



Interim Report 1-3/2014





Tulikivi Corporation

Interim report, 1 January — 31 March 2014: The operating result before non-recurring expenses increased by EUR 0.5 million

29 April 2014, 10 a.m.

- The Tulikivi Group's first-quarter net sales were EUR 8.3 million (EUR 9.2 million in Q1/2013), the operating result in the first quarter was EUR -1.6 (-1.7) million and result before taxes EUR -1.8 (-2.0) million.
- The first-quarter operating result before non-recurring expenses was EUR -1.2 (-1.7) million.
- Net cash flow from operating activities was EUR -2.4 (-2.5) million in the review period.
- The company has good liquidity owing to the share issue during the 2013 financial year.
- Order books at the end of the period were at EUR 6.1 (6.0) million.
- Future outlook: The demand for Tulikivi products is in part dependent on consumer confidence and construction. The performance improvement programme started in 2013 includes sales and production efficiency measures and cost-saving measures. The results of these measures will begin to show in 2014. Full-year net sales are expected to be at the same level as in 2013, and the operating result is expected to be positive.

Key financial ratios

	1-3/2014	1-3/2013	Change, %	1-12/2013
Sales, MEUR	8.3	9.2	-9.2	43.7
Operating profit/loss, MEUR	-1.6	-1.7	5.9	-4.3
Operating profit/loss before non-recurring expenses, MEUR	-1.2	-1.7	28.8	-1.4
Profit before tax, MEUR	-1.8	-2.0	9.3	-5.3
Total comprehensive income for the period, MEUR	-1.5	-1.6	5.2	-4.5
Earnings per share, Euro	-0.03	-0.04		-0.11
Net cash flow from operating activities, MEUR	-2.4	-2.5		2.6
Equity ratio, %	38.9	32.0		38.1
Net indebtedness ratio, %	81.5	142.2		59.3
Return on investments, %	-15.6	-16.5		-9.8

Comments by Heikki Vauhkonen, Managing Director:

Net sales of Tulikivi products continued to be weak in the first quarter. In addition to the weak financial situation, the unusually mild winter decreased the number of deliveries in Finland and Central Europe. Net sales decreased both in Finland and in exports. Since the flow of orders was slightly better than in Q1/2013, order books increased to EUR 6.1 (6.0) million.

Net sales were reduced due to the difficult market situation in Central Europe, while in the Nordic and Baltic countries net sales showed a positive trend. Net sales in Russia also increased in spite of the weakened rouble.



In Finland low-rise housing construction and renovation was low, which affected the number of deliveries.

Despite the challenging market, sales kept growing for the latest products: saunas, design fireplaces and the new-generation Hiisi fireplace collection.

The performance improvement programme helped to increase the company's relative profitability on the previous year. This improvement in performance was achieved by the implementation of savings in fixed costs.

The production of soapstone fireplaces was centralised, while the reorganisation of the production of ceramic fireplaces will be implemented by the end of May. It is believed that these measures will improve profitability in the second half of the year.

The performance improvement programme also includes measures to boost sales efficiency. The measures have progressed as planned, but as their impact on performance improvement will be felt more slowly, improvement is expected to show later this year.

Interim report, 1 January – 31 March 2014

Operating environment

The demand for Tulikivi products in Finland was weakened by the low level of low-rise housing construction and renovation projects as well as poor consumer confidence.

The protracted European recession reduced export sales in the first quarter. The demand for fireplaces was as expected in Russia and Germany but failed to meet the expectations in France. New construction and energy efficiency requirements based on EU regulations gave rise to uncertainty in the market and affected consumers' decisions.

Order books at the end of the reporting period amounted to EUR 6.1 (6.0) million.

Net sales and result

The Tulikivi Group's net sales during the first quarter were EUR 8.3 million (EUR 9.2 million in Q1/2013), the operating result was EUR -1.6 (-1.7) million and result before taxes EUR -1.8 (-2.0) million. As a result of adjustments to production and a reduction of fixed costs, the relative profitability of operations improved in the first quarter, and the operating result before non-



recurring expenses was EUR -1.2 (-1.7) million. These adjustments resulted in a non-recurring cost of EUR 0.4 million for the first quarter. Earnings per share were EUR -0.03 (-0.04).

Net sales in Finland were EUR 4.1 (4.5) million, or 48.8% (49.3%) of total net sales. Exports amounted to EUR 4.2 (4.7) million in net sales. The principal export countries were France, Germany, Russia, Sweden and Belgium.

