Tulikivi

Annual Report 2019

www.tulikivi.com

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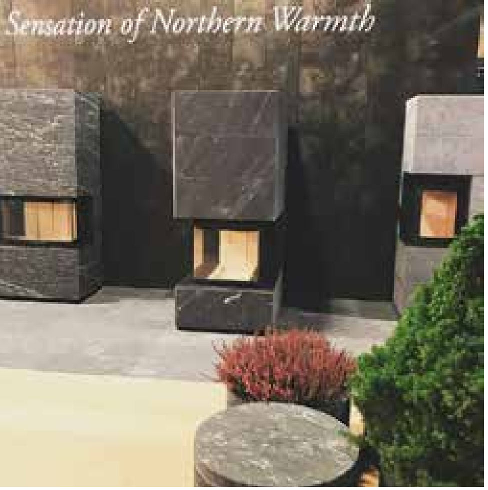






The year 2019 in brief

TheTulikivi Corporation is a stock-excange listed family business and the world's largest manufacturer of heat-retaining fireplaces. The company has three product groups: Fireplaces, Sauna and Interior.

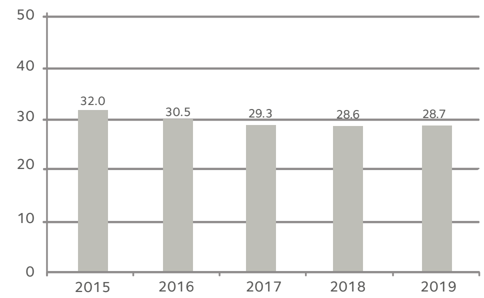
Tulikivi and its costomers value wellbeing, intrior design and the benefits of bioenergy. Tulikivi's net sales are approximately EUR 28.7 million (EUR 28.6 million in 2018), of which exports account for about half. Tulikivi empolys approximately 200 people.

The companies 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 Invc. which are dormant.

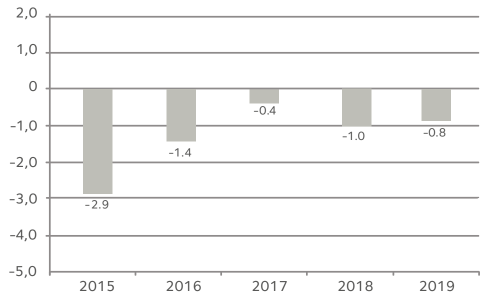
The formulae for calculating key figures are on page 88.

	2019	2018	Muutos, %
Net Sales, MEUR	28,7	28.6	0,3
Operating result, MEUR	-0,8	-1.0	24,7
Result before income tax, MEUR	-1,5	-1,8	
Return on investments, %	-3,0	-3.8	
Solvency ratio, %	23,0	27.4	
Earnings per share, EUR	-0,03	-0.03	
Equity per share, EUR	0,13	0.16	
Payment of dividend on			
A share, EUR	-	-	
K share, EUR	-	-	

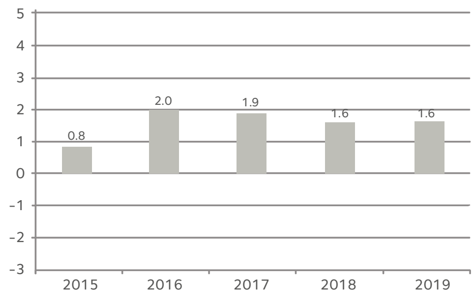
Development of Net Sales, MEUR



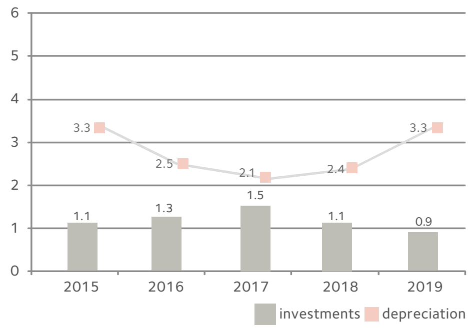
Operating Result, MEUR



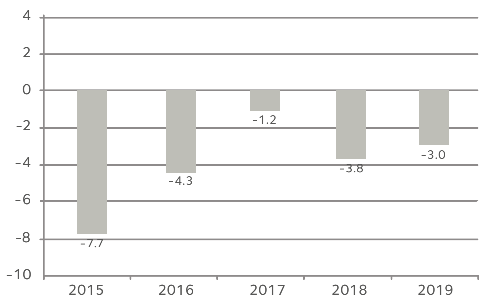
Net Cash Flow from Operating Activities, MEUR



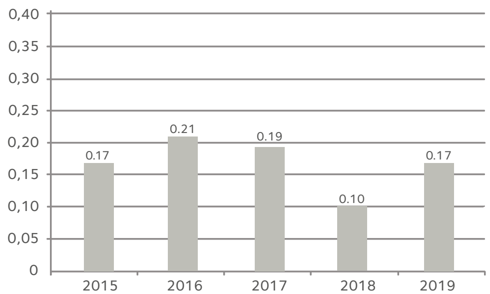
Investments and Depreciation, MEUR



Return on Investments, %



Share Price of the A Share, Dec. 31, EUR



Tulikivi in the future

- Tulikivi is the market leader of heat retaining fireplaces. Our turnover in 2019 is 30 M€, of which more than half comes from export.
- Tulikivi's mission is to produce the finest warmth in a natural, aesthetic and experiential way with the heating expertise and experience of the world's northernmost fireplace factory.
- Tulikivi's vision is to be European consumer brand in 2025, known for bringing authentic, nature bound thermal experiences to urbanized living and leisure.
- The sales growth is focused on exports and new collections as well as om renewed product groups.
- Tulikivi aims to have a 10-fold carbon footprint in its lifecycle to produce its fireplaces.

Product groups

Tulikivi has three product groups: Fireplaces, Sauna and Interior.

Fireplaces

The fireplace product group consists of four customer-oriented collections.

The Karelia-collection is the most advanced heat-retaining fireplace collection regarding design, combustion technology and thermal properties., which meets the wishes of even the most demanding customers in Central Europe. Soapstone's new surface treatment technology emphasizes the modern design of products. They meet even the toughest demands in the world with their combustion technology. The collection has a unique patented whirlpool technology that allows you to burn both wood and pellets in your fireplace. The heat output the Karelia models is adjustable for both low-energy and traditional houses.
Pielinen collection models are based on modern Scandinavian design and new soapstone surface treatment technology. The products in the collection are compact and easy to install. They are particularly well suited to the Central European market and to markets where there is no knowledge of heat-retaining fireplaces. The special features of the Pielinen products are the versatile door solutions that are developed together with partners.
In addition, Tulikivi has a classic collection of favorite models from recent decades. It consists of heat-retaining fireplaces, baking ovens and stoves all made of soapstone. The strengths of the collection's fireplaces include classic design and unmatched heating properties.
Tulikivi's Kermansavi collection is a stylish collection of heat-retaining fireplaces and bakeovens, the main markets of which are in Finland and neighboring areas. The strength of this collection is a versatile range of colors suitable for different interiors, high quality and suitability for the Finnish construction methods.
The products emphasize timeless design, convenience, innovative technology and high quality. Product development focuses on clean combustion, which is why most Tulikivi fireplaces already beat the world's toughest emission standards.
Besides the standard models, custom-made fireplaces can also be ordered from Tulikivi to meet the customer's own specific requirements.
The Fireplaces product group also includes the Tulikivi Green products. These pellet, air-heating, water-heating and fireplace control systems are connected to the fireplace and improve the efficiency of its use. They are especially suitable for heating in low-energy and passive buildings.
Tulikivi is the world's largest manufacturer of heat-retaining fireplaces, and in Finland it is the market leader in this sector. The products in the Fireplaces product group are on sale in all of the company's markets in Europe, North America, Russia and Asia. Most customers are building new homes or renovating existing homes, and they value bioenergy as a form of heating and appreciate the economic advantages of wood-based heating. Tulikivi fireplaces appeal to customers because of their eco-friendliness, energy efficiency, aesthetics and durability, and because of the enjoyable heat they produce.

Tulikivi Sauna

The main products are electric and woodburning sauna heaters clad with soapstone, other natural stone, ceramic tiles or cast stone, or with a metal finish. Tulikivi also manufactures sauna heaters for smoke saunas and commercial saunas. Thanks to the large stone compartments in Tulikivi's sauna heaters, they always give an enjoyable and gentle sauna experience.

In sauna heaters, Tulikivi's strengths are its careful attention to safety and design. The modern and unique design has gained recognition e.g. a prestigious Fennia Prize in the international Fennia Prize competition.

