

**Interim report, 1 January – 30 June 2012**

- The Tulikivi Group's second-quarter net sales were EUR 13.2 million (1 April – 30 June 2011: EUR 15.6 million), the operating result was EUR 0.6 (-0.3) million and the result before taxes was EUR 0.3 (-0.5) million.
- The Group's net sales for 1 January – 30 June 2012 were EUR 23.9 million (1 January – 30 June 2011: EUR 28.2 million), the operating result was EUR -0.8 (-1.8) million and the result before taxes was EUR -1.2 (-2.2) million.
- Earnings per share amounted to EUR -0.02 (-0.04) for 1 January – 30 June 2012, and EUR 0.01 (-0.01) for the second quarter.
- Net cash flow from operating activities during the reporting period was EUR -3.7 (-2.3) million.
- Order books at the end of the period were at EUR 7.3 million (30 June 2011: EUR 8.5 million).
- Future outlook: Full-year net sales in 2012 are expected to be about the same as in 2011, adjusted for the impact of discontinued operations (EUR 3.0 million in 2011). The company has carried out centralisation and adjustment measures, and these will create significant savings during 2012. They are expected to turn the full-year's operating result into a profit.

**Managing Director's comments:**

"The demand for Tulikivi products in the second quarter was about the same as in the first quarter.

The demand for fireplaces on the Finnish market was down on the previous year, due to the decrease in new housing construction and the caution shown by consumers. Despite the challenging economic situation, fireplace exports showed a positive trend in the first half of the year in France, Germany and the USA. Lining stone product customers continued to be cautious and to keep their stocks low. The demand for sauna products continued as planned.

The Group's measures to achieve cost savings of EUR 3 million in 2012 have proceeded as planned. These measures include the discontinuing of unprofitable operations, making savings in fixed costs, and taking measures to improve production efficiency."

**Net sales and result**

The Group's net sales amounted to EUR 23.9 million (1 January – 30 June 2011: EUR 28.2 million). Net sales of the Fireplaces Business were EUR 21.6 (24.9) million, and net sales of the Interior Stone Products Business were EUR 2.3 (3.3) million. The 2011 figures include net sales in discontinued operations, which amounted to EUR 0.6 million in the Fireplaces Business and EUR 1.4 million in the Interior Stone Products Business.

Net sales in Finland accounted for EUR 12.2 (15.1) million, or 51.2 (53.4) per cent, of total net sales. Exports amounted to EUR 11.7 (13.1) million in net sales. The principal export countries were France, Sweden, Germany, Belgium and Russia.

The consolidated operating result was EUR -0.8 (-1.8) million. In the segment reporting, the corresponding operating result for the Fireplaces Business was EUR 0.2 (-0.6) million, and for the Interior Stone Products Business EUR -0.1 (-0.3) million. The expenses under 'Other items' were EUR -0.9 (-0.9) million.

The consolidated result before taxes was EUR -1.2 (-2.2) million, and the result for the reporting period was EUR -0.9 (-1.7) million. Earnings per share amounted to EUR -0.02 (-0.04).

The Group's second-quarter net sales were EUR 13.2 million (1 April – 30 June 2011: EUR 15.6 million), the operating result was EUR 0.6 (-0.3) million and profit before taxes was EUR 0.3 (-0.5) million. The second-quarter

operating result for 2011 included non-recurring items from restructuring, amounting to a net total of EUR -0.6 million. EUR -0.4 million of these items was allocated to the Fireplaces Business and EUR -0.2 million to the Interior Stone Products Business. Earnings per share amounted to EUR 0.01 (-0.01).

## **Financing and investments**

Cash flow from operating activities before investments was EUR -3.7 (-2.3) million.

