12/14	12/13
Acquisition costs, net	0.8	0.6
Amortisation loss	0.0	0.0
Total	0.8	0.6

Share capital

Share capital by share series

	Number of shares	% of shares	% of voting rights	Share, EUR of share capital
K shares (10 votes)	7 682 500	12.8	59.5	810 255
A shares (1 vote)	52 188 743	87.2	40.5	5 504 220
Total 31 Dec., 2014	59 871 243	100.0	100.0	6 314 475





There have been no changes in Tulikivi Corporation's share capital during the reporting period. According to the Articles of Association, the dividend paid on Series A shares shall be EUR 0.0017 higher than the dividend paid on Series K shares. The A share is listed on NASDAQ OMX Helsinki. At the end of the review period, the company held 124 200 series A shares.

Related party transactions (EUR 1 000)

The following transactions with related parties took place:

	1-12/14	1-12/13
Sales to associated companies and other related parties	-	-
Acquisitions from associated companies	96	87
Premises leased from related parties	9	101
Sales of goods and services to related parties	18	-
Outstanding receivables from related parties	-	-
Sales to related parties	-	-
Outstanding debt to related parties	-	-

Transactions with other related parties

Tulikivi Corporation is a founder member of the Finnish Stone Research Foundation. The company has leased offices and storage facilities from a property owned by the Foundation and North Karelia Educational Federation of Municipalities. The rent paid for these facilities was EUR 190 (236) thousand in the period. The rent corresponds to market rents. The company's sales of services to the Foundation came to EUR 14 (12) thousand and outstanding receivables from the Foundation were EUR 0 (4) thousand.

Management benefits (EUR 1 000)

	1-12/14	1-12/13
Salaries and other short-term employee benefits of the Board of Directors' members and the Managing Director	384	494
Benefits following end of employment	35	61





## Principal shareholders on 31 December 2014

Name of shareholder	Shares	Percentage of votes
Vauhkonen Heikki	6 890 037	45.9%
Elo Mutual Pension Insurance Company	4 545 454	3.5%
Ilmarinen Mutual Pension Insurance Company	3 720 562	2.9%
Elo Eliisa	3 108 536	5.7%
Taaleritehdas Arvo Markka Osake Mutual Fund	2 878 787	2.2%
Varma Mutual Pension Insurance Company	2 813 948	2.2%
Finnish Cultural Foundation	2 258 181	2.5%
Phoebus (non-ucits fund)	1 797 811	1.4%
Mutanen Susanna	1 643 800	6.8%
Fennia Mutual Insurance Company	1 515 151	1.2%
Others	28 698 976	25.7%

The companies in the Group are the parent company Tulikivi Corporation, AWL-Marmorio Oy, Tulikivi U.S. Inc., OOO Tulikivi and Tulikivi GmbH. Group companies also include The New Alberene Stone Company Inc., which no longer has any business operations. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in the associated company Rakentamisen MALL Oy. The former associated company Stone Pole Oy was liquidated in 2014.

## TULIKIVI CORPORATION

## Board of Directors

Distribution: NASDAQ OMX Helsinki  
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