



Financial statement release, Jan-Dec 2016





Tulikivi Corporation

Financial statements release 1–12/2016: Profitability improves, higher net sales in Finland
8 February 2017 at 1 p.m.

- The Tulikivi Group's fourth-quarter net sales totalled EUR 8.5 million (EUR 9.0 million Q4/2016), the fourth-quarter operating result was EUR -0.1 (0.1) million and the profit before taxes was EUR -0.3 (-0.3) million.
- The 2016 net sales of the Tulikivi Group were EUR 30.5 million (EUR 32.0 million Jan-Dec/2015), the operating result was EUR -1.4 (-2.9) million and the result before taxes EUR -2.1 (-3.9) million.
- Net cash flow from operating activities during the financial year was EUR 2.0 (0.8) million.
- Year-end order books were at EUR 3.2 (3.9) million.
- Future outlook: Net sales in 2017 are expected to be at the previous year's level, and the operating result is expected to improve year-on-year.

Key financial ratios

	1-12/16	1-12/15	Change, %		10-12/16	10-12/15	Change, %
Sales, MEUR	30.5	32.0	-4.6 %		8.5	9.0	-4.6
Operating profit/loss, MEUR	-1.4	-2.9	53.5 %		-0.1	0.1	-230.9
Profit before tax, MEUR	-2.1	-3.9	45.4 %		-0.3	-0.3	-21.8
Total comprehensive income for the period, MEUR	-2.0	-3.8	46.2 %		-0.4	-0.2	-58.7
Earnings per share, Euro	-0.03	-0.06			0.00	0.00	
Net cash flow from operating activities, MEUR	2.0	0.8			2.1	0.7	
Equity ratio, %	33.4	36.9					
Net indebtedness ratio, %	125.0	113.4					
Return on investments, %	-4.3	-7.7			-0.3	0.4	

Comments by Heikki Vauhkonen, Managing Director:

The sales of Tulikivi products increased in Finland in 2016. Recovering low-rise housing construction and closer cooperation with the home-building industry have increased our market share and consequently the sales of fireplaces in Finland.

However, market conditions in fireplace sales continue to be challenging in Finland compared with the peak years due to the low level of low-rise housing construction, low heating energy prices and consumer uncertainty in purchasing decisions.

In Finland, to boost sales in the Helsinki metropolitan area, additional members of staff have been recruited within sales to professionals and consumers. These investments increased the order intake especially in sauna products and interior stone products.

In Germany and France, the main markets in Central Europe, market conditions continued to be relatively weak in the autumn. In the final quarter, net sales from fireplace exports to France and Germany were also considerably lower than the year before. Despite the improved economic conditions and increased construction activity, there is yet no clear improvement in sight in the fireplace market. In exports, sales efficiency measures are being targeted primarily at Germany and France. The goal of these measures is to strengthen Tulikivi's position in the sales catalogues of current dealers and to identify new dealers where necessary.

In Russia, net sales continued to grow on the previous year in all product groups.

In February the company will introduce its new soapstone collection at the Batibouw fair in Belgium. The collection is based on a new kind of surface finish of soapstone and high quality of design. At the same time the company invested about EUR 0.5 million in an advanced finishing facility.

In the fourth quarter, the company's order intake was EUR 8.4 (8.2) million. Order intake grew in Finland, but declined in exports, with fewer incoming orders from France and Germany.

Tulikivi's order books at the end of the review period amounted to EUR 3.2 (3.9) million.

As a result of the measures taken last year to improve structural efficiency, the company's profitability improved on the previous year. Due to decreased fixed costs and lower depreciation, the company's operating result for the review period improved by EUR 1.5 million compared to the previous year.

Even though the operating environment for exports is likely to remain challenging in 2017, the downward trend in net sales is expected to end thanks to the sales efficiency measures and the new soapstone fireplace collection. Profitability is expected to improve in 2017 due to the structural savings and production efficiency measures.

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Operating environment

The recovery of low-rise housing construction and renovation projects, together with a slight improvement in consumer confidence compared with 2015, has energised demand for fireplaces in Finland. Low-rise housing construction has begun to increase in the EU, which will boost the performance of the fireplace market in the near future. In Russia, the fluctuating rouble and economic developments are affecting the demand for Tulikivi products.



Net sales and result

The Tulikivi Group's fourth-quarter net sales totalled EUR 8.5 million (EUR 9.0 million Q4/2015), the operating result was EUR -0.1 (0.1) million and the result before taxes was EUR -0.3 (-0.3) million.

The Group's net sales in 2016 were EUR 30.5 million (EUR 32.0 million 1–12/2015), the operating result was EUR -1.04 (-2.9) million and the result before taxes was EUR - 0.03 (-0.06) million.