Performance improvement programme

On 8 August 2013 Tulikivi issued a stock exchange release announcing a performance improvement programme to improve its annual operating result before non-recurring items by EUR 7 million from 2013 by the end of 2015. The programme includes measures to rationalise production, reduce costs and boost sales.

The performance improvement programme caused non-recurring expenses of EUR 2.9 million in 2013 and EUR 0.4 million in the first quarter of 2014. The programme is also expected to cause non-recurring expenses of EUR 0.6 million in 2014.

The performance improvement programme has helped to improve the company's relative profitability on the previous year. This performance improvement was achieved by the implementation of savings in fixed costs. The production of soapstone fireplace was centralised, while the reorganisation of the production of ceramic fireplaces will be implemented by the end of May. These measures should improve profitability in the second half of the year. The performance improvement programme also includes sales efficiency measures. The measures have progressed as planned, but as their impact on performance improvement will be felt more slowly, improvement is expected to show later this year.

Financing

Cash flow from operating activities before investments was EUR -2.4 (-2.5) million. Working capital increased by EUR 1.6 (1.5) million during the review period. Working capital was EUR 7.1 (11.4) million at the end of the review period. Interest-bearing debt was EUR 20.6 (25.6) million, and net financial expenses were EUR 0.2 (0.3) million. The equity ratio was 38.9 (32.0) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 81.5 (142.2) per cent. The current ratio was 1.7 (1.6). Equity per share was EUR 0.32 (0.45).

At the end of the reporting period, the Group's cash and other liquid assets were EUR 4.9 (2.0) million. The total of undrawn credit facilities and unused credit limits amounted to EUR 0.5 (0.5) million.



The company has several financiers 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 covenants associated with the equity ratio and the ratio of net debt to EBITDA will be examined again on 30 June 2014. If the performance improvement programme progresses as planned, the company will meet these covenants as of 30 June 2014. The company has good liquidity owing to the share issue in 2013, and there will be no need for extra financing in 2014.

Investments and product development

The Group's investments in the first quarter were EUR 0.8 (0.6) million, and investments in the performance improvement programme accounted for EUR 0.5 million of this figure. The investments planned for the whole year amount to approximately EUR 2 million, of which investments related to the performance improvement programme will total approximately EUR 1 million.

Research and development expenditure was EUR 0.3 (0.4) million, or 4.1% (4.4%) of net sales. EUR 0.1 (0.1) million of this was capitalised in the balance sheet. As decided in the performance improvement programme, product development focused on the design of the new ceramic fireplace collection.

Personnel

The Group employed an average of 289 (296) people during the reporting period. Salaries and bonuses during the period totalled EUR 2.7 (3.1) million. The salaries during the reporting period included EUR 0.2 million of non-recurring expenses. The Tulikivi Group has an incentive pay scheme for all personnel.

To support the commitment of management and key personnel to the implementation of the performance improvement programme, the Board of Directors of Tulikivi Corporation decided on 17 September 2013 on a new stock option programme for the key personnel of Tulikivi Corporation, on the basis of the authorisation granted by the Annual General Meeting on 16 April 2013.

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, Anu Vauhkonen and Heikki Vauhkonen were elected as the members of



the Board of Directors. The Board elected Harri Suutari as its Chairman. The firm of independent public accountants KPMG Oy Ab was elected the auditor of Tulikivi Corporation, with Kirsi Jantunen, Authorised Public Accountant, acting as the 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. New shares can be issued or Tulikivi shares held by the company transferred 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 shareholder's right of pre-emption, provided that there is a compelling real reason from the company's point of view for the deviation. The authorisation also includes the right to decide on a bonus issue to the company itself, where the number of issued shares is no more than one tenth of the total number of the company's shares.

The authorisation also includes, as proposed by the Board, the right to issue special rights, as defined in Chapter 10, Section 1, of the Limited Liability Companies Act, which give entitlement to subscribe 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 A shares, corresponding to 0.2 per cent of the company's share capital and 0.1 per cent of all voting rights.

Near-term risks and uncertainties

The substantial weakening of the economic situation in the principal market areas is the Group's most significant risk. The share of exports to Russia, the third biggest export country, is significant. The crisis in the Ukraine may have significant impact on the economic development in Russia. The decrease in new construction and renovation projects in Finland is affecting the demand for fireplaces.