The Sauna products are sold under the Tulikivi brand, and their principal markets are Finland, Russia and Sweden. The Sauna product group accessories include sauna stones, heater lights, glass covers, soapstone interior design products and tiles, and electric sauna heater control units that allow the temperature in the sauna to be regulated to the nearest degree. Tulikivi sauna heaters can also be directly connected to a building automation system.

Tulikivi Interior

The main products in the Interior product group are countertops made of different natural or composite stone materials and tiling for different rooms in the home. Tulikivi has an extensive interior stone product collection.

In home construction, natural stone is a genuine and timeless material that is extremely well suited for use in kitchens and bathrooms and for floors, walls and stairs. As an interior design material, natural stone is eco-friendly and fire safe and it also raises the value of the home, because stone wears better than many other surface materials.

The Interior product group's most important customer segment consists of Finnish fitted kitchen suppliers, with which Tulikivi works very closely. Products are also sold directly to home builders and renovators who appreciate the natural aesthetic quality, eco-friendliness and durability of Tulikivi's interior stone products.

The Interior products are mostly manufactured at Tulikivi's own factory in Espoo, and their principal market is Finland. Soapstone interior design products and countertops are also manufactured for export to various project sites abroad.
Soapstone tiles are Tulikivi's specialty. They are very handy especially for bathroom floors as they are not slippery even when wet. In spaces with floor-heating the heat-retaining capability of soapstone comes to its full potential.

Managing Director's review

Market position growing stronger

Despite the challenging situation, Tulikivi has been able to increase its market share in its principal markets: Finland, Germany and Russia. The growth is based on previous investments in the Kermansavi, Karelia and Pielinen collections, as well as in new sales concepts and determined work to develop the distribution network. Our improved position in our partners' selections will enable us to grow our market share in the future as well.

The fireplace market in Finland is in a state of flux. The regulation of fireplaces will move to the European level at once on 1 January 2022 when the relevant requirements of the EU Construction Products Regulation come into force. As of that date, fireplaces sold in Finland must also comply with the current German emission standards. It is a challenge for the fireplace industry, as long-standing price competition in the industry has depleted financial resources required for developing future products. In addition to fireplaces, Tulikivi's sauna products have gained an increasingly prominent position among the more demanding clientele.

The JORC report, completed in August 2019, confirmed that Suomussalmi's talc reserves were larger than expected. Experts consider them substantial on a European scale.

Net sales and operating profit improved towards the end of the year

After a slight decline in sales in the first half of the year, full-year net sales were higher than in the previous year. The Tulikivi Group's net sales in 2019 totalled EUR 28.7 million (EUR 28.6 million in 1–12/2018). As a result, comparable operating profit improved to EUR 0.0 (-0.5) million and profit before taxes to EUR -0.7 (-1.3) million.

The EUR 0.8 million impairment loss on goodwill recognised in the Group's balance sheet as a result of impairment testing conducted in conjunction with the preparation of the financial statements had an impact on the operating profit. The impairment loss concerns the goodwill generated by the acquisition of Kermansavi Oy in 2006. The impairment loss has no impact on cash flow or on the indicators of the parent company Tulikivi Corporation.

The operating profit totalled EUR -0.8 million (-1.0), and the profit before taxes was EUR -1.5 (-1.8) million, including a goodwill impairment loss of EUR -0.8 (-0.5).

Sales of fireplaces increased their share of domestic sales

Net sales in Finland in the financial year were EUR 12.5 (12.9) million, or 43.4 per cent (45.1) of total net sales. However, euro-denominated sales of fireplaces increased as a result of successful price increases and renovation sales. The nationwide Tulikivi Studio and Uunimestari network create a unique competitive edge for Tulikivi in Finland.

Principal export markets performed positively

Net sales in exports in the financial year were EUR 16.2 (15.7) million, or 56.6 per cent (54.9) of total net sales. The principal export countries were Germany, Russia, France, Sweden and Denmark. Sales of the new Karelia and Pielinen collections continued their strong growth in the second half of the year. The favourable reception of our new Pielinen collection among customers had a positive effect on our net sales in Germany, which clearly out-performed the market. In Russia, our renewed collections have enabled a stronger focus on sales on the premium market. In addition, several major bespoke projects were delivered to Russia.

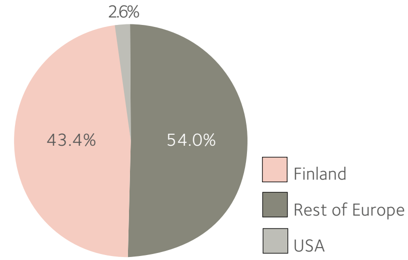
Increasing popularity of vertical doors

Tulikivi launched new vertical and corner doors in the Pielinen collection in 2019. They have been particularly well received by dealers and end customers. The collection will be further expanded on the basis of market feedback.

Extensive soapstone reserves

Tulikivi has the world's largest reserves of soapstone that is suitable for the manufacture of fireplaces, and sauna,construction and interiors stone products, such as tiles and mosaics. The company's total soapstone reserves in Juuka, Kuhmo and Suomussalmi are 12.9 million cubic metres, of which 9.0 million cubic metres are covered in quarrying plans. In addition, the company holds significant talc reserves in Suomussalmi.

Net Sales
per Geographical Area, %



Increasing popularity of vertical doors

The company has substantial reserves of soapstone that is suitable for the manufacture of fireplaces and saunas, and construction and interior stone products such as tiles and mosaics. The total soapstone reserves of the company are 12.9 million cubic metres, of which 9.0 million cubic metres are covered by quarrying plans. In addition to these reserves, the company estimates that it has talc reserves of roughly 20 million tonnes located in the mining district of the Suomussalmi plant.

Progress in the talc project

Suomussalmi talc reserves

The JORC report on Tulikivi's Suomussalmi talc deposit was completed on 30 August 2019. The survey showed that the deposit is larger than previously thought. According to the report, the indicated mineral resources of the Haaponen deposit are 12.3 million tonnes and their average talc content is 45 per cent. In addition, the deposit continues unchanged to a depth of at least 75 metres, with a possible additional mineralisation of approximately 7 to 10 million tonnes. According to the Geological Survey of Finland, the Kivikangas, Sivusuvanto and Kivisuvanto deposits, which are located in the same mining district, have a total mineral deposit potential in excess of 10 million tonnes. In other words, the region has a total reserve potential of over 30 million tonnes.

The mineral resource report shows that the deposit is significant on the European scale. Because of its extent and shape, the Haaponen deposit can be efficiently mined as an open pit. Open pit optimisation based on the mineral resource report and our cash flow models indicate that the deposit can be mined profitably. The measures taken in 2019 will enable the sale of the deposit and facilitate its economic exploitation.

Net sales will grow and profitability will improve in 2020

The strengthened position in the main markets and changes in the fireplace emission regulations in Finland will enable the growth of net sales and improvement of profitability in 2020.

Helsinki, March 3, 2020
Heikki Vauhkonen, Managing Director

Future outlook for wood heating

Renewable energy could replace a substantial share of the fossil fuels used in Europe to heat low-rise houses
The EU has set goals for replacing fossil fuels with renewable energy by 2020. They include EU-level goals for the use of wood and pellets. In Finland, wood is the main source of renewable energy.

Market pressure or taxation will increase consumer energy prices
The cost of energy is a major reason for buying a fireplace in Finland and abroad. The prices of oil, gas and electricity have been unusually low due to the recession. This has affected the development of the fireplace market. In addition to economic trends, tax policies affect the price of energy. Additional taxes, such as electricity tax and tighter taxation of oil heating, could increase the price of energy. Real-time pricing and electricity transmission charges could also increase the price consumers have to pay for energy.

Heat-retaining fireplaces are best for low-energy houses
Heat-retaining fireplaces are known for their practicality and great heating capacity in conventional houses. According to a study carried out by VTT Technical Research Centre of Finland in 2014, a heat-retaining fireplace is the best choice for modern low-energy houses, in addition to conventional houses. In both house types, a single heat-retaining fireplace can supply more than 50 per cent of the annual need for heating energy. This is because the fireplace releases heat evenly to the rooms, at a relatively low output. In low-energy houses, room-heating stoves and fireplace inserts generate high momentary heat. Rooms quickly become too hot, and ventilation is needed to remove the excess heat. As of 2018, the annual efficiency of heat-retaining fireplaces can be calculated at 3,000 kWh instead of 2,000 kWh. This will make heat-retaining fireplaces more competitive in comparison to other modes of heating by offering an affordable heating solution also for new houses.

EU defines allowable emission levels for wood burning
In 2014, the EU determined permitted emission levels for fireplaces, to be implemented in 2022. Tulikivi's export models already meet these requirements. In Finland, the permitted emission levels are already low and will become substantially lower when the new regulations come into effect.