Order books at the end of the year amounted to EUR 3.2 (3.9) million. In the fourth quarter, the company's order intake was EUR 8.4 (8.2) million.

Net sales in Finland increased in the review period and were EUR 15.5 (15.1) million, or 50.9% (47.2%) of total net sales. Net sales from exports amounted to EUR 15.0 (16.9) million. The principal export countries were Russia, Sweden, Germany, France, and Denmark.

Tulikivi has increased its market share in Finland by concluding several cooperation agreements regarding fireplace deliveries to the home-building industry. Sales of the ceramic fireplace collection that was renewed last year grew in Finland in the review period.

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In Russia, net sales grew in all product groups on the previous year.

The company has continued its measures to improve profitability by enhancing the efficiency of its operations. Targeted structural savings of EUR 1.0 million in fixed costs were achieved in the 2016 financial year.

Financing

In the fourth quarter, net cash flow from operating activities was EUR 2.1 (0.7) million and EUR 2.0 (0.8) million during the financial year. At the end of 2016, working capital stood at EUR 3.7 (5.5) million. The goal set for 2016 to reduce working capital by EUR 1.0 million was achieved.

Loan repayments totalled EUR 1.4 (2.2) million in the financial year. Interest-bearing debt stood at EUR 16.4 (17.8) million at the end of the financial year, and net financial expenses for the financial year were EUR 0.8 (1.0) million. The equity ratio at the end of the financial year was 33.4% (36.9%). The ratio of interest-bearing net debt to equity, or gearing, was 125.0% (113.4%). The current ratio was 1.1 (1.7) and equity per share was EUR 0.21 (0.24). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 0.9 (1.4) million.

The financing agreement includes covenants concerning EBITDA, the equity ratio and the ratio of debt to EBITDA. On 20 December 2016, the company agreed with its financing providers that a repayment falling due on 31 December 2016 be paid in 2017. The finance providers also granted Tulikivi Corporation a waiver from compliance with the covenant conditions at 31 December 2016. The company's management estimates that the company's financing is secure and that it will fulfil the covenants of the financing agreement in 2017.

Investments and product development

The Group's investments for the financial year totalled EUR 1.3 (1.1) million.

Research and development expenditure was EUR 1.0 (1.0) million, or 3.4% (3.1%) of net sales. EUR 0.5 (0.3) million of this was capitalised on the balance sheet. In product development, the focus was on developing the soapstone fireplace collection, making good use of the advantages of soapstone as a material for fireplaces and interior design.

In February 2017 the company will introduce its new soapstone collection at the Batibouw fair in Belgium. The collection is based on a new kind of surface finish of soapstone and a high quality of design. A surface finishing investment worth approximately EUR 0.5 million will be carried out in conjunction with the new collection.

Personnel

The Group employed an average of 209 (219) people during the financial year. Salaries and bonuses during the financial year totalled EUR 8.9 (9.4) million. The number of personnel will be adjusted through lay-offs in accordance with the level of demand. In addition to temporary lay-offs, 2 (6) members of the office staff have been laid off for the time being. The Tulikivi Group has an incentive pay scheme for all personnel. The company also has a stock option scheme for management that was launched in 2013.

Annual General Meeting

Tulikivi Corporation's Annual General Meeting, held on 20 April 2016, resolved not to distribute a dividend for the 2015 financial year. Jaakko Aspara, Markku Rönkkö, Reijo Svanborg, Jyrki Tähtinen and Heikki Vauhkonen were elected as members of the Board of Directors. The Board elected Jyrki Tähtinen 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 10,437,748 Series A shares and a maximum of 1,536,500 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 2017 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% of the company's share capital and 0.1% 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 2016.

Near-term risks and uncertainties

The Group's most significant risk is the potential continuation of the decline in net sales in the principal market areas. Potential halt of the increase in new construction and renovation projects impact the demand for Tulikivi products in Finland. The slower-than-predicted recovery of the markets in Central Europe and the uncertain economic situation in Russia also have an impact on the demand for fireplaces.

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.

As regards the company's foreign currency risk, the most significant currencies are the Russian rouble and the U.S. dollar. About 90% of the company's cash flow is in euros, which means that the company's exposure to foreign currency risks is very low. A weakening of currencies may have an adverse effect on the sales margin.

The risks are described in more detail on page 82 of the Tulikivi Annual Report for 2015 and in the 2016 annual report that will be published during the week beginning on 20 March 2016 (week 12).

Future outlook

Net sales in 2017 are expected to be at the previous year's level, and the operating result is expected to improve year-on-year.