Maintaining the corporation's financing position at the present level and securing the continuation of financing will depend on an improvement in profitability in the future. The repayment of debt may cause a higher-than-anticipated burden on the company's cash flow if the company's business operations and result do not develop as well as expected. The company's management will



continuously evaluate and monitor the volume of financing available to operations to ensure that the company has sufficient liquid funds to finance its operations and repay its maturing debt. As regards the company's foreign currency risk, the most significant currencies are the U.S. dollar and Russian rouble. Over 90 per cent of the company's cash flow is in euros, which makes the foreign currency risk rather low. The foreign currency risk is protected with foreign exchange forward contracts as regards Russian rouble. Delays in the planned schedule of the performance improvement programme would cause a significant risk to the company's profit performance.

Construction legislation is currently being revised in the EU. New country-specific energy efficiency provisions that meet the EU's energy efficiency policies will come into force during 2014 and could influence the competition between different forms of heating and thus the demand for fireplaces in different markets.

Future outlook

The demand for Tulikivi products is in part dependent on consumer confidence and construction. The performance improvement programme started in 2013 includes sales and production efficiency measures and cost-saving measures. The results of these measures will begin to show in 2014. Full-year net sales are expected to be at the same level as in 2013, and the operating result is expected to be positive.

Segment reporting

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

FINANCIAL STATEMENT Jan - Mar 2014. SUMMARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Eur million	1-3/14	1-3/13	Change. %	1-12/2013
Sales	8.3	9.2	-9.2	43.7
Other operating income	0.2	0.1		0.4
Increase/decrease in inventories in finished goods and in work in progress	-0.1	0.6		-0.6
Production for own use	0.1	0.1		0.2
Raw materials and consumables	-1.9	-2.1		-9.1
External services	-1.1	-1.3		-6.0
Personnel expenses	-3.4	-3.9		-17.0
Depreciation and amortisation	-0.9	-0.9		-3.8
Other operating expenses	-3.0	-3.4		-12.2
Operating profit/loss	-1.6	-1.7	5.9	-4.3
<i>Percentage of sales</i>	-19.7 %	-19.1 %		-9.7 %
Finance income	0.0	0.0		0.1
Finance expense	-0.2	-0.3		-1.0
Share of the profit of associated company	0.0	0.0		0.0
Profit before tax	-1.8	-2.0	9.3	-5.3
<i>Percentage of sales</i>	-22.2 %	-22.3 %		-12.0 %
Direct taxes	0.4	0.5		0.9
Profit/loss for the period	-1.5	-1.5	3.3	-4.4
Other comprehensive income				
Items that may later have effect on profit or loss				
Interest rate swaps	0.0	-0.1		0.0
Translation difference	0.0	0.0		0.0
Total comprehensive income for the period	-1.5	-1.6	5.2	-4.5
Earnings per share attributable to the equity holders of the parent company, EUR, basic and diluted	-0.03	-0.04		-0.11

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

ASSETS (EUR million)	3/14	3/13	12/13
Non-current assets			
Property, plant and equipment			
Land	0.9	0.9	0.9
Buildings	5.6	5.8	5.5
Machinery and equipment	4.0	4.5	4.0
Other tangible assets	1.2	1.4	1.2
Intangible assets			
Goodwill	4.2	4.2	4.2
Other intangible assets	11.1	12.2	11.3
Investment properties	0.2	0.2	0.2
Available-for sale-investments	0.0	0.0	0.0
Receivables			
Other receivables	0.0	0.1	0.0
Deferred tax assets	3.2	2.7	2.8
Total non-current assets	30.4	32.0	30.1
Current assets			
Inventories	10.2	11.9	10.3
Trade receivables	3.5	4.5	2.6
Current income tax receivables	0.0	0.0	0.0
Other receivables	1.1	1.4	1.0
Cash and cash equivalents	4.9	2.0	10.7
Total current assets	19.7	19.8	24.6
Total assets	50.1	51.8	54.7