Small-scale combustion of wood is the only form of energy independent of other energy forms
Fireplaces are an important part of Finland's security of supply. The same applies to Europe's security of supply. Fireplaces are the only way to create energy that is independent of other energy sources. They are an important part of crisis preparedness in society in case the availability and distribution of energy are affected.

Trends

- **Climate change affects consumer choices.**
- **Urbanization creates demand for new products and services**
- **The ease of purchasing is highlighted in consumer purchasing decisions**
- **The popularity of renewable energy is increasing**
- **Consumers invest in personal well-being, health and experiences**

GROWTH AND PROFITABILITY

- **Increasing net sales by expanding target group**
  - Two target groups: modern and traditional consumers
  - Collections designed together with customers, such as Karelia and Pielinen
- **Increasing net sales with clear product concept**
  - More efficient sales and marketing thanks to genuine differentiation factors
  - More efficient sales with a collection that is easier to embrace
- **Scaling back the number of individual products**
  - Improves manufacturing efficiency
  - Reduces fixed costs thanks to lower number of support functions
- **Modular collection**
  - Lower-priced subcontracted parts
  - Smaller stocks

Shareholders and Management Ownership December 31, 2019

10 Major shareholders according to number of shares Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Heikki	5 809 500	1 064 339	11.48
2. Elo Mutual Pension Insurance Company		4 545 454	7.59
3. Ilmarinen Mutual Pension Insurance Company		3 420 951	5.71
4. Elo Eliisa	477 500	2 631 036	5.19
5. Nordea Bank ABP		2 617 010	4.37
6. Toivanen Jouko	100 000	2 431 259	4.23
7. Finnish Cultural Foundation	100 000	2 158 181	3.77
8. Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch		1 856 314	3.08
9. Mutanen Susanna	846 300	797 500	2.75
10. Fennia Mutual Insurance Company		1 515 151	2.53
10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	Votes/K shares	Votes/A shares	Proportion, %
1. Vauhkonen Heikki	58 095 000	1 064 339	45,86
2. Mutanen Susanna	7 975 000	846 300	6,84
3. Elo Eliisa	4 775 000	2 631 036	5,74
4. Elo Mutual Pension Insurance Company		4 545 454	3,52
5.Vauhkonen Mikko	3 975 000	343 810	3,35
6. Toivanen Jouko	100 000	2 431 259	2,66
7. Ilmarinen Mutual Pension Insurance Company		3 420 951	2,65
8. Finnish Cultural Foundation	1 000 000	2 158 181	2,45
9. Nordea Bank ABP		2 617 010	2,03
10. Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch		1 844 078	1,43

The members of the Board and Managing Director control 5 810 000 K shares and 1 557 056 A shares representing 46.26 % of votes.

Stone supplies and reserves

In accordance with its strategy, Tulikivi Corporation strives to ensure that the company is in possession of the best possible soapstone reserves. The company has been systematically examining soapstone reserves for over 40 years, for example by using the expert services of the Geological Survey of Finland. The aim of examination has been to evaluate current soapstone reserves in greater detail as well as to seek new soapstone reserves.

Tulikivi Corporation's stone supplies and reserves total over 12,8 million m3. Examined and evaluated deposits are located at Nunnanlahti, Kuhmo, Paltamo and Suomussalmi. The company has in total seven valid mining patents: one at Suomussalmi, one at Kuhmo, one at Paltamo and four at Juuka. The total area of the mining patents is 340 ha. Soapstone is currently quarried and products are manufactured at Nunnanlahti and Suomussalmi. In 2019, the examination of deposits focused on Suomussalmi. Examination of potential deposits and further work on current deposits will continue in 2020.

Stone supplies used sparingly

In geographic terms quarrying is limited to small areas in comparison with, for example, clear cutting of forest resources. A total of approximately 70 000 cubic metres of soapstone is annually quarried from the company's quarries. Approximately from 15 000 to 20 000 cubic metres of quarried soapstone is delivered to three soapstone factories. Adjoining rock, which is not part of the deposits, is quarried annually just under from 50 000 to 70 000 cubic metres. Soil needs also to be moved when excavating quarries in order to access the deposits, from time to time. When a quarry is closed, the area will be made safe and the quarry's stacking area will be landscaped.

In accordance with Tulikivi's environmental strategy, sparing use of natural resources is considered important. The overall yield of raw material is improved through development of the production technologies and product development as well as taking account of the properties of raw material. Tulikivi's strategic objective is to ensure sufficient raw material reserves for decades to come.

Environmental aspects of operations

Soapstone is extracted by sawing. The extraction does not require chemical treatment, and no chemicals are used in the quarrying. The saws used in the quarrying run on electricity and do not require cooling water. Only rapeseed or tall oil are used for lubricating the blades. The rainwater entering the quarry is pumped into sedimentation pools through measurement pits. Water samples are taken three times a year in order to monitor the environmental impact of the quarrying operation. Watering is used to prevent the dust from spreading. The noise from the extraction is mainly sawing and machine noise. The noise levels emitted from quarrying are within the permitted limits. In the quarrying work, the explosion breaking of adjoining rock takes place two or four times a month, on average.

Quarrying process accords with environmental and mining permits

The principal goals of Tulikivi's operations are as follows: a safe and healthy working environment, the sparing use of natural resources and the management of quarrying and production processes that minimizes adverse environmental effects. Tulikivi takes environmental considerations into account in its procurement of raw materials, in production and in the end products. Tulikivi monitors the environmental effects of its operations in accordance with officially approved monitoring programmes. Tulikivi has permits for its entire production and for the storage and use of blasting materials, granted by the environmental and mining authorities.

Environmental and corporate responsibility

Tulikivi's operations are guided by the company's values. Accordingly, it complies with the relevant legislation and regulations in all its activities and operates responsibly towards society at large, the environment and the company's stakeholders. The most important stakeholders for Tulikivi are its customers, personnel, shareholders, finance providers and other cooperation partners, both in Finland and abroad.

Environmental responsibility

The aim of environmental work is to improve the company's ability to use natural resources sparingly, and to manage processes and products in a way that minimises their impact on the environment. The safety and quality of products and operations are defined in the company's quality, environmental, occupational health and occupational safety policies. Tulikivi has been granted an ISO 9001 quality certificate. Work on environmental and safety matters is continuously being developed in accordance with the ISO 14001 and OHSAS 18001 standards.

Tulikivi carries out long-term product development in order to ensure and enhance the environmentally friendly aspects of its products. The products must be as durable and safe as possible and their environmental impact must be minimised at all stages of their life cycle. The aims of Tulikivi's research and development work include the provision of reliable information on the environmental impacts of its products in production and use, and the improvement of eco-efficiency and material efficiency. To improve material efficiency, Tulikivi utilizes waste materials from other parts of the ceramics industry as a raw material for its ceramic fireplaces. The materials and components used in the products are tested regularly and the products must pass type approval tests. Tulikivi's soapstone has been approved as a material that can come into contact with food, for example. We strive to increase our suppliers awareness of their environmental responsi-bilities and to act in accordance with the principles of sustainable development.

Material choices, energy consumption and modes of transport together account for a significant proportion of the environmental impact of our products in the production chain. Using bioenergy-fuelled fireplaces as a heating source instead of electricity helps to cut the CO2 emissions of energy generation, thus offsetting the carbon footprint of fireplace production. Tulikivi's fireplaces already beat the world's strictest emissions standards (BimSchV), and the company is continuing its research into even cleaner combustion.

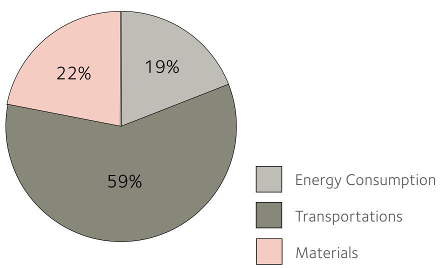
All of Tulikivi Corporation's operational quarries and production plants have valid mining and environmental permits. Tulikivi monitors the environmental impact of quarrying and complies with the officially approved supervision programmes. Operating principles have been drawn up for the quarries, and these require regular analysis of operating risks, taking into account both safety and environmental considerations. Landscaping is carried out as part of normal quarrying operations and at quarries that have ceased operating.

