



Half year financial report 1–6/2019





Tulikivi Corporation

Half year financial report 1–6/2019 Net sales were at the previous year’s level, but sales of new products are growing
16 August 2019 at 1 p.m.

- The Tulikivi Group’s second-quarter net sales were EUR 7.5 million (EUR 7.4 million in April–June 2018).
- The Tulikivi Group’s second-quarter operating result was EUR -0.3 (-0.4) million and EUR -0.1 (-0.2) million before taxes.
- The Tulikivi Group’s net sales in the review period were EUR 13.3 million (EUR 13.5 million in January–June 2018), its operating result was EUR -0.4 (-0.2) million and its result before taxes was EUR -0.8 (-0.6) million.
- Net cash flow from operating activities was EUR 0.3 (0.6) million in the second quarter and EUR 0.2 (0.7) million in the review period.
- Order books at the end of the review period stood at EUR 3.6 (3.4) million.
- Sales of the new Karelia and Pielinen fireplace collections continued to develop well, both in exports and domestically.
- The project for the sale of the talc deposits in Suomussalmi is proceeding as planned, despite the delay of the JORC report.
- Future outlook: Net sales are expected to increase in 2019, and the comparable operating profit is expected to be positive.

Key financial ratios

	1-6/19	1-6/18	Change, %	1-12/18	4-6/19	4-6/18	Change, %
Sales, MEUR	13.3	13.5	-1.2 %	28.6	7.5	7.4	1.2 %
Operating profit/loss, MEUR	-0.4	-0.2	-83.5 %	-1.0	0.3	0.4	-21.3 %
Operating profit/loss without impairment loss, MEUR	-0.4	-0.2	-83.5 %	-0.5	0.3	0.4	-21.3 %
Profit before tax, MEUR	-0.8	-0.6	-37.8 %	-1.8	0.1	0.2	-73.6 %
Total comprehensive income for the period, MEUR	-0.8	-0.6	-41.3 %	-1.8	0.1	0.2	-74.1 %
Earnings per share, Euro	-0.01	-0.01		-0.03	0.00	0.00	
Net cash flow from operating activities, MEUR	0.2	0.7		1.6	0.3	0.6	
Equity ratio, %	24.4	28.8		27.4			
Net indebtedness ratio, %	173.3	141.4		156.6			
Return on investments, %	-3.1	-1.4		-3.8	1.3	1.6	

Comments by Heikki Vauhkonen, Managing Director:

We continued to see good sales growth for the new Karelia and Pielinen collections in the first quarter. Export sales of Tulikivi products grew in the Central European and Scandinavian markets, thanks to the new collections. The favourable trend in the German market has been reflected in



demand for Tulikivi products as well as heater lining and cladding stones. Thanks to the positive development, Germany became our largest export market. In Russia, net sales in euros were at the previous year's level, but the outlook for the second half of the year is good.

Fireplace sales were also at the previous year's level in Finland. Sales of fireplaces for new buildings fell somewhat on the previous year, but this was compensated by an increase in renovation sales. We are continuing our efforts to enhance sales efficiency in Finland to increase renovation sales. The sales of saunas increased. The deliveries of interior stone products declined due to a smaller number of deliveries to project sites.

Tulikivi's order books at the end of the review period amounted to EUR 3.6 (3.4) million. In the second quarter the company's order flow was EUR 7.0 (7.1) million.

The sales margin was lower in the review period than in the corresponding period a year earlier because measures to improve efficiency were not completed according to plan. Fixed costs decreased as planned in the first months of the year. The company will also aim to implement additional savings of EUR 0.6 million to improve profitability through the rest of the year.

The new Karelia and Pielinen fireplace collections continued to significantly increase dealers' and consumers' interest in Tulikivi products in Central Europe. This has enabled us to open new dealer locations and reactivate old ones. These collections have increased our market share in Central Europe.

The Karelia collection was supplemented with a new Saramo model with a horizontal door and a Senso digital fireplace controller that makes it easier to use the fireplace and further reduces its already-low emissions. Deliveries of the three new door types launched in the Pielinen collection started in the second quarter, and the new models have been well-received on the market.

The JORC study being conducted in connection with the Suomussalmi talc project has proceeded during the first half of this year and its completion is expected in August 2019. The process to sell the deposit is proceeding despite delays in the JORC report.