Working capital increased by EUR 4.5 million in the period and came to EUR 10.0 million (30 June 2011: EUR 8.0 million). Interest-bearing debt was EUR 26.8 (26.5) million, and the Group's net financial expenses were EUR 0.4 (0.4) million. The equity ratio was 32.2 per cent (30 June 2011: 33.3 per cent). The ratio of interest-bearing net debt to equity, or gearing, was 126.3 (100.5) per cent. The current ratio was 1.6 (1.6). The equity per share amounted to EUR 0.48 (0.53).

At the end of the reporting period, the Group's cash assets were EUR 3.8 (6.9) million. The Group's interest-bearing debt includes covenants which are tied to the Group's equity. The covenant conditions were met at the close of the reporting period. In addition, the Group has an annual covenant condition that is tied to the ratio between its interest-bearing debt and EBITDA.

The Group's investments in production, quarrying and development were EUR 1.5 (2.3) million in the reporting period. Research and development expenditure was EUR 0.8 (1.2) million, i.e. 3.3 (4.3) per cent of net sales. EUR 0.2 (0.3) million of this was capitalised in the balance sheet.

A new range of woodburning stoves was launched in the first half of 2012, along with the new Hiisi fireplaces, which are well-suited to modern, low-energy construction projects.

## **Personnel**

The Group employed an average of 370 (421) people during the reporting period. Salaries and bonuses during the period totalled EUR 7.4 (8.9) million.

The Tulikivi Group has an incentive pay scheme for all personnel. The incentive pay scheme is based on the Group's result and on productivity improvements. The incentive pay for the Managing Director and key personnel is also based on achieving personal targets.

## **Annual General Meeting**

The Tulikivi Corporation Annual General Meeting of 12 April 2012 resolved not to distribute any dividend on the 2011 financial year. The other decisions of the Annual General Meeting are given in the separate release published on the day of the AGM.

## **Treasury shares**

The company did not purchase or assign any of its own 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 0.3 per cent of the company's share capital and 0.1 per cent of all voting rights.

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

Unexpected fluctuations in the economy which could weaken demand are seen as near-term risks for the Group. More information on risks can be found in the Board of Directors' report on 2011 and the notes to the financial statements.

## **Future outlook**

Consumers in the company's main markets are still cautious and are considering their investment decisions carefully.

Full-year net sales in 2012 are expected to be about the same as in 2011, adjusted for the impact of discontinued operations (EUR 3.0 million in 2011). The company has carried out centralisation and adjustment measures, and these will create significant savings during 2012. They are expected to turn the full-year operating result into a profit.

Order books at the end of the reporting period amounted to EUR 7.3 million (30 June 2011: EUR 8.5 million).

### Segment reporting

The Group's reporting segments are Fireplaces and Interior Stone Products. The Fireplaces segment includes soapstone and ceramic fireplaces sold under the Tulikivi and Kermansavi brands, their accessories, sauna heaters and fireplace lining stones. The Interior Stone Products segment consists of interior stone products for the home. In previous financial years this segment was called Natural Stone Products. The segment name was changed when the Group discontinued its stone deliveries to construction sites in 2011. Expenses not allocated to a segment are recognised under 'Other items' in segment reporting. These expenses include expenses of the Group administration and expenses pertaining to financial administration, and also financial expenses and taxes.

### Strategy

The aim in 2012 is to turn the operating result into a profit. The Group's strategy covers all key operating and financial targets to 2016. Under the strategy, the company is targeting annual organic growth of over 10 per cent in the next few years. A further aim is that in 2016 Tulikivi's profit before taxes will be 10 per cent of net sales. Corporate acquisitions in support of the strategy are also possible.