The raw materials used at the production plants include soapstone, natural stone and ceramic material. No substances that are hazardous to the environment are used in the processing of soapstone, and none are produced in the manufacturing process. The production plants use closed process water circulation. Tulikivi has identified energy efficiency improvement and further development of waste management as areas of its operations that require development input. Improvements in energy efficiency are being made in accordance with the energy efficiency agreement of the Confederation of Finnish Industries (EK). The purpose of the agreement is to meet Finland's international commitments in mitigating climate change, based on the national energy and climate strategy. Tulikivi is committed to the measures set out in the energy efficiency agreement's action programme for 2008–2016. The agreement aims to increase the efficiency of corporate energy use by at least 9 per cent, and to continuously improve energy efficiency and promote renewable energy sources. Waste management is being developed at all of Tulikivi's sites by adopting a waste sorting system, aiming to reduce the amount of and fill waste and to reuse as much waste as possible for energy production and other purposes. Recyclable waste (e.g. board and paper) goes for recycling via normal waste management. Tulikivi has joined the Environmental Register of Packaging PYR Ltd and is a member of SELT ry (Electrical and Electronic Equipment Producers' Association).

Financial responsibility

Tulikivi's operations affect many stakeholders: customers, suppliers, service providers, employees, investors and the public sector. The direct financial impact of Tulikivi's operations on stakeholders comprised the following in 2019. Customers generated a total of EUR 28.7 million (28.6) in net sales. This consisted of Tulikivi and Kermansavi fireplaces, natural stone products, sauna heaters and product-related services sold to customers. Tulikivi paid EUR 6.7 million (7.5) to suppliers of goods and semi-finished products and EUR 9.8 million (9.4) to service providers. In addition, the company paid EUR 0.0 million (0.2) for machinery and equipment.

Formation of Carbon Footprint in Tulikivi's Own Production



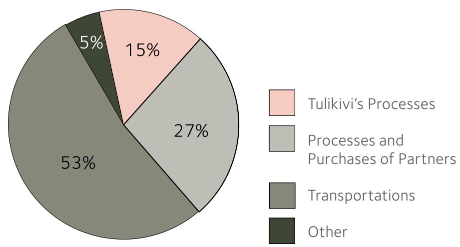
(calculated 2010)
British Standard PAS 2050

Employees' salaries and bonuses totalled EUR 8.7 million (8.6), and the related pension and other insurance contributions were EUR 1.7 million (1.7). The effect of the restructuring provision has been accounted for in the figures for the period. Finance providers were paid EUR 0.8 million (0.7) net in interest and other financial expenses. Shareholders were paid no dividends for 2019 or for 2018.

Social responsibility

Tulikivi is a responsible employer and its products are safe, expertly prepared. Employee's commitment to work and good craftsmanship ensure the quality of products. Success of the turnkey delivery is guaranteed by specialized oven champion, installer and sales network.

Formation of Carbon Footprint in Tulikivi Fireplace's Life Cycle



The carbon equivalent was calculated per a kilo of soapstone; the result is 0.612 CO2 eqv kg/kg.

Tulikivi Group's average personnel was 205 (200 in 2018) employees. The average number of employees is calculated in full time equivalent. The number of personnel was adjusted to meet sales development mainly by temporary lay-offs.

Training of employees was focused on the controlling current situation. This includes related knowledge requirements in legislation or other regulation (e.g. GDPR) as well as first aid and occupational safety training. Learning by doing is still the most important way of learning in the company. Apprenticeship training is used increasingly and one people was under training at the end of the year.

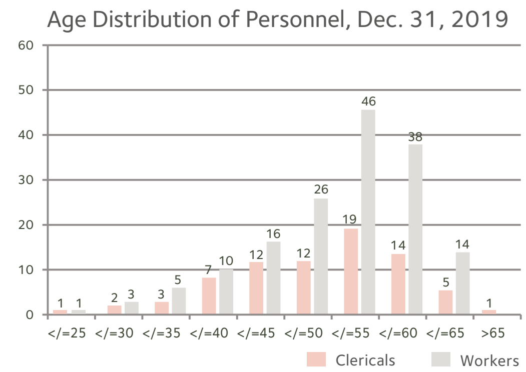
Professional skills of oven champions, installers and sales network is maintained through annual training on topical issues. Sales network was targeted training on technical sales and sales training. In addition, training was provided for utilizing web network in sales and customer service, as well as data protection matters.

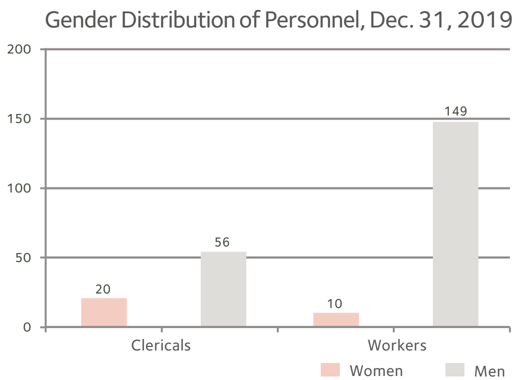
Focus in the occupational health care is on preventive actions, but also the basic level of health care is included in the occupational health care. In accordance with the model of early support discussions for functional capacity takes place regularly in cases sickness absences amounts to 40 sick leave hours and after on 12-month follow-up period. Workplace surveys have been carried out in various locations in collaboration with the occupational health care and the Institute of Occupational Health.

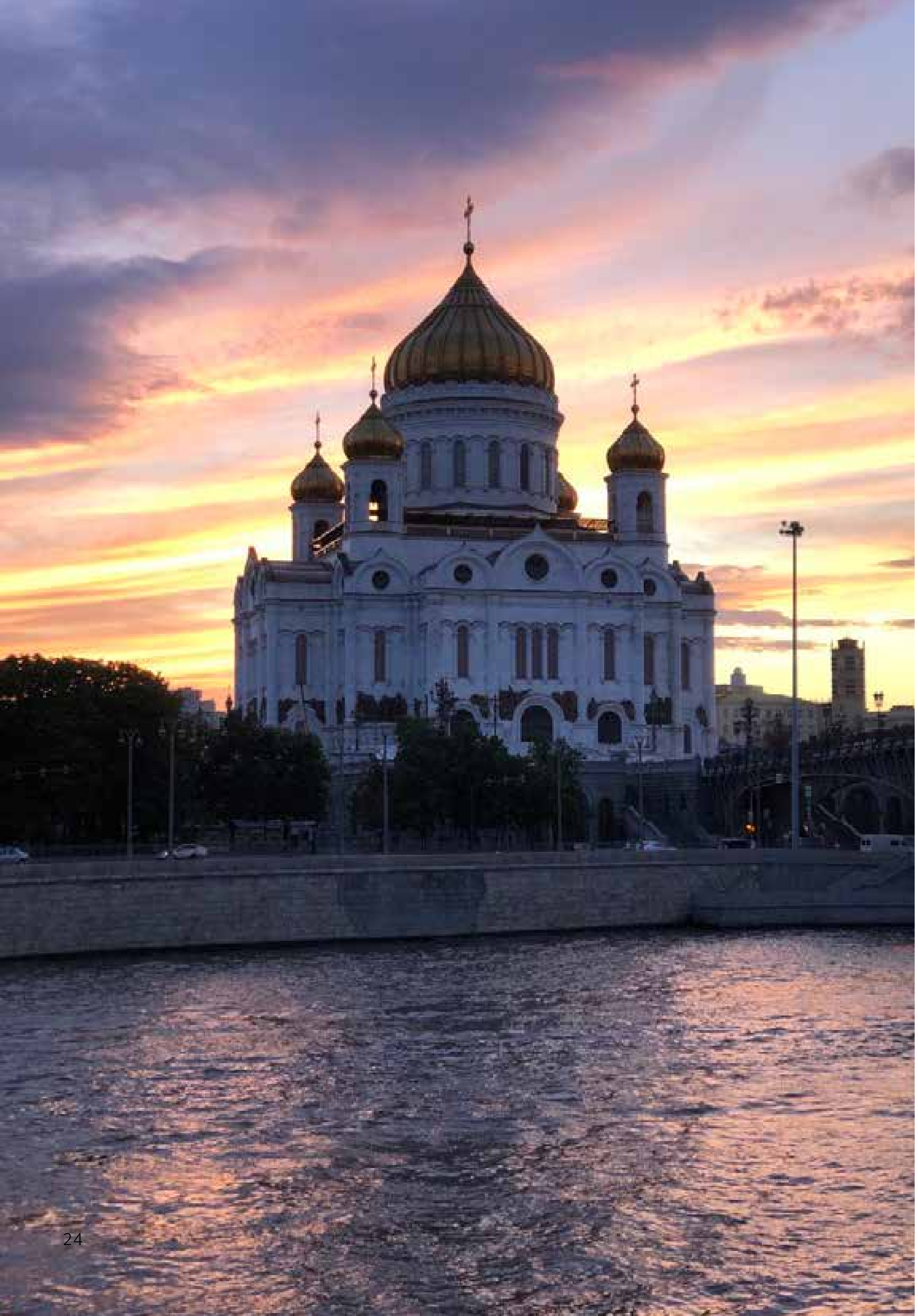
In 2019 new initiatives were made 78 (72) pieces. The accident frequency rate was 25 (22) accidents per million working hours.