FINANCIAL STATEMENT Jan-Dec 2016. SUMMARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 Eur million

	1-12/16	1-12/15	Change, %	10-12/16	10-12/15
Sales	30.5	32.0	-4.6	8.5	9.0
Other operating income	0.3	0.6		0.1	0.4
Increase/decrease in inventories in finished goods and in work in progress	-0.3	-0.7		-0.1	0.1
Production for own use	0.7	0.5		0.5	0.5
Raw materials and consumables	-6.7	-7.1		-1.9	-1.9
External services	-4.6	-4.6		-1.3	-1.6
Personnel expenses	-11.1	-11.8		-3.2	-3.1
Depreciation and amortisation	-2.5	-3.3		-0.5	-0.8
Other operating expenses	-7.6	-8.5		-2.3	-2.3
Operating profit/loss	-1.4	-2.9	53.5	-0.1	0.1
<i>Percentage of sales</i>	<i>-4.5 %</i>	<i>-9.2 %</i>		<i>-1.4 %</i>	<i>1.1 %</i>
Finance income	0.1	0.2		0.0	0.0
Finance expense	-0.8	-1.2		-0.2	-0.4
Share of the profit of associated company	0.0	0.0		0.0	0.0
Profit before tax	-2.1	-3.9	45.4	-0.3	-0.3
<i>Percentage of sales</i>	<i>-6.9 %</i>	<i>-12.1 %</i>		<i>-3.8 %</i>	<i>-3.0 %</i>
Direct taxes	0.0	0.0		0.0	0.0
Profit/loss for the period	-2.1	-3.9	45.1	-0.4	-0.2
Other comprehensive income					
Items that may later have effect on profit or loss					
Interest rate swaps	0.0	0.0		0.0	0.0
Translation difference	0.1	0.1		0.1	0.0
Total comprehensive income for the period	-2.0	-3.8	46.2	-0.4	-0.2
Earnings per share attributable to the equity holders of the parent company, EUR, basic and diluted	-0.03	-0.06		0.00	0.00



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (EUR million)	12/16	12/15
Non-current assets		
Property, plant and equipment		
Land	0.8	0.9
Buildings	4.3	4.8
Machinery and equipment	2.5	3.1
Other tangible assets	1.1	1.0
Intangible assets		
Goodwill	4.2	4.2
Other intangible assets	9.4	9.6
Investment properties	0.1	0.1
Available-for sale-investments	0.0	0.0
Receivables		
Other receivables	0.0	0.0
Deferred tax assets	3.2	3.2
Total non-current assets	25.6	26.9
Current assets		
Inventories	7.9	8.7
Trade receivables	2.6	1.9
Current income tax receivables	0.0	0.0
Other receivables	0.5	0.6
Cash and cash equivalents	0.9	1.4
Total current assets	11.8	12.5
Total assets	37.4	39.4

EQUITY AND LIABILITIES (EUR million)	12/16	12/15
Equity		
Share capital	6.3	6.3
The invested unstricted equity fund	14.4	14.4
Revaluation reserve	-0.1	-0.1
Treasury shares	-0.1	-0.1
Translation difference	0.2	0.1
Retained earnings	-8.3	-6.2
Total equity	12.4	14.4
Non-current liabilities		
Deffered income tax liabilities	0.8	0.8
Provisions	0.7	0.8
Interest-bearing debt	13.0	15.8
Other debt	0.0	0.0
Total non-current liabilities	14.4	17.4
Current liabilities		
Trade and other payables	7.2	5.5
Short-term interest bearing debt	0.0	0.1
Current liabilities	3.4	2.0
Total current liabilities	10.6	7.6
Total liabilities	25.0	25.0
Total equity and liabilities	37.4	39.4

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR million)

	1-12/16	1-12/15
Cash flows from operating activities		
Profit for the period	-1.9	-3.9
Adjustments		
Non-cash		
transactions	2.3	2.9
Interest expenses and interest income and taxes	0.5	1.0
Change in working capital	2.0	1.8
Interest paid and received		
and taxes paid	-1.0	-1.0
Net cash flow from operating activities	2.0	0.8
 Cash flows from investing activities		
Investment in property, plant and		
equipment and intangible assets	-1.3	-1.2
Grants received for investments		
and sales of property, plant and equipment	0.0	0.4
Net cash flow from investing activities	-1.2	-0.8
 Cash flows from financing activities		
Proceeds from non-current and current borrowings	0.0	2.0
Repayment of non-current and current borrowings	-1.4	-4.2
Dividends paid and treasury shares	0.0	0.0
Net cash flow from financing activities	-1.4	-2.2
 Change in cash and cash equivalents	-0.6	-2.3
 Cash and cash equivalents at beginning of period	1.4	3.7
Cash and cash equivalents at end of period	0.9	1.4