Half year financial report 1–6/2019

Operating environment

In Finland, the construction of low-rise housing and the renovation of fireplaces have stabilised at a lower level than before. Changes in consumer confidence may have a weakening effect on the demand for Tulikivi products.

In the EU area, the volume of low-rise housing construction and the demand for fireplaces are at the same level as in previous years. Demand may be affected by country-specific construction and emissions regulations as well as by investment subsidies. Demand for Tulikivi products is growing in Russia, but is dependent on the exchange rate of the rouble.

Rising consumer energy prices are increasing consumers' interest in alternative heating solutions.

Net sales and result

The Tulikivi Group's second-quarter net sales totalled EUR 7.5 million (EUR 7.4 million in the second quarter of 2018). The second-quarter operating result was EUR -0.3 (-0.4) million and the profit before taxes was EUR -0.1 (-0.2) million.

Due to seasonal fluctuations in fireplace sales, the first half of the year is weaker than the second, in terms of both net sales and operating profit. The Group's net sales in the review period were EUR 13.3 million (EUR 13.5 million in January–June 2018), the operating result was EUR -0.4 (-0.2) million, and its result before taxes was EUR -0.8 (-0.6) million. The sales margin was lower in the review period than in the corresponding period a year earlier because measures to improve efficiency were not completed according to plan. Fixed costs decreased as planned in the first months of the year. The company will also aim to implement additional savings of EUR 0.6 million to improve profitability through the rest of the year.

Tulikivi's order books at the end of the review period amounted to EUR 3.6 (3.4) million. In the second quarter the company's order flow was EUR 7.0 (7.1) million.

Net sales in Finland in the review period were EUR 5.8 (5.9) million, or 43.5% (44.1%) of total net sales. Fireplace sales were also at the previous year's level in Finland. Sales of fireplaces for new buildings fell somewhat on the previous year but renovation sales increased. We are continuing our efforts to enhance sales efficiency in Finland to increase renovation sales. The sales of saunas increased. The deliveries of interior stone products declined due to a smaller number of deliveries to project sites.

Net sales in export markets in the review period were EUR 7.5 (7.5) million, or 56.5% (55.9%) of total net sales. The principal export countries were Germany, France, Russia, Sweden and Denmark. We continued to see good sales growth for the new Karelia and Pielinen collections in the second quarter. Export sales of Tulikivi products grew in the Central European and Scandinavian markets, thanks to the new collections. The favourable trend in the German market has been reflected in demand for Tulikivi products as well as heater lining and cladding stones. Thanks to the positive development, Germany became our largest export market. In Russia, net sales in euros were at the previous year's level, but the outlook for the second half of the year is good. The new

Karelia and Pielinen fireplace collections continued to significantly increase dealers' and consumers' interest in Tulikivi products in Central Europe. This has enabled us to open new dealer locations and reactivate old ones. These collections have increased our market share in Central Europe.

The products in the Karelia and Pielinen fireplace collections are based on modern Scandinavian design and feature a new soapstone surface finish technique. The Pielinen products are compact and easy to install. They are particularly well suited for the Central European market, as well as markets where there is no expertise in installing heat-retaining fireplaces.

The new fireplace collections have been very well received in Finland and abroad. Low-rise construction is not expected to increase significantly in Finland despite the good general economic situation. We are continuing our efforts to enhance sales efficiency in Finland to increase renovation sales.

The highly successful development work on the Karelia and Pielinen collections provides us with an opportunity to increase our market share and profitability in both Finland and exports in 2019.

Financing

Net cash flow from operating activities was EUR 0.3 (0.6) million in the second quarter and EUR 0.2 (0.7) million in the review period. Working capital decreased by EUR 0.6 (0.4) million during the review period. Inventories decreased by EUR 0.5 million during the review period. Working capital totalled EUR 0.7 (1.7) million at the end of the review period.

Loan repayments totalled EUR 0.0 (0.3) million in the review period. Interest-bearing debt was EUR 15.4 (15.4) million at the end of the review period, and net financial expenses were EUR 0.4 (0.4) million in the review period. The equity ratio at the end of the review period was 24.4% (28.8%). The ratio of interest-bearing net debt to equity, or gearing, was 173.3% (141.4%). The current ratio was 0.5 (0.5), and equity per share was EUR 0.14 (0.18). At the end of the review period, the Group's cash and other liquid assets came to EUR 0.6 (0.5) million.