Community spirit

Tulikivi Corporation is a member of numerous organisations and forums, including Finland Chamber of Commerce, the Finnish Natural Stone Association, the Chemical Industry Association, the Central Association of Chimney Sweeps, the Finnish Family Firms Association, Confederation of Finnish Construction Industries, the Association for Finnish Work, the Federation of Finnish Enterprises, the Fireplace and Chimney Association TSY, TTS –Työtehoseura (Work Efficiency Institute), the Finnish Clean Energy Association, The Finnish Investor Relations Society, Chemical Industry Federation of Finland, Securities Market Association, HKI Industieverband Haus-, Heiq- und Kuchenteknik e. V., Teknikföretagens Branschgruppen AB.








ВО ЭЙНЕМЪ
1851
Красный Октябрь
Tulikivi


Tulikivi

The Tulikivi brand appeals to Russia

OOO Tulikivi has been operating in Moscow for five years.

In addition to building a traditional retail network and logistics, it is a direct investment in consumer sales in partnership with premium segment construction companies. The co-operation has been fruitful, as net sales and profitability in Russia have developed positively during 2019 despite challenging market conditions. The success is based on close collaboration with local architects and designers and Tulikivi's ability to deliver demanding custom fireplaces, interior and sauna solutions. The largest individual fireplaces have weighed over 25 tonnes.

New fireplaces introduced at the Housing Fair and Habitare fair

Tulikivi's popular Pielinen range of convection air fireplaces grew with Juva, Lako and Kelo fireplaces.

Their catch is the large elevator and corner hatches. We introduced new products at the "Asuntomessu" in Kouvola's Pioneeripuisto area and at the Habitare Fair in Helsinki Fair Center.

The **Juva** fireplace is a new interpretation of a fireplace with openings, where the fire can be seen from both sides of the fireplace. The deep grooved U-shaped hatch allows the Juva fireplace to be seen in three different directions. Juva is a perfect space divider for example between the living room and the dining area. The stove has an easy-to-use lift hatch that rises gently inside the soapstone casing.

The **Lako** fireplace is a taller but narrower fireplace than Juva, which can be placed on a straight wall. Its wide lift hatch fire was visible over a wide area: over 80 centimeters in front and on both sides.

The square high **Kelo** fireplace is designed to be installed in a corner of the room. Its hatch is placed at an angle, which gives the fireplace a light appearance. The hatch can be either on the left or right side. The slim Kelo fireplace is easy to place even in smaller spaces.


Sensation of Northern Warmth

Board of Directors

Jyrki Tähtinen (b.1961)
LL.M, MBA, Attorney at Law. Member of the Board of Directors of Tulikivi Corporation since 2015. Chairman of the Board since April 13, 2015.

Other key positions of trust: Chairman of the Board of Borenius Attorneys Ltd. Member of the Board of JSH Capital Ltd.

Primary work experience: Borenius Attorneys Ltd. : President and CEO 1997-2008, Partner since 1991, and prior to this, has worked as a lawyer for other law firms and for the City of Helsinki since 1983.

Tulikivi Corporation share ownership:
Series A shares: 42 553 pieces

Markku Rönkkö (b. 1951)
M.Sc. (Econ. & Bus.Admin.).Member of the Board of Directors of Tulikivi Corporation since 2009, Member of the Audit Committee since 2009.

Other key positions of trust: Member of the Boards of Directors of Goodwiller Ltd., Mikrobioni Ltd. and Potwell Ltd. Shareholder/partner at Boardman Ltd. Member of Iisalmi city council and the board.

Primary work experience: Järvi-Suomen Portti Ltd: Managing Director 2008-2011, Karelia-Upofloor Ltd: Managing Director 2006-2007, Savon Voima Plc: Managing Director 2004-2006, Olvi Plc: Managing Director 1985 -2004, CFO 1983-1985 , IS-Yhtymä Ltd: CFO 1977-1982, part-time authorized public accountant in a number of companies 1984-2003.
Tulikivi Corporation share ownership:
Series A shares: 159 453 pieces

Reijo Svanborg (b. 1943)
M. Sc. (Eng.) Member of the Board of Directors of Tulikivi Corporation since 2015,Member of the Audit Committee since 2015.

Other key positions of trust: Member of the Boards of High Metal Production Ltd, Suomen Puukerrostalot and Finndomo Ltd. Chairman of the Board of Enero Ltd.

Primary work experience: Finndomo Ltd: Managing Director 2001-2007, Tulikivi Corporation: Managing Director 1997-2001, Tebelmkt/Tetra Pak Tebel N.B.V: Managing Director 1990-1996, Oy Hackman Ab: Strategy Director 1989-1990, Hackman Catertec Oy: Managing Director 1983-1989.

Tulikivi Corporation share ownership:
Series A share 216 208 pieces

Heikki Vauhkonen (b.1970)
LLB, BBA, Member of the Board of Directors of Tulikivi Corporation since 2001, Managing Director April 2007 – April 2013, Chairman of the Board April 16, 2013- August 22, 2013, Managing Director since August 23, 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Suomen Lähienergialiitto ry since 2015, Member of the Board of Directors of Rakennusteollisuus RTT ry since 2012. Member of the Board of the TSY ry, Finnish Fireplace and Chimney Association since 2015, member of the Board of Associaton of Sauna from Finland.

Primary work experience: Tulikivi Corporation: Managing Director August since 2013, Chairman of the Tulikivi Board of Directors April 2013- August 2013, Managing Director 2007- April 2013, Marketing Director 2002-2007, Tulikivi U.S., Inc.: Vice President 1997-2001.

Tulikivi Corporation share ownership:
Series A shares 1 064 339 pieces
Series K shares 5 809 500 pieces

Jaakko Aspara (b. 1981)
Vice-Rector, professor (Hanken School of Economics). D.Sc. (Econ.), DA, M.Sc. (Tech.). Member of the Board of Tulikivi Corporation since 2016.

Other key positions of trust: Member of the Boards of HOK-Elanto (since 2014), Makes ry (since 2018), MARK Finnish Marketing Federation (since 2012). Vice Chairman of the Board of TEN (Ethics Council of Market Research Industry. Since 2013).

Primary work experience:
Helsinki School of Economics: Professor 2007-2014, Aalto University School of Business: Professor 2014, Hanken Schoolf of Economics: Professor 2014 -, Head of Department (Marketing) 2016-2018.

Tulikivi Corporation share ownership:
No shareholding

Liudmila Niemi (b.1972)
Executive MBA, M. Sc. Economics & History, Tulikivi Oyj, Juuka, Board Member, Member of Audit Committee, 04/2019-continues and member of Audit Committee 4/2019- contineus.

Other key positions of trust: ERP Finland Ry, Board Member, 03/2019-continues.
Elektroniikan Tukkukauppiaat ETK Ry Board Member, 11/2015- continues.

Primary work experience: Country Manager at Oy Electrolux Ab since 2015, Management Consultant & Founder, LPN Consulting 2011 – 2015, B2B Events Team Leader, Technopolis Oyj 2012 – 2014, Head of Sales, Bosch & Siemens Home Appliances Group 2008 – 2011, Trade Marketing Manager, SCA Mölnlycke / Hygiene Products 1997 – 1999.

Tulikivi Corporation share ownership:
No shareholding




Tulikivi's Board of Directors from left to right:

Jyrki Tähtinen, Markku Rönkkö, Reijo Svanborg, Heikki Vauhkonen, Jaakko Aspara and Liudmila Niemi.


Management Group

Heikki Vauhkonen (b. 1970)
LLB, BBA, Member of the Board of Directors of Tulikivi Corporation since 2001, Managing Director April 2007 – April 2013, Chairman of the Board April 16, 2013- August 22, 2013, Managing Director since August 23, 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Suomen Lähienergialiitto ry since 2015, Member of the Board of Directors of Rakennusteollisuus RTT ry since 2012, Chairman of the Board of Directors of the Finnish Stone Research Foundation since 2015. Finnish Fireplace and Chimney Association since 2015, member of the Board of Associaton of Sauna from Finland

Primary work experience: Tulikivi Corporation: Managing Director August since 2013, Chairman of the Tulikivi Board of Directors April 2013- August 2013, Managing Director 2007- April 2013, Marketing Director 2002-2007, Tulikivi U.S., Inc.: Vice President 1997-2001.