EQUITY AND LIABILITIES (EUR million)	3/14	3/13	12/13
Equity			
Share capital	6.3	6.3	6.3
The invested unstricted equity fund	14.4	7.3	14.4
Revaluation reserve	-0.1	-0.2	-0.1
Treasury shares	-0.1	-0.1	-0.1
Translation difference	0.0	0.1	0.0
Retained earnings	-1.2	3.2	0.3
Total equity	19.3	16.6	20.8
Non-current liabilities			
Deffered income tax liabilities	1.0	1.3	1.0
Provisions	1.5	1.2	1.6
Interest-bearing debt	16.9	20.6	18.0
Other debt	0.0	0.0	0.0
Total non-current liabilities	19.4	23.1	20.6
Current liabilities			
Trade and other payables	7.2	7.0	7.0
Short-term interest bearing debt	0.5	0.1	1.3
Current liabilities	3.7	5.0	5.0
Total current liabilities	11.4	12.1	13.3
Total liabilities	30.8	35.2	33.9
Total equity and liabilities	50.1	51.8	54.7

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR million)

	1-3/14	1-3/13	1-12/13
Cash flows from operating activities			
Profit for the period	-1.5	-1.5	-4.4
Adjustments			
Non-cash			
transactions	0.8	0.9	3.8
Interest expenses and interest income and taxes	-0.1	-0.2	0.1
Change in working capital	-1.3	-1.5	3.9
Interest paid and received			
and taxes paid	-0.3	-0.2	-0.8
Net cash flow from operating activities	-2.4	-2.5	2.6
Cash flows from investing activities			
Investment in property, plant and			
equipment and intangible assets	-0.9	-0.7	-1.7
Grants received for investments			
and sales of property, plant and equipment	0.1	0.1	0.2
Net cash flow from investing activities	-0.8	-0.6	-1.5
Cash flows from financing activities			
Proceeds from share issue	-0.1	0.0	7.1
Proceeds from non-current and current borrowings	0.0	6.8	8.8
Repayment of non-current and current borrowings	-2.5	-5.0	-9.6
Dividends paid and treasury shares	0.0	0.0	0.0
Net cash flow from financing activities	-2.6	1.8	6.3
Change in cash and cash equivalents	-5.8	1.8	7.4
Cash and cash equivalents at beginning of period	10.7	3.3	3.3
Cash and cash equivalents at end of period	4.9	5.1	10.7

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, 2013	6.3	14.4	-0.1	-0.1	0.0	0.3	20.8
Total comprehensive income for the period			0.0		0.0	-1.5	-1.5
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Mar. 31, 2014	6.3	14.4	-0.1	-0.1	0.0	-1.2	19.3
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		-0.1	-4.4	-4.5
Transactions with the owners							
Share Issue		7.5				0.0	7.5
Transaction costs directly attributable to 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

	1-3/14	1-3/13	1-12/13
Earnings per share, EUR	-0.03	-0.04	-0.11
Equity per share, EUR	0.32	0.45	0.35
Return on equity, %	-29.5	-35.2	-22.6
Return on investments, %	-15.6	-16.5	-9.8
Equity ratio, %	38.9	32.0	38.1
Net debtness ratio, %	81.5	142.2	59.3
Current ratio	1.7	1.6	1.8
Gross investments, MEUR	0.8	0.6	1.6
Gross investments, % of sales	9.7	6.6	3.7
Research and development costs, MEUR	0.3	0.4	1.6
%/sales	4.1	4.4	3.7
Order stock (31 Mar), MEUR	6.1	6.0	4.4
Average number of staff	289	296	293
Rate development of shares, EUR			
Lowest share price, EUR	0.28	0.53	0.31
Highest share price, EUR	0.35	0.63	0.63
Average share price, EUR	0.31	0.56	0.44
Closing price, EUR	0.30	0.53	0.34
Market capitalization at the end period, 1000 EUR	17 924	19 620	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)	5 126	1 290	10 493
% of total amount of A-shares	9.9	4.7	33.5
Number of shares average	59 747 043	37 019 770	41 378 425
Number of the shares at the end of period	59 747 043	37 019 770	59 747 043

Notes to the Consolidated Financial Statements

The figures contained in the financial statements release have not yet been audited.

This interim report release has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The IFRS accounting principles applied in preparation of these interim financial statements are the same as those applied by Tulikivi in its consolidated financial statements as at and for the year ended December 31, 2013. The key performance ratios and share ratios are calculated using the same methods as for the consolidated financial statements for 2013. The calculations rules can be found in the 2013 annual report, page 90.