The current financing agreement includes a repayment programme for 2018–2019 in relation to the liabilities owed to the finance providers and contains loan covenants given to the finance providers. The company has negotiated a waiver on its covenants concerning EBITDA, the ratio of net debt to EBITDA and the equity ratio on 30 June 2019. According to the management's view, the company will not fulfil its covenants concerning EBITDA and the ratio of net debt to EBITDA on 30 September 2019 and on 31 December 2019. However, the management expects that the company will be given a waiver for the aforementioned covenants by the finance providers. The loans will mature fully on 28 February 2020, due to which they are classified as current financial

liabilities. The company has agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2020 and subsequent years and its terms no later than 30 September 2019 and complete the negotiations by 31 December 2019.

As a result of posting a loss, the parent company's equity has fallen to less than 50% of share capital. The parent company's equity is EUR 0.7 million (consolidated equity EUR 8.5 million) in the half-year report, while share capital was EUR 6.3 million (consolidated share capital EUR 6.3 million). As a result, the company's Board of Directors has taken action as referred to in Chapter 20, section 23, subsection 1 of the Limited Liability Companies Act.

Investments and product development

The Group's investments totalled EUR 0.3 (0.7) million during the review period. The Karelia collection was supplemented with a new Saramo model with a horizontal door and a Senso digital fireplace controller that makes it easier to use the fireplace and further reduces its already-low emissions. Deliveries of the three new door types launched in the Pielinen collection started in the second quarter, and the new models have been well-received on the market.

Research and development expenditure in the review period was EUR 0.4 (0.5) million, or 3.3% (3.5%) of net sales. EUR 0.1 (0.2) million of this was capitalised on the balance sheet.

Suomussalmi talc reserves

On 20 April 2017, Tulikivi announced its decision to study opportunities to exploit the talc reserves in the Suomussalmi deposit. Tulikivi's soapstone reserves in Suomussalmi have talc reserves that are believed to be suitable for talc production. On 13 June 2017, Tulikivi announced that according to analyses conducted by the Geological Survey of Finland, the talc grades of the deposit correspond to previous talc projects carried out in Finland in terms of talc content, yield and brightness. Based on the test results received then and the drilling tests that were earlier carried out for the purpose of soapstone production, Tulikivi estimates that there are approximately 20 million tonnes of talc ore in Suomussalmi. On 24 August 2017, Tulikivi announced that during summer 2017, it had explored potential partners' interest in exploiting the Suomussalmi talc deposit on the basis of the Geological Survey of Finland's analysis and the earlier drilling tests.

In September 2017, based on the feedback received, Tulikivi's Board of Directors launched preparations for the sale of the talc deposit. In February 2018, as part of this process, the company ordered an official ore study of part of the Haaponen deposit in Suomussalmi from the Geological Survey of Finland that meets the international JORC code. The first stage of the study will cover a roughly six-million-tonne portion of the talc deposit. The purpose of the study is to verify the



concentration capacity of the deposit for the purposes of talc production. Other studies will also be conducted concerning talc quarrying and concentration. The project has been granted EUR 0.1 million in EU structural funding.

Tulikivi announced on 25 September 2018 that the project had also prompted so much interest among potential buyer candidates that the company appointed Initia Ltd to provide financial advice on the sale of the talc deposit as of 24 September 2018.

On 21 December 2018, Tulikivi announced that the Suomussalmi talc deposit JORC report will be expanded to 12 million tonnes. The drilling indicated that the area of the deposit is larger than had been estimated earlier and that it continues at a consistent quality and volume to 100 metres, the depth now studied. The Geological Survey of Finland is currently carrying out laboratory tests on additional samples from the additional drilling work, and its reports should be completed in the first half of 2019.

On 28 June 2019, Tulikivi announced that the laboratory work commissioned by the Geological Survey of Finland had been delayed and will finally be completed in early June 2019. The JORC report is currently being finalised. The report will cover approximately 13 million tonnes of the talc deposit in Suomussalmi. The additional studies have reinforced our understanding of the high quality and consistency of the deposit.