Tulikivi Corporation share ownership:
Series A shares 1 064 339 pieces
Series K shares 5 809 500 pieces

Saskia Kerkkanen (b. 1975)
Has worked for Tulikivi since 2012 until October 24, 2019

Simo Kortelainen (b. 1980)
M.Sc. (Econ.) Manager of Soapstone Production and Quarrying in Juuka Suomussalmi. Member of the Management Group since 2015. Has worked for Tulikivi since 2008.

Primary work experience: Manager of Soapstone Production and Quarrying since 2015, Production Control Specialist 2014-2015, Accounting and Information System Specialist 2011-2013, Accounting Consultant (entrepreneur)

Tulikivi Corporation share ownership:
No shareholding

Markku Prättälä (b. 1967)
Automation technician. Sales Director, Finland. Member of the Management Group since 2015. Has worked for Tulikivi since 2006.

Primary work experience: Tulikivi Corporation: Sales Director, Finland since 2015, Sales Manager 2013-2015, Factory and Product Manager 2009-2013, Sales Manager/Kermansavi-fireplaces 2006-2008, Kermansavi Oy: Sales Manager 2004-2006, Varkauden Educa: Managing Director 2003

Tulikivi Corporation share ownership:
Series A shares 15 525 pieces

Martti Purtola (b. 1966)
M.Sc (Eng.) Sales Director, Scandinavia, Middle-Europe and lining stones. Member of the Management Group since 2015. Has worked for Tulikivi 1999-2005 and since 2008.

Primary work experience: Tulikivi Corporation: Sales Director, Germany and lining stones since 2015, Director, saunas and design fireplaces 2011-2014, Business Development Manager 2009-2011, Product Manager 2008-2009, Kesla Oyj: Sales Manager 2006-2008, Tulikivi Corporation: Product Manager 2003-2006, Kiantastone Oy: Marketing Manager 1999-2002, Halton Oy: product development engineer 1996-1999, Enerpac Oy: Sales Engineer 1992-1996.

Tulikivi Corporation share ownership:
Series A shares 15 000 pieces

Jari Sutinen (b. 1962)
D.Sc.(Tech.) M.Sc. (Eng.). Product Development Manager. Member of the Management Group since 2015. Has worked for Tulikivi since 2005.
Positions of trust: Member of the Varparanta water cooperative 2007-2016.

Primary work experience: Tulikivi Corporation: Product Development Manager since 2009, Laboratory Manager 2005-2009, IVO Consulting/ Fortum Engineering /Enprima Engineering Ltd, research engineer, product manager, Engineering

Consultant 1998-2005, Tampere University of Technology: researcher 1990-1998.

Tulikivi Corporation share ownership:
Series A shares 15 000 pieces

Jouko Toivanen (b. 1967)
D.Sc. (Tech.), M.Sc. (Eng.). Director of Finance and Administration. Member of the Management Group Group since 1995. Has worked for Tulikivi since 1993.

Positions of trust: Member of the Board of Directors of the Finnish Natural Stone Association.

Primary work experience: Tulikivi Corporation: Director of Finance and Administration since 2013, Director, lining and interior decoration stone products 2011-2013, Director of Natural Stone Products Business 2003-2011, Financial Director 2001-2007, Director of operational accounting and management systems 1999-2001, Financial Manager 1997-1999, Accounting Manager 1995-1997,

Tulikivi Corporation share ownership:
Series K shares 100 000 pieces
Series A shares 2 431 259 pieces







The Management Group from left to right:

Heikki Vauhkonen, Saskia Kerkkänen, Simo Kortelainen, Markku Prättälä, Martti Purtola, Jari Sutinen and Jouko Toivanen

Report on the Corporate Governance Statement 2019

The administration of Tulikivi Corporation and its subsidiaries is based on the law, the Articles of Association and the Finnish Corporate Governance Code, which entered into force on 1 January 2020. The company complies with the NASDAQ OMX Helsinki Guidelines for Insiders. This Corporate Governance Statement has been prepared in accordance with the recommendations of the Finnish Corporate Governance Code. The company deviates from the recommendations of the Corporate Governance Code regarding Recommendation 18 Nomination Committee. The composition of the Nomination Committee deviates from the recommendations of the Finnish Corporate Governance Code because Heikki Vauhkonen, the Managing Director, is a member of the Committee. The reason is that Tulikivi is a family company.

The Corporate Governance Statement is published separately from the Board of Directors' report and is available on the company's website and in the Annual Report.

The Corporate Governance Code is publicly available on the Securities Market Association website at *www.cgfinland.fi/en/*.

Tulikivi Corporation prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. In communications, the Group complies with the Securities Markets Act, the applicable standards of the Financial Supervisory Authority and NASDAQ OMX Helsinki's regulations. The Board of Directors' Report and the parent company's financial statements are prepared in accordance with the Finnish Accounting Act and the instructions and statements of the Finnish Accountancy Board.

Organisation of the Tulikivi Group

The companies 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.

The Board of Directors, which is elected by the Annual General Meeting, the Board committees, the Managing Director and the Management Group, which assists the Managing Director, are responsible for the Tulikivi Group's administration and operations.

Description of the composition and operations of the Board of Directors and the Board committees

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board of Directors is composed of no fewer than five and no more than seven members. The Annual General Meeting elects the members of the Board for one year at a time. The Board of Directors elects a chairman from among its members. The Board of Directors of the Group's parent company decides on the composition of the subsidiaries' Boards of Directors.

Composition of the Board of Directors

Tulikivi Corporation's Annual General Meeting of 24 April 2019 decided that the Board shall have six members.

Personal information of the members of the Board of Directors:

- Jyrki Tähtinen, b. 1961. Chairman of the Board. LL.M., MBA, attorney-at-law. Board member-ship in several companies. Tulikivi Corporation's Series A shares 42,553.
- Jaakko Aspara, b. 1981. D.Sc. (Econ. & Bus. Admin.), D.A. (Industrial Design), M.Sc. (Tech.). Board membership in several companies. No shareholding.
- Markku Rönkkö, b. 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several companies. Tulikivi Corporation's Series A shares 159,453.
- Liudmila Niemi, s. 1972. Ms.S, eMBA. Board membership in several companies. No shareholding.
- Reijo Svanborg, b .1943. B.Sc. (Eng.). Board membership in several companies. Tulikivi Corpo-ration's Series A shares 216,208.
- Heikki Vauhkonen, b. 1970. Managing Director of Tulikivi Corporation. LL.B., B.Sc. (Econ. & Bus. Adm.). Tulikivi Corporation's Series K shares: 5,809,500 and Series A shares: 1,064,339.

According to the Board's general assessment, Jaakko Aspara, Liudmila Niemi, Markku Rönkkö, Reijo Svanborg and Jyrki Tähtinen are independent members of the Board. The company's goal is that both genders are represented on the Board. It has succeeded in reaching this goal.

During 1 January–24 April 2019 the members of the Board of Directors were Jyrki Tähtinen, Jaakko Aspara, Markku Rönkkö, Paula Salastie, Reijo Svanborg and Heikki Vauhkonen.

Primary duties of the Board of Directors

Pursuant to the Limited Liability Companies Act, the Board of Directors must see to the administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances. The Board di-rects and supervises the company's operational management; appoints and dismisses the Managing Director; approves the company's strategic objectives, budget, total investments and their allocation, and the reward systems employed; decides on agreements that are of far-reaching consequence and the principles of risk management; ensures that the management system is operational; confirms the company's vision, values to be complied with in operations and organisational model; approves and pub-lishes the interim reports, annual report and financial statements; and determines the company's dividend policy and summons the General Meeting. It is the duty of the Board of Directors to promote the best interests of the company and all of its shareholders.

In 2019, the company's Board of Directors convened 17 times. The average participation rate of the Board members in these meetings was 96.1%. The attendance of each member at the meetings is shown in the table below. The Board of Directors conducts a self-assessment annually.

Board Committees

The Board of Directors has two committees: the Nomination Committee and the Audit Committee. The Board of Directors appoints the members and Chairmen of the committees.

The Nomination Committee was composed of Jyrki Tähtinen (Chairman), Markku Rönkkö (member) and Heikki Vauhkonen (member). The composition of the Nomination Committee deviates from the recommendations of the Finnish Corporate Governance Code because Heikki Vauhkonen, the Managing Director, is a member of the Committee. The reason is that Tulikivi is a family company. The duties of the Nomination Committee include the preparatory work for proposals for the election of directors to be presented to the General Meeting, the preparation of matters relating to the compensation of members of the Board of Directors and succession planning for members of the Board of Directors. The Nomination Committee met three times in 2019.