#### INTERIM REPORT January – June 2012, SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME MEUR

	1-6/ 2012	1-6/ 2011	Change, %	1-12/ 2011	4-6/ 2012	4-6/ 2011	Change, %
<b>Sales</b>	23.9	28.2	-15.2	58.8	13.2	15.6	-15.4
Other operating income	0.4	0.8		1.0	0.2	0.7	
Increase/decrease in inventories in finished goods and in work in progress	2.2	0.4		-0.5	1.4	0.6	
Production for own use	0.2	0.4		0.8	0.1	0.2	
Raw materials and consumables	5.8	6.4		12.2	3.1	3.7	
External services	3.6	4.2		9.0	2.0	2.3	
Personnel expenses	9.4	11.4		22.5	4.9	6.5	
Depreciation and amortisation	2.0	2.3		4.2	1.0	1.2	
Other operating expenses	6.8	7.5		14.5	3.2	3.6	
<b>Operating profit/loss</b>	-0.8	-1.8	55.6	-2.4	0.6	-0.3	300.0
Percentage of sales	-3.3	-6.4		-4.1	4.5	-1.9	
Finance income	0.1	0.1		0.2	0.0	0.0	
Finance expense	-0.5	-0.5		-0.9	-0.3	-0.2	

Share of the profit of associated company	0.0	0.0		0.0	0.0	0.0	
<b>Profit before tax</b>	-1.2	-2.2	45.5	-3.1	0.3	-0.5	160.0
Percentage of sales	-5.0	-7.8		-5.3	2.3	-3.2	
Direct taxes	0.3	0.6		0.7	-0.1	0.1	
<b>Profit/loss for the period</b>	-0.9	-1.7	47.1	-2.4	0.3	-0.3	200.0
Other comprehensive income							
Interest rate swaps	0.0	0.1		0.0	0.0	0.0	
Translation differences	0.0	-0.1		0.0	0.0	0.0	
<b>Total comprehensive income for the period</b>	-0.9	-1.7	47.1	-2.4	0.3	-0.3	200.0
Earnings per share attributable to the equity holders of the parent company, EUR basic and diluted	-0.02	-0.04		-0.07	0.01	-0.01	

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MEUR	06/2012	06/2011	12/2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment			
Land	1.0	1.0	1.0
Buildings	6.2	6.7	6.5
Machinery and equipment	4.7	5.7	5.4
Other tangible assets	1.5	1.3	1.4
Intangible assets			
Goodwill	4.2	4.2	4.2
Other intangible assets	12.7	11.5	12.6
Investment properties	0.2	0.2	0.2
Available-for-sale investments	0.0	0.1	0.1
Receivables			
Other receivables	0.0	0.4	0.2
Deferred tax assets	2.4	2.1	2.0
Total non-current assets	32.9	33.2	33.6
<b>Current assets</b>			
Inventories	12.4	11.8	10.7
Trade receivables	5.4	5.6	4.3
Current income tax receivables	0.0	0.1	0.1
Other receivables	1.1	1.2	1.1
Cash and cash equivalents	3.8	6.9	6.8
Total current assets	22.7	25.6	23.0
Total assets	55.6	58.8	56.6
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6.3	6.3	6.3
Share premium fund			
Treasury shares	-0.1	-0.1	-0.1
Translation difference	0.0	0.0	0.1
Revaluation reserve	0.0	0.0	-0.1
The invested unstricted equity fund	7.3	7.3	7.3

Retained earnings	4.4	6.0	5.3
<b>Total equity</b>	<b>17.9</b>	<b>19.5</b>	<b>18.8</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	1.4	1.6	1.4
Provisions	1.3	1.0	1.3
Interest-bearing debt	20.2	20.9	19.0
Other debt	0.2	0.2	0.2
Total non-current liabilities	23.1	23.7	21.9
<b>Current liabilities</b>			
Trade and other payables	8.1	9.5	9.1
Current provisions	0.0	0.5	0.9
Short-term interest-bearing debt	6.5	5.6	5.9
Total current liabilities	14.6	15.6	15.9
<b>Total liabilities</b>	<b>37.7</b>	<b>39.3</b>	<b>37.8</b>
<b>Total equity and liabilities</b>	<b>55.6</b>	<b>58.8</b>	<b>56.6</b>