Income taxes (EUR million)

	1-3/14	1-3/13	1-12/13
Taxes for current and previous reporting periods	0.0	0.0	0.0
Deferred taxes	0.4	0.5	0.9
Total	0.4	0.5	0.9

Commitments (EUR million)

	3/14	3/13	12/13
Loans from credit institutions and other long term debts and loan guarantees, with related mortgages and pledges	20.6	25.6	23.0
Mortgages granted and collaterals pledged	32.7	32.7	33.2
Other given guarantees and pledges on behalf of own liabilities	0.5	0.5	0.5
Derivates			
Interest rate swpas; nominal value	7.7	8.2	7.8
Interest rate swaps; fair value	-0.1	-0.2	-0.1
Foreign exchange forward contracts; nominal value	0.5	0.3	0.3
Foreign exchange forward contracts; fair value	0.0	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. Financial assets for sale are investments in unlisted companies. They are valued at acquisition cost because their value cannot be reliably determined.

Provisions (EUR million)

	Environmental provision	Warranty provision	Restructuring Provision
	3/14	3/14	3/14
Provisions January 1.	0.7	0.3	0.3
Increase in provisions	0.0	0.1	2.1
Used Provisions	0.0	-0.2	-0.5
Discharge on reserves	0.0	0.0	0.0
Provisions June 30.	0.7	0.2	1.9
	3/14		
Non-current provisions	1.5		
Current provisions	1.3		
Total	2.8		

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

	3/14	3/13	12/13
Acquisition costs	0.6	0.4	1.0
Proceeds from sale	0.0	0.0	-0.1
Total	0.6	0.4	0.9

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

	3/14	3/13	12/13
Acquisition costs, net	0.2	0.1	0.6
Amortisation loss	0.0	0.0	0.0
Total	0.2	0.1	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)	8 080 000	13.5	60.9	852 178
A shares (1 vote)	51 791 243	86.5	39.1	5 462 297
Total 31 March, 2014	59 871 243	100.0	100.0	6 314 475

There have been no changes in Tulikivi Corporation's share capital during the period. According to the articles of association the dividend paid for Series A shares shall be 0.0017 EUR higher than the dividend paid on Series K shares. The Series A share is listed on the NASDAQ OMX Helsinki Ltd. The number of the shares in the company's possession at the end of period was 124 000 series A shares.

Related party transactions

The following transactions with related parties took place:

EUR 1000	1-3/14	1-3/13
Sales of goods and services to associated companies and related parties	-	-
Purchases related companies	24	20
Leases from related parties	3	27
Sales of goods and services to related parties	-	-
Outstanding receivables from related parties	-	-
Sales to related parties	-	-
Debts owed 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 storages from the property owned by the Foundation and North Karelia Educational Federation of Municipalities. The rent paid for these facilities was EUR 59(59) thousand in the period. The rent corresponds with the market rents. The service charges and land lease from the Foundation were 1 (1) thousand Euros. Outstanding receivables from the Foundation amounted EUR 3 (4) thousand.

Key management compensation

EUR 1000	1-3/14	1-3/13
Salaries and other short-term employee benefits of the Board of Directors and Managing Directors	64	83
Other short term employee benefits	20	32



Largest shareholders on March 31, 2014

Name of shareholder	Shares	Proportion of total vote
Vauhkonen Heikki	6 857 310	44.6 %
Eläke-Fennia	4 545 454	3.4 %
Mutual Pension Insurance Ilmarinen	3 720 562	2.8 %
Elo Eliisa	3 108 536	5.6 %
Investment Fond Taaleritehdas		
Taaleri Finland Value	2 878 787	2.2 %
Varma Mutual Pension Company	2 813 948	2.1 %
Finnish Cultural Foundation	2 258 181	2.4 %
Investment Fond Phoebus	1 797 811	1.4 %
Mutanen Susanna	1 643 800	6.7 %
Fennia Mutual Insurance Company	1 515 151	1.1 %
Other shareholders	28 731 703	27.7 %

Events after the review period

On 19 February 2014 the company received a request to convert 397,500 Series K shares into Series A shares. The conversion was registered in the Trade Register on 2 April 2014. The number of Tulikivi Series A shares is now 52,188,743 and the number of Series K shares is now 7,682,500.

The companies included in the Tulikivi Group are the parent company Tulikivi Corporation, AWL-Marmorio Oy, Tulikivi U.S. Inc. and OOO Tulikivi, as well as Tulikivi GmbH, established during the financial year. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy. (Stone Pole Oy had no business activities during 2014; liquidation proceedings have begun.)

TULIKIVI CORPORATION

Board of Directors

Distribution: NASDAQ OMX Helsinki

Key media

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