The Audit Committee was composed of Markku Rönkkö (Chairman), Reijo Svanborg (member) and as of 24 April 2019, Liudmila Niemi (member). Heikki Vauhkonen was a member of the Audit Committee until 24 April 2019. The Audit Committee's task is to assist and expedite the work of the Board by dealing with issues associated with the company's financial reporting and control and ensuring communication with the auditors. The Audit Committee met five times in 2019. The average participation rate of the committee members in these meetings was 100.0%.

Managing Director

Tulikivi Corporation's Managing Director is Heikki Vauhkonen. Pursuant to the Limited Liability Companies Act, the Managing Director sees to the executive management of the company in accordance with the instructions and orders provided by the Board of Directors. The Managing Director must ensure that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The Managing Director must supply the Board of Directors and its members with the information necessary for the performance of the Board's duties. The Managing Director may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors must be notified of the measures as soon as possible. The Managing Director is responsible for operational management, the implementation of the budget, the Tulikivi Group's financial result and the activities of his or her subordinates.

Management Group

In operational management and planning, the Management Director has been assisted by the Management Group, the members of which are as follows, in addition to the Managing Director himself: Jouko Toivanen, Director of Finance and Administra-tion, Markku Prättälä, Sales Director, Finland, Saskia Kerkkänen (until 24 April 2019), Marketing Manager, Martti Purtola, Director Sales & Marketing Scandinavia, Central Europe and Lining Stone, Jari Sutinen, Product Development Manager and Simo Kortelainen, Manager of Soapstone Production and Mining. The Management Group met 22 times in 2019.

Personal information of the members of the Management Group:

- Heikki Vauhkonen, b. 1970. Managing Director of Tulikivi Corporation. LL.B., B.Sc. (Econ. & Bus. Adm.). Tulikivi Corporation's Series K shares: 5,809,500 and Series A shares: 1,064,339.
- Jouko Toivanen, b. 1967. Tulikivi Corporation's Director of Finance and Administration. D.Sc. (Tech.), M.Sc. (Eng.). Tulikivi Corporation's Series K shares: 100,000 and Series A shares: 2,431,259.
- Markku Prättälä, b. 1967. Tulikivi Corporation's Sales Director, Finland. Automation technician. Tulikivi Corporation's Series A shares 15,525.
- Saskia Kerkkänen, b.1975. Tulikivi Corporation's Marketing Manager. BBa & Ba (Hons.) No shareholding.
- Martti Purtola, b. 1966. Tulikivi Corporation's Director Sales & Marketing Scandinavia, Central Europe and Lining Stone. B.Sc. (Eng.). Tulikivi Corporation's Series A shares 15,000.
- Jari Sutinen, b. 1962. Tulikivi Corporation's Product Development Manager. D.Sc. (Tech.), M.Sc. (Eng.). Tulikivi Corporation's Series A shares 15,000.
- Simo Kortelainen, b. 1980. Tulikivi Corporation's Manager of Soapstone Production and Mining. M.Sc. (Econ.) No shareholding.

Description of the main characteristics of the internal control and risk management systems associated with the financial reporting process

1. Description of the control environment

Tulikivi's business idea and values

The Tulikivi Group specialises in fireplaces, sauna heaters and interior stone products that are of a high quality and made from natural materials. Our customers appreciate the environmentally friendly

Participation by Board members in the meetings of the Board, Audit Committee and Nomination Committee and Nomination Board.

1 January–31 December 2019	Board meetings	Audit Committee	Nomination Board
Jyrki Tähtinen	17/17		3/3
Jaakko Aspara	17/17		
Markku Rönkkö	17/17	5/5	3/3
Paula Salastie (until 24 April 2019)	0/3		
Liudmila Niemi (from 24 April 2019)	14/14	3/3	
Reijo Svanborg	16/17	5/5	
Heikki Vauhkonen	17/17	2/2	3/3

and aesthetically pleasing nature of our products, the comfort created by these products and the benefits of wood heating. Tulikivi is a versatile company that appreciates its customers, entrepreneurship and fair play.

Environmental Policy

Engaging in mining activities requires the forming of a mining concession and an environmental permit. Mining operations are regulated by the Mining Act and environmental legislation. The director in charge of quarrying is responsible for ensuring that mining permits are valid and up to date.

Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified sub-areas. The aim of environmental work is to improve the company's ability to use natural resources sparingly and to manage processes and products in a way that minimises their environmental loading. The Group complies with the environmental legislation and norms that concern its operations, and, through the continuous improvement of Tulikivi's operations, it engages in preventive environmental work. The Group acknowledges and is aware of its responsibility as an environmental operator.

Planning and monitoring processes

The Group plans its operations and ensures the efficiency of the operations during its annual strategy planning and budgeting process. The implementation of the plans and changes in the operating environment are monitored through monthly, quarterly and annual reporting.

In the Tulikivi Group, risk analysis and risk management form part of the regular strategic planning process performed each year and also part of the operational management. The purpose of internal control and risk management is to ensure that all operations are efficient and profitable, based on reliable information and compliant with provisions and operating policies.

Control responsibilities

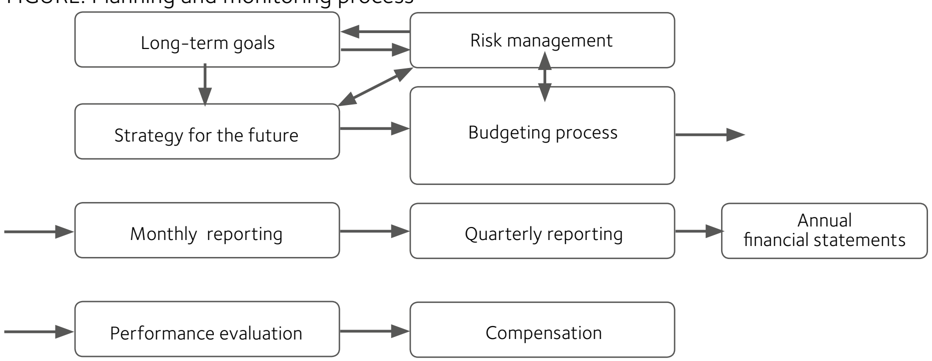
Based on the organisational structure and job descriptions, powers and responsibilities are delegated to persons with budgetary responsibility and to those in charge within the line organisation. Compliance with laws and regulations is ensured through the operational handbook and other internal guidelines.

In 2019 the focus of operations was on optimising the use of information systems and improving the quality of reporting. The enterprise resources planning system contains the necessary internal control mechanisms.

Internal control is performed by the parties mentioned above, using external specialists when needed. In 2019 auditing focused on sales functions, controls regarding the purchasing process and payment transactions, and inventories and assets. In view of the Group's size and the nature of its activities, it has not been deemed necessary to appoint an internal auditor. The Board may choose to use an external expert in certain fields.

Risk management is part of the company's control system. The purpose of risk management is to ensure that business risks are identified and constantly monitored and evaluated as part of normal business operations.

FIGURE: Planning and monitoring process



Internal control is a part of the planning and monitoring process.

FIGURE: Division of responsibilities in internal control and risk management

Responsible person/group	Responsibilities
Board of Directors	- establishes guidelines for internal control - ensures effective monitoring - approves risk management principles - reviews auditors' reports - establishes incentive systems
Audit Committee	- evaluates the efficiency of internal control - attends to issues related to reporting - maintains contact with auditors
Managing Director, assisted by the Management Group	- oversees the different areas of internal control and ensures their efficiency - ensures operational compliance with company values - adjusts operating principles and policies - ensures efficient and appropriate use of resources - establishes control mechanisms (approval principles, reconciliation and reporting practices) - establishes risk management methods and practices
Members of the Management Group, according to responsibility area: domestic sales, marketing, product development, exports, production, purchasing, administration and economy	- delegate specific control tasks in their respective areas of responsibility to people responsible for different operations - ensure the efficiency of internal control in their respective areas of responsibility - oversee risk management in their areas of responsibility
Director of Finance and Administration	- internal accounting: monitoring and analysis of results - external accounting and reporting
Auditor	- statutory audits - expanded audits assigned by the Board of Directors or the Audit Committee - reports to the Board of Directors and the Audit Committee

2. Risk assessment

The purpose of risk management is to ensure that the Tulikivi Group's business risks are identified and managed as effectively as possible. This allows the Group to achieve its strategic and financial goals. All goals have been assigned risk limits. If these risk limits are exceeded, or if other divergences from operating plans so require, the person in charge will initiate enhanced risk management procedures. Regular reporting indicates when financial risk limits have been exceeded.

3. Reporting system, internal control and risk management

In accordance with the reporting system, the Managing Director reports monthly to the Board of Directors on the operations and performance of the Group and its various business units and on any divergence from the budget and adjusted projections. The Managing Director also reports quarterly to the Board of Directors on the operating profit based on the interim reports, semi-annual reports or annual financial statements. The Managing Director must also report immediately on fundamental changes in the operating environment. The relevant persons in charge report according to the internal reporting system.