The Suomussalmi talc project was launched in 2017 and its studies and the JORC report are expected to be completed in August 2019. The process to sell the deposit is proceeding according to plan despite delays in the JORC report.

Evaluation of the possible success or financial impact of the sale of the deposit is premature.

Personnel

The Group had an average of 183 (189) employees during the review period. Salaries and bonuses during the review period totalled EUR 4.3 (4.2) million. The number of personnel will be adjusted through lay-offs in accordance with the level of demand. The company has a stock option scheme for management that was launched in 2013.

Annual General Meeting

Tulikivi Corporation's Annual General Meeting, held on 24 April 2019, resolved not to distribute a dividend for the 2018 financial year. Jaakko Aspara, Liudmila Niemi, 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 principal auditor.

The Annual General Meeting authorised the Board of Directors to decide on issuing new shares and on assigning Tulikivi Corporation shares held by the company in accordance with the proposals of the Board. Tulikivi can issue new shares or assign treasury shares as follows: a maximum of 15,656,622 Series A shares and a maximum of 2,304,750 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 a 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 a receivable. The authorisation includes the right to pay the company's share remuneration. The Board is authorised to decide on other matters concerning share issues. The authorisation is valid until the 2020 Annual General Meeting.

Treasury shares

The company did not purchase or assign any treasury shares during the review period. At the end of the review 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.

Near-term risks and uncertainties

The Group's most significant risk is a decline in net sales in the principal market areas. A potential halt in the resumed growth in new construction and renovation projects would affect the demand for Tulikivi products in Finland. The political and economic uncertainty in Central Europe and Russia are having an effect on the demand for Tulikivi's products.

Improving the Group's financing position and securing the continuity of financing require an improvement in profitability. If the company's business operations and result do not develop as planned, the repayment of its loans may create a greater burden on the company's cash flow than anticipated. A further risk is that the company will not succeed in negotiating a sufficient repay-

ment programme and terms with its financiers. If the profitability of the business does not improve as planned, there is also a risk of the company being forced to recognise impairments on its business operations and to reduce the amount of deferred tax assets on its balance sheet.

With regard to the company's foreign currency risk, the most significant currencies are the Russian rouble and the US dollar. About 90% of the company's cash flow is in euros, meaning that the company's exposure to foreign currency risks is 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 Annual Report 2018.

Events after the review period

Tulikivi announced on 7 August 2019 that it has decided to take out interest-bearing debt of EUR 0.5 million due to the delay of the Suomussalmi talc project. The loan period is three years and the annual interest of the loans is 8 per cent. Tulikivi Corporation will not issue collateral for the loans. In terms of repayment, the company's senior debt takes precedence over these loans. The company may, however, repay these loans if the talc project is concluded before it repays the senior debt of its principal financing providers. Of the loan agreements, EUR 0.2 million have been signed with Jaakko Aspara, Markku Rönkkö, Reijo Svanborg and Jyrki Tähtinen, who are Tulikivi Corporation's related parties and members of its Board of Directors.

The Suomussalmi talc project was launched in 2017 and its studies and the JORC report are expected to be completed in August 2019. The process to sell the deposit is proceeding despite delays in the JORC report.

Future outlook

Net sales are expected to increase in 2019, and the comparable operating profit is expected to be positive.