#### CONSOLIDATED STATEMENT OF CASH FLOWS

MEUR	1-6/ 2012	1-6/ 2011	1-12/ 2011
<b>Cash flows from operating activities</b>			
Profit for the period	-0.9	-1.7	-2.4
Adjustments:			
Non-cash transactions	2.0	1.3	3.5
Interest expenses and interest income and taxes	0.1	-0.2	0.1
Change in working capital	-4.5	-1.3	1.2
Interest paid and received and taxes paid	-0.4	-0.4	-0.9
<b>Net cash flow from operating activities</b>	<b>-3.7</b>	<b>-2.3</b>	<b>1.4</b>
<b>Cash flows from investing activities</b>			
Investment in property, plant and equipment and intangible assets	-1.5	-2.2	-4.7
Grants received for investments and sales of property, plant and equipment	0.5	0.9	1.1
<b>Net cash flow from investing activities</b>	<b>-1.0</b>	<b>-1.3</b>	<b>-3.6</b>
<b>Cash flows from financing activities</b>			
Proceeds from non-current and current borrowings	4.1	3.5	5.5
Repayment of non-current and current borrowings	-2.3	-2.3	-5.9
Dividends paid and treasury shares	0.0	-0.9	-0.9
<b>Net cash flow from financing activities</b>	<b>1.8</b>	<b>0.3</b>	<b>-1.3</b>
<b>Change in cash and cash equivalents</b>	<b>-2.9</b>	<b>-3.3</b>	<b>-3.4</b>
Cash and cash equivalents at beginning of period	6.8	10.2	10.2
<b>Cash and cash equivalents at end of period</b>	<b>3.9</b>	<b>6.9</b>	<b>6.8</b>

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Share capital mium- fund	The invested unre- stricted equity fund	Re- value- tion re- serve	Trea- sury shares	Trans- lation diff.	Re- tained earn- ings	Total
Equity							
Jan. 1, 2012	6.3	7.3	-0.1	-0.1	0.1	5.3	18.8
Total comprehensive income for the period			0.0		0.0	-0.9	-0.9
Transactions with the owners							
Dividends paid						0.0	0.0
Equity June 30, 2012	6.3	7.3	-0.1	-0.1	0.1	4.4	17.9
Equity							
Jan. 1, 2011	6.3	7.3	-0.1	-0.1	0.1	8.6	22.1
Total comprehensive income for the period					-0.1	-1.7	-1.7
Transactions with the owners							
Dividends paid						-0.9	-0.9
Equity June 30, 2011	6.3	7.3	0.0	-0.1	0.0	6.0	19.5
<b>SEGMENT REPORTING</b>							
MEUR				1-6/ 2012	1-6/ 2011		1-12/ 2011
<b>Operating segments</b>							
<b>Sales</b>				23.9	28.2		58.8
Fireplaces				21.6	24.9		53.5
Interior Stone				2.3	3.3		5.3
<b>Operating profit/loss</b>				-0.8	-1.8		-2.4
Fireplaces				0.2	-0.6		0.2
Interior Stone				-0.1	-0.3		-0.6
Other items				-0.9	-0.9		-2.0
<b>OPERATING SEGMENTS QUARTERLY</b>							
	Q2/ 2012	Q1/ 2012	Q4/ 2011	Q3/ 2011	Q2/ 2011	Q1/ 2011	
Operating segments							
<b>Sales</b>							
Fireplaces	13.2	10.7	15.5	15.1	15.6	12.6	
Interior Stone	12.0	9.6	14.4	14.2	13.5	11.4	
Other items	1.2	1.1	1.1	0.9	2.1	1.2	
<b>Operating profit/loss</b>	0.6	-1.4	-1.1	0.5	-0.3	-1.5	
Fireplaces	1.0	-0.8	-0.4	1.2	0.3	-0.9	
Interior Stone	0.1	-0.2	-0.1	-0.2	-0.1	-0.2	
Other items	-0.5	-0.4	-0.6	-0.5	-0.5	-0.4	