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, 2016	6.3	14.4	-0.1	-0.1	0.1	-6.2	14.4
Total comprehensive income for the period			0.0		0.1	-2.1	-2.0
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Dec. 31, 2016	6.3	14.4	-0.1	-0.1	0.2	-8.3	12.4
Equity Jan. 1, 2015	6.3	14.4	-0.2	-0.1	0.1	-2.3	18.2
Total comprehensive income for the period			0.1		0.0	-3.9	-3.8
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Dec. 31, 2015	6.3	14.4	-0.1	-0.1	0.1	-6.2	14.4

Key financial ratios and share ratios

	1-12/16	1-12/15	10-12/16	10-12/15
Earnings per share, EUR	-0.03	-0.06	0.00	0.00
Equity per share, EUR	0.21	0.24	0.21	0.24
Return on equity, %	-15.9	-23.8	-2.6	-1.9
Return on investments, %	-4.3	-7.7	-0.3	0.4
Equity ratio, %	33.4	36.9		
Net debtness ratio, %	125.0	113.4		
Current ratio	1.1	1.7		
Gross investments, MEUR	1.3	1.1		
Gross investments, % of sales	4.2	3.6		
Research and development costs, MEUR	1.0	1.0		
%/sales	3.4	3.1		
Outstanding orders, MEUR	3.2	3.9		
Average number of staff	209	219		
Rate development of shares, EUR				
Lowest share price, EUR	0.15	0.12		
Highest share price, EUR	0.29	0.30		
Average share price, EUR	0.20	0.18		
Closing price, EUR	0.21	0.17		
Market capitalization at the end period, 1000 EUR	12 547	10 157		
(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)	13 847	27 900		
% of total amount of A-shares	26.7	53.9		
Number of shares average	59 747 043	59 747 043	59 747 043	59 747 043
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 2015 financial statements. As there are no non-recurring expenses in the review period following the completion of the performance improvement programme, no key figures are presented based on non-recurring expenses. The formulas can be found on page 86 of the 2015 Annual Report.

Income taxes (EUR million)

	1-12/16	1-12/15
Taxes for current and previous reporting periods	0.0	0.0
Deferred taxes	0.0	0.0
Total	0.0	0.0

Commitments (EUR million)

	12/16	12/15
Loans from credit institutions and other long term debts and loan guarantees, with related mortgages and pledges	16.4	17.8
Mortgages granted and collaterals pledged	35.8	35.8
Other given guarantees and pledges on behalf of own liabilities	0.5	0.5
Derivates		
Interest rate swpas: nominal value	6.3	6.4
Interest rate swaps; fair value	-0.1	-0.2

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
	12/16	12/16	12/16
Provisions Jan. 1.	0.2	0.1	0.6
Increase in provisions	0.0	0.1	0.0
Used Provisions	0.0	-0.1	-0.2
Discharge on reserves	0.0	0.0	0.0
Provisions Dec. 31.	0.2	0.1	0.4
	12/16		
Non-current provisions	0.7		
Current provisions	0.0		
Total	0.7		

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

	1-12/16	1-12/15
Acquisition costs	0.4	0.3
Proceeds from sale	0.0	-0.4
Total	0.4	-0.1

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

	1-12/16	1-12/15
Acquisition costs, net	0.9	0.8
Amortisation loss	0.0	0.0
Total	0.9	0.8

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., 2016	59 871 243	100.0	100.0	6 314 475



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There have been no changes in Tulikivi Corporation's share capital during the financial year. 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:

	1-12/16	1-12/15
Acquisitions from associated companies	-	18
Premises leased from 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 the North Karelia Educational Federation of Municipalities. The rent paid for these facilities was EUR 41 (48) thousand in the financial year. The rent corresponds to market rents. The company's sales of services from the Foundation came to EUR 2 (16) thousand.

Management benefits (EUR 1 000)

	1-12/16	1-12/15
Salaries and other short-term employee benefits of the Board of Directors' members and the Managing Director	351	390



Principal shareholders on 31 December 2016

Name of shareholder	Shares	Percentage of votes
Vauhkonen Heikki	6 873 839	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%
Varma Mutual Pension Insurance Company	2 813 948	2.2%
Toivanen Jouko	2 531 259	2.7%
Finnish Cultural Foundation	2 258 181	2.4%
Mutanen Susanna	1 643 800	6.8%
Fennia Mutual Insurance Company	1 515 151	1.2%
Nikkola Jarkko	1 251 000	1.0%
Others	29 609 513	25.7%

The companies included in the Group are the parent company Tulikivi Corporation, Tulikivi U.S. Inc. and OOO Tulikivi. Group companies also include Tulikivi GmbH and The New Alberene Stone Company, Inc., which are dormant. AWL-Marmori Oy was merged into the parent company on 7 November 2016.

TULIKIVI CORPORATION

Board of Directors

Distribution: NASDAQ Helsinki

Key media

www.tulikivi.com

Heikki Vauhkonen, Managing Director, tel. +358 (0)207 636 555