HALF YEAR FINANCIAL REPORT 1–6/2019

FINANCIAL STATEMENT Jan–Jun 2019. SUMMARY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Eur million	1-6/19	1-6/18	Change. %	1-12/18	4-6/19	4-6/18
Sales	13.3	13.5	-1.2	28.6	7.5	7.4
Other operating income	0.2	0.2		0.3	0.0	0.1
Increase/decrease in inventories in finished goods and in work in progress	-0.2	-0.4		-0.9	0.1	-0.1
Production for own use	0.1	0.4		0.5	0.1	0.3
Raw materials and consumables	-3.1	-3.3		-7.1	-1.7	-1.8
External services	-1.6	-1.4		-3.5	-1.0	-0.9
Personnel expenses	-5.1	-5.2		-10.4	-2.7	-2.7
Depreciation and amortisation	-1.2	-0.9		-2.4	-0.6	-0.5
Other operating expenses	-2.7	-3.0		-6.1	-1.4	-1.5
Operating profit/loss	-0.4	-0.2	-83.5	-1.0	0.3	0.4
<i>Percentage of sales</i>	-2.9 %	-1.6 %		-3.6 %	4.1 %	5.3 %
Finance income	0.0	0.0		0.0	0.0	0.0
Finance expense	-0.4	-0.4		-0.8	-0.3	-0.2
Share of the profit of associated company	0.0	0.0		0.0	0.0	0.0
Profit before tax	-0.8	-0.6	-37.8	-1.8	0.1	0.2
<i>Percentage of sales</i>	-6.0 %	-4.3 %		-6.2 %	0.8 %	3.2 %
Direct taxes	-0.1	0.0		0.0	0.0	0.0
Profit/loss for the period	-0.8	-0.6	-46.7	-1.8	0.0	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	0.0
Translation difference	0.0	0.0		0.0	0.1	0.0
Total comprehensive income for the period	-0.8	-0.6	-41.3	-1.8	0.1	0.2
Earnings per share attributable to the equity holders of the parent company, EUR, basic and diluted	-0.01	-0.01		-0.03	0.00	0.00



HALF YEAR FINANCIAL REPORT 1–6/2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (EUR million)	6/19	6/18	12/18
Non-current assets			
Property, plant and equipment			
Land	0.8	0.8	0.8
Buildings	4.2	3.6	3.4
Machinery and equipment	1.6	2.0	1.7
Other tangible assets	0.9	0.9	1.0
Intangible assets			
Goodwill	3.7	4.2	3.7
Other intangible assets	9.6	9.8	9.7
Investment properties	0.1	0.1	0.1
Available-for sale-investments	0.0	0.0	0.0
Receivables			
Other receivables	0.1	0.2	0.1
Deferred tax assets	3.1	3.2	3.1
Total non-current assets	24.0	24.8	23.5
Current assets			
Inventories	6.4	7.6	6.9
Trade receivables	3.4	3.3	2.6
Current income tax receivables	0.0	0.0	0.0
Other receivables	1.0	1.0	0.7
Cash and cash equivalents	0.6	0.5	0.8
Total current assets	11.5	12.4	11.1
Total assets	35.5	37.2	34.6



HALF YEAR FINANCIAL REPORT 1–6/2019

EQUITY AND LIABILITIES (EUR million)	6/19	6/18	12/18
Equity			
Share capital	6.3	6.3	6.3
The invested unstricted equity fund	14.4	14.4	14.4
Revaluation reserve	0.0	0.0	0.0
Treasury shares	-0.1	-0.1	-0.1
Translation difference	0.1	0.1	0.0
Retained earnings	-12.2	-10.1	-11.3
Total equity	8.5	10.5	9.3
Non-current liabilities			
Deffered income tax liabilities	0.7	0.8	0.7
Provisions	0.3	0.3	0.3
Interest-bearing debt	0.0	0.0	0.0
Other debt	0.6	0.0	0.0
Total non-current liabilities	1.5	1.0	0.9
Current liabilities			
Trade and other payables	10.1	10.3	9.0
Short-term interest bearing debt	0.0	0.0	0.0
Current liabilities	15.4	15.4	15.4
Total current liabilities	25.5	25.6	24.4
Total liabilities	27.0	26.6	25.3
Total equity and liabilities	35.5	37.2	34.6



HALF YEAR FINANCIAL REPORT 1-6/2019

CONSOLIDATED STATEMENT OF CASH FLOWS (EUR million)

	1-6/19	1-6/18	1-12/18
Cash flows from operating activities			
Profit for the period	-0.8	-0.6	-1.8
Adjustments			
Non-cash transactions	0.9	0.9	2.3
Interest expenses and interest income and taxes	0.4	0.4	0.8
Change in working capital	0.1	0.4	1.1
Interest paid and received and taxes paid	-0.4	-0.4	-0.8
Net cash flow from operating activities	0.2	0.7	1.6
Cash flows from investing activities			
Investment in property, plant and equipment and intangible assets	-0.4	-0.5	-1.1
Grants received for investments and sales of property, plant and equipment	0.0	0.0	0.0
Net cash flow from investing activities	-0.4	-0.5	-1.1
Cash flows from financing activities			
Proceeds from non-current and current borrowings	0.0	0.0	0.0
Repayment of non-current and current borrowings	0.0	-0.3	-0.3
Dividends paid and treasury shares	0.0	0.0	0.0
Net cash flow from financing activities	0.0	-0.3	-0.3
Change in cash and cash equivalents	-0.2	-0.1	0.2
Cash and cash equivalents at beginning of period	0.8	0.6	0.6
Cash and cash equivalents at end of period	0.6	0.5	0.8