**ASSETS AND LIABILITIES BY SEGMENT ON JUNE 30, 2012**

	Fire-places	Interior Stone	Other items	Total
Assets by segment	44.3	2.5	8.8	55.6
Liabilities by Segment	8.1	0.6	29.0	37.7
Investments, net	1.0	0.0	0.4	1.4
Depreciation and amortisation expenses	1.6	0.0	0.4	2.0

**KEY FINANCIAL RATIOS AND SHARE RATIOS**

	1-6/12	1-6/11	4-6/12	4-6/11	1-12/11
Earnings per share, EUR	-0.02	-0.04	0.01	-0.01	-0.07
Equity per share, EUR	0.48	0.53	0.48	0.53	0.51
Return on equity, %	-9.9	-16.0	6.5	-6.8	-11.9
Return on investments, %	-3.4	-7.5	5.4	-2.2	-4.8
Equity ratio, %	32.2	33.3			33.3
Net indebtedness ratio, %	127.9	100.5			96.5
Current ratio	1.6	1.6			1.5
Gross investments, MEUR	1.5	2.3			4.9
Gross investments, % of sales	6.3	8.2			8.3
Research and development costs, MEUR	0.8	1.2			2.1
%/sales	3.3	4.3			3.6
Outstanding orders (30 June), MEUR	7.3	8.5			5.7
Average number of staff	370	421			427
Rate development of shares, EUR					
Lowest share price, EUR	0.49	0.88			0.61
Highest share price, EUR	0.92	1.40			1.40
Average share price, EUR	0.68	1.17			1.00
Closing price, EUR	0.50	0.95			0.63
Market capitalization at the end of period, 1000 EUR	18509.9	35168.8			23322.5
(Supposing that the market price of the K-share is the same as that of the A-share)					
Number of shares traded, (1000 pcs)	1354.0	2203.3			3849.7

% of total amount of A-shares	4.9	8.0			14.0
Number of shares average	37019770	37019770	37019770	37019770	37019770
Number of shares 30 June	37019770	37019770	37019770	37019770	37019770

#### NOTES TO THE CONSOLIDATED FINANCIALS STATEMENTS

This financial statement release has been prepared in accordance with the IAS 34 Interim Financial Reporting standard.

In preparing of this interim report, Tulikivi has applied same accounting policies as in the 2011 financial statements, with the exception of the following new/amended standards that the group has adopted as from January 1, 2012:

- Amendments to IFRS 7 *Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- Amendments to IAS 12 *Income Taxes* (effective for financial years beginning on or after 1 January 2012): The amendments deal with the underlying assumption related to the recognition of deferred tax. Based on the amendments the carrying amounts of certain assets carried at fair value, e.g. those of investment properties, are expected to be recovered primarily through sale in future rather than through use.

The management's view is that adaption of the standards mentioned above has not had any effect on the figures presented above.

The key performance ratios and share ratios are calculated using the same methods as for the consolidated financial statements for 2011. The calculations rules can be found in the 2011 annual report, page 86.

Income taxes			
EUR million	1-6/12	1-6/11	1-12/11
Taxes for the current and previous reporting periods	0.0	0.0	0.0
Deferred taxes	0.3	0.6	0.7
Total	0.3	0.6	0.7

Collaterals given			
EUR million	6/12	6/11	12/11
Loans from credit institutions and other long term debts and loan guarantees, with related mortgages and pledges	26.7	25.7	25.9
Mortgages granted and collaterals pledged	29.8	27.5	27.2
Other given guarantees and pledges on behalf of own liabilities	0.7	1.0	0.8
Derivatives			
Interest rate swaps			
Nominal value	2.7	3.1	3.2
Fair value	-0.1	-0.1	-0.1
Foreign exchange forward contracts			
Nominal value	0.3	0.2	0.1
Fair value	-	-	-

The fair value of derivatives is the gain or loss for closing the contract based on market rates at the balance sheet date.