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, 2019	6.3	14.4	0.0	-0.1	0.0	-11.3	9.3
Total comprehensive income for the period			0.0		0.0	-0.8	-0.8
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Jun. 30, 2019	6.3	14.4	0.0	-0.1	0.1	-12.2	8.5
Equity Jan. 1, 2018	6.3	14.4	0.0	-0.1	0.1	-9.5	11.1
Total comprehensive income for the period			0.0		0.0	-0.6	-0.6
Transactions with the owners							
Dividends paid						0.0	0.0
Equity Jun. 30, 2018	6.3	14.4	0.0	-0.1	0.0	-10.1	10.5

Key financial ratios and share ratios

	1-6/19	1-6/18	4-6/19	4-6/18	1-12/18
Earnings per share, EUR	-0.01	-0.01	0.00	0.00	-0.03
Equity per share, EUR	0.14	0.18	0.14	0.18	0.16
Return on equity, %	-19.0	-10.7	0.2	2.2	-17.6
Return on investments, %	-3.1	-1.4	1.3	1.6	-3.8
Equity ratio, %	24.4	28.8			27.4
Net debtness ratio, %	173.3	141.4			156.6
Current ratio	0.5	0.5			0.5
Gross investments, MEUR	0.3	0.7			1.1
Gross investments, % of sales	2.1	4.8			4.0
Research and development costs, MEUR	0.4	0.5			0.9
%/sales	3.3	3.5			3.1
Outstanding orders, MEUR	3.6	3.4			3.0
Average number of staff	183	189			200
Rate development of shares, EUR					
Lowest share price, EUR	0.10	0.16			0.08
Highest share price, EUR	0.16	0.21			0.21
Average share price, EUR	0.13	0.18			0.16
Closing price, EUR	0.15	0.16			0.10
Market capitalization at the end period, 1000 EUR (Supposing that the market price of the K-share is the same as that of the A-share)	8 902	9 440			5 795
Number of the shares traded, (1000 pcs)	3 043	5 383			10 528
% of total amount of A-shares	5.9	10.4			20.3
Number of shares average	59 747 043	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	59 747 043

Notes to the financial statements

The information presented in the half-year report is unaudited.

This half year report release has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The company has applied the IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) standards as of 1 January 2018. The company has chosen cumulative effect as its IFRS 15 approach, which means that the accumulated effect is recognised on 1 January 2018, the initial date of applying the standard. Amendments to standards did not have a material effect on the company's net sales or operating result. The company adopted the IFRS 16 Leases standard on 1 January 2019, and the Group has already conducted an assessment of its effects. Under the standard, a lessee will recognise assets and liabilities based on the right of use on its balance sheet. The company applied some of the recognition exemptions allowed by the standard, according to which short-term leases and leases where the

underlying asset has a low value are not recognised on the balance sheet. With regard to leases valid until further notice, the company only recognises leases with a notice period of more than 12 months on its balance sheet. The impact of IFRS 16 Leases on the opening balance sheet of 2019 was EUR 1.5 million, of which EUR 0.9 million were non-current and EUR 0.6 million were current liabilities. Assets recognised under Buildings increased by EUR 1.3 million and assets under Machinery and Equipment increased by EUR 0.2 million. Leasing costs are estimated to decrease by approximately EUR 0.6 million and depreciation to increase by approximately EUR 0.6 million in the 2019 financial year as a result of the IFRS 16 standard, which means IFRS 16 will not have a significant impact on the result in 2019. The company chose the simplified approach in the transition to the standard, and thus the comparative figures for the previous year were not adjusted. The weighted average discount rate for lease liabilities under IFRS 16 was 3.0%. Otherwise Tulikivi has applied the same IFRS accounting principles in this interim report release as in the previous consolidated financial statements. The key figures presented in the half year report have been calculated using the same formulas as for the 2018 financial statements. As there are no non-recurring expenses in this or the previous review period, no figures based on non-recurring expenses are presented. The formulas can be found on page 86 of the Annual Report 2018.

IFRS 16 Reconciliation calculation of lease liability (MEur)

Minimum lease liabilities according to IAS 17 at 31 December 2018		0.53
Leases where the underlying asset has a low value and leases of less than 12 months	-0.02	
Minimum lease liabilities in total according to IFRS 16 at 31 December 2018		0.51
Changes due to IFRS 16, based on the management's estimate	1.03	
Effect of discounting	-0.06	
Lease liabilities on the balance sheet according to IFRS 16 at 1 January 2019		1.48

	1-6/2019	1-6/2018	1-12/2018
Sales, MEUR			
Finland	5.8	5.9	12.9
Other european countries	7.1	7.1	14.9
North America	0.5	0.5	0.8
Total	13.3	13.5	28.6

Commitments (EUR million)

	6/19	6/18	12/18
Loans from credit institutions and other long term debts and loan guarantees, with related mortgages and pledges	15.4	15.4	15.4
Mortgages granted and collaterals pledged	35.8	35.8	35.8
Other given guarantees and pledges on behalf of own liabilities	0.5	0.5	0.5

Available-for-sale financial assets are investments in unlisted shares. They are valued at acquisition cost because their fair value cannot be reliably determined.

Provisions (EUR million)

	Environmental provision	Warranty provision
	6/19	6/19
Provisions Jan. 1.	0.2	0.1
Increase in provisions	0.0	0.0
Used Provisions	0.0	0.0
Discharge on reserves	0.0	0.0
Provisions Jun. 30.	0.2	0.1
	6/19	
Non-current provisions	0.3	
Current provisions	0.0	
Total	0.3	

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

	1-6/19	1-6/18	1-12/18
Acquisition costs	0.0	0.1	0.2
Proceeds from sale	0.0	0.0	0.0
Total	0.0	0.1	0.2

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

	1-6/19	1-6/18	1-12/18
Acquisition costs, net	0.3	0.6	1.0
Amortisation loss	0.0	0.0	0.0
Total	0.3	0.6	1.0



HALF YEAR FINANCIAL REPORT 1-6/2019

Share capital

Share capital by share series

	Shares, number	Percentage, %	Percentage, %	Percentage, EUR share capital
		sha- res	votes	
Series K shares (10 votes)	7,682,500	12.8	59.5	810,255
Series A shares (1 vote)	52,188,743	87.2	40.5	5,504,220
Total, 30 June 2019	59,871,243	100.0	100.0	6,314,475

There have been no changes in Tulikivi Corporation's share capital during the review 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 Helsinki. At the end of the review period, the company held 124,200 Series A shares.

Related party transactions (EUR 1,000)

There were no transactions with associated companies or related parties during the review period.

Management benefits (EUR 1,000)

	1-6/19	1-6/18
Board members' and Managing Director's salaries and other short-term employee benefits	145	142

Principal shareholders on 30 June 2019

Name of shareholder	Shares	Percentage of votes
1. Vauhkonen Heikki	6,873,839	45.9%
2. Elo Mutual Pension Insurance Company	4,545,454	3.5%
3. Ilmarinen Mutual Pension Insurance Company	3,720,562	2.9%
4. Elo Eliisa	3,108,536	5.7%
5. Toivanen Jouko	2,531,259	2.7%
6. Finnish Cultural Foundation	2,258,181	2.4%
7. Mutanen Susanna	1,643,800	6.8%
8. Fennia Mutual Insurance Company	1,515,151	1.2%



HALF YEAR FINANCIAL REPORT 1-6/2019

9. Nikkola Jarkko	1,412,000	1.1%
10. EVK-Capital Oy	800,000	0.6%
Others	31,463,961	27.2%

The companies included in the Group are the parent company Tulikivi Corporation, Tulikivi U.S. Inc. in the USA and OOO Tulikivi in Russia. Group companies also include Tulikivi GmbH and The New Alberene Stone Company, Inc., which are dormant.

TULIKIVI CORPORATION

Board of Directors

Distribution: Nasdaq Helsinki

Key media

www.tulikivi.com

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