## Provisions

A restructuring provision of EUR 0.9 million was cleared in the Group during the review period. At the end of the period, the restructuring provision stood at EUR 0.3 million, the environmental provision at EUR 0.6 million and the warranty provision at EUR 0.4 million. At the end of the period, all provisions were long-term provisions.

Provisions are itemized in greater detail in notes 26. Provisions and 34. Contingent liabilities in the consolidated financial statements in Annual Report 2011.

Contingent liabilities have not changed after the end of the financial period.

Changes in tangible assets are classified as follows:

EUR million	6/12	6/11	1-12/11
Acquisition costs	0.6	0.8	1.7
Proceeds from sale	-0.2	-0.7	-0.3
Total	0.4	0.1	1.4

Changes in intangible assets are classified as follows:

EUR million	6/12	6/11	1-12/11
Acquisition costs, net	0.6	1.4	3.1
Amortisation loss	0.0	-0.1	-0.0
Total	0.6	1.3	3.1

## Share capital

### Share capital by share series

	Number of shares	% of shares	% of voting rights	Share, EUR of share capital
K shares (10 votes)	9 540 000	25.7	77.6	1 621 800
A shares (1 vote)	27 603 970	74.3	22.4	4 692 675
Total June 30, 2012	37 143 970	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. No flagging notifications were made to the company during the review period.

The number of the shares in the company's possession at the end of period was 124 000 series A shares.

## Board authorizations

The Annual General Meeting of April 12, 2012 authorized the Board of Directors to acquire the company's own shares. A maximum of 2 760 397 Series A shares in the company and 954 000 Series K shares in the company can be bought back. The authorization is valid until the Annual General Meeting 2013.

The Board of Directors has further an authorization to decide on share issues and the conveyance of the company's own shares in the possession of the company.

New shares can be issued or own shares held by the company conveyed amounting to a maximum of 5 520 794 Series A shares and 1 908 000 Series K shares. The authorization is valid until the Annual General Meeting 2013.

## Related party transactions

The following transactions with related parties took place:

EUR 1000	6/12	6/11	12/11
Sales to associated companies and related parties	4	1	8
Purchases from associated companies	250	113	310

Fixed assets acquired from associated companies		115	
Leases from related parties	54	54	108
Receivables from the related parties	1	-	1
Outstanding receivables from the related parties	1		263

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 116 thousand (69 thousand) in the period. The rent corresponds with the market rents. The service charges from the Foundation were 7(4) thousand Euros.

Key management compensation EUR 1000	6/12	6/11	12/11
Salaries and other short-term employee benefits of the Board of Directors and Managing Directors	173	235	446
Other long term employee benefits	20	32	51

Largest shareholders on June 30, 2012

Name of shareholder	Shares	Pro- portion of total vote
Vauhkonen Reijo	4 197 577	24.3 %
Vauhkonen Heikki	3 020 953	24.1 %
Elo Eliisa	2 957 020	5.9 %
Virtaala Matti	2 436 116	12.7 %
Mutual Pension Insurance Ilmarinen	1 902 380	1.5 %
Mutanen Susanna	1 643 800	7.2 %
Vauhkonen Mikko	769 310	3.5 %
Paatero Ilkka	718 430	0.6 %
Nuutinen Tarja	674 540	3.5 %
Investment Fond Phoebus	585 690	0.5 %
Other shareholders	18 238 154	16.3 %

The information in the interim report is unaudited.

The companies included in the Group are the parent company Tulikivi Corporation, Kivia Oy, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi. Group companies include also The New Alberene Stone Company, Inc., which is dormant. The parent company has a fixed place of business in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy.

#### TULIKIVI CORPORATION

Board of Directors  
Matti Virtaala Chairman of the Board

Distribution: NASDAQ OMX Helsinki Ltd  
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