The parent company's Director of Finance and Administration is responsible for Group-level reporting. The parent company's financial department handles accounts and group-level accounting for domestic companies. The accounts and reporting of foreign subsidiaries are handled locally, using qualified ac-counting firms or external experts. The parent company's auditors compare the contents of the Russian subsidiary's Russian reporting with the financial reporting delivered to the parent company for the consolidated financial statements.

Financial reporting guidelines, competence development, reliable information systems, standard control mechanisms and expanded audits ensure accuracy in reporting. Any reported divergences from the budget and operating plans call for closer analysis to find the underlying causes.

The Director of Finance and Administration and the auditors monitor the accuracy of financial reporting. Periodic information system evaluations also serve this purpose. The Group seeks to ensure operational compliance with laws and regulations by using external experts and services.

To ensure the effectiveness of financial reporting, the Tulikivi Group has guidelines that all units must comply with. Organisational competence is ensured through briefings and training. Accounting schedules and any changes to accounting policies and laws are reviewed in preparatory meetings related to annual financial statements.

The Audit Committee evaluates the functionality of the financial reporting system quarterly on the basis of performance analyses of profit outlooks and assessment of the reporting accuracy. The evaluation also includes studying the risks associated with malpractice and illegal activity. The auditors audit the contents of the deviation reporting during the extended audit. The Management Group members monitor the accuracy of result reporting on a monthly basis and, within their respective areas of responsibility evaluate the reasons for any deviation.

4. Communications

The guidelines for reporting and accounting principles are provided to all financial personnel and those who produce information and auditing results for the financial system. The Managing Director reports any defects observed in the field of internal control, including the accuracy of reporting, to the Audit Committee. In its meetings, the Audit Committee processes the audit reports and extended audit reports and the statements for those reports provided by the persons in charge. Moreover, the Audit Committee reports to the Board about any observations it has made and any guidelines or recommendations it has supplied to the organisation.

The Managing Director is responsible for communi-cations at the Tulikivi Group. The Group's communi-cations guidelines cover both internal and external communications. They also specify the persons with the right to speak on behalf of the company.

5. Monitoring

The efficiency of internal control is evaluated regularly in conjunction with management and governance and separately on the basis of audit reports. In financial reporting, continuous monitoring measures include comparing goals with actual results, implementing reconciliations and monitoring the regularity of operational reports.

The Board of Directors' annual plan includes planning and monitoring meetings. The Group's information systems are largely well-established, and external experts regularly evaluate their reliability.

FIGURE: Risk identification and management

Risk analysis and prioritization	- identifying risks at the group level and in different areas of responsibility - evaluating the effects and probability of risks - determining risk limits for set goals - determining control points - identifying risks related to reporting
Risk management	- establishing risk management procedures - assigning responsible persons for different procedures - setting a time frame for implementation - establishing procedures for monitoring implementation
Risk management process control	- responsible persons report to the Managing Director on risk materialization, implemented measures and their effectiveness - risk evaluations related to controls
Risk management process continuity	- measures implemented during a reporting period, as well as foreseeable changes in the business environment, will affect the plans and risk management measures for the subsequent period - risk identification requires continuous collection of background information

6. The company's insiders and insider administration

The company complies with the valid NASDAQ OMX Helsinki Guidelines for Insiders. The members of the Tulikivi Corporation Board of Directors and Management Group have been specified as managers as referred to in the Market Abuse Regulation. A Tulikivi manager may not trade in Tulikivi shares during the 30 days preceding financial results announcements. Managers and persons closely related to them must notify the company and the Financial Supervisory Authority of all transactions made on their own account concerning the company's financial instruments. The company must publish such information in a stock exchange release. Persons and parties with access to specific insider information are entered in a project-specific insider list. A person or party entered in a project-specific insider list may not engage in trading while they are on the list.

Tulikivi's related parties include the members of the company's management, their family members and also companies in which the above persons, alone or jointly, hold a controlling position. Tulikivi evaluates and monitors transactions with related parties and ensures that any conflicts of interest are taken into consideration in the company's decision-making. The Board of Directors will decide on related par-ty transactions that are not the company's normal business operations or that are not conducted on normal commercial terms. The company maintains a list of related parties.

Tulikivi announced on 7 August 2019 that it had 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%. 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, re-pay 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. There were no other transactions with associated companies or related parties during the review period.

7. Auditing

The auditor is elected at the Annual General Meeting for a term ending at the conclusion of the subsequent Annual General Meeting. The Tulikivi Corporation Annual General Meeting of 24 April 2019 appointed KPMG Oy Ab, Authorised Public Accountants, as auditor, with Kirsi Jantunen, APA, as chief auditor. In 2019, the auditor was paid EUR 51,000 for the audit and EUR 11,000 for services not associated with the audit.

Salary and Remuneration Report 2019

Board Members

The Annual General Meeting of Tulikivi Corporation decides the remuneration of the members of the Board of Directors.

The annual remuneration of the members of the Board of Directors was EUR 19 000 as of 20th April 2018, of which was paid in cash. In addition, the part-time Chairman of the Board of Directors was paid a monthly fee of EUR 4 500 (4 500) and the member of the Board responsible for secretarial duties received a monthly fee of EUR 1 400 (1 400). The members of the Board's Audit Committee and Nomination Committee were paid a meeting attendance allowance of EUR 330 (330) per meeting.

In 2019, no other fees than those related to their duties on the Board and the committees, were paid to the members of the Board of Directors.

Salaries of the Managing Director and other management and the principles of the incentive systems

The remuneration of the Managing Director and of the other members of the Management Group is composed of a fixed basic salary and, as determined in the incentive plan, annual incentive payment (variable) and a share-based payment.

The Board of Directors decides the Managing Director's salary, fees and other terms of his service contract.

The incentive plan for the other members of the Management Group and for the managing directors of foreign subsidiaries is determined by the Board of Directors, and their fixed salaries by the Managing Director together with the Board Chairman.

The fixed salary of the Managing Director was EUR 187 295 (185 526) in 2019. The Managing Director did not receive any annual incentive payments in 2019 and 2018. The Managing Director's period of dismissal is three months. If the company terminates his service contract, the period of dismissal is 12 months. A separate severance payment will not be paid at the termination of the service contract. The CEO's pension cover is arranged through a statutory pension insurance (YEL). Pension payments totaled EUR 42 697 (35 766).

The fixed salaries of the other members of the Management Group and of the managing directors of foreign subsidiaries were EUR 602 502 (407 068) in 2019 while any variable part of salary based on sales growth was paid in 2019 and 2018.

Stock options for management and key 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 September 17, 2013 on a new stock option programme for the key personnel of Tulikivi Corporation, on the basis of the authorization granted by the Annual General Meeting on April 16, 2013. The purpose of the stock options is to provide an

incentive to key personnel to commit to long-term work in order to increase shareholder value. A further purpose of the options is to commit key personnel to their employer. The plan's target group includes approximately 13 key persons, including the members of the Management Group.

The maximum total number of stock options issued is 1,800,000, and they entitle their owners to subscribe for a maximum total of 1,800,000 new A shares in the company or existing A shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be 1 May 2016—31 May 2018, for the stock option 2013B, 1 May 2017—31 May 2019, and the for stock option 2013C, 1 May 2018—31 May 2020. The share subscription price for all stock options is EUR 0.33 per share. The Board of Directors will determine separate financial targets based on the company's performance improvement programme for each option type, which must be met in order to the option to be granted. The number of 2013A stock options is 500 000, 2013B 650 000 and 2013C 650 000. The EBITDA target set for their subscription was not met in the 2014 to 2019 reporting period reporting period, and hence stock options were not issued in 2019. The Board decided to extend the monitoring period to the 2019 reporting period to option types 2013C.

Incentive pay scheme

The Tulikivi Corporation has an incentive pay scheme for the whole personnel but in 2019 the intesive pay scheme was not in use. Board of Directors determines the earnings criteria and the amount of the incentive pay. The incentive scheme is in force for one year at a time. The Board of Directors approves the payment of incentive plan remunerations to the Managing Director, members of the Management Group and the managing directors of foreign subsidiaries, and the Managing Director approves the payments to others after relevant calculations have been prepared.

The incentive pay scheme covers the whole personnel and is based on the consolidated result. The result for 2019 (2018) did not justify the incentive payment.

Auditing

The auditor is appointed at the Annual General Meeting for a term ending at the conclusion of the subsequent Annual General Meeting. The auditor is KPMG Oy Ab, Authorized Public Accountants. In 2019, the auditing company was paid a total of EUR 87 175 (60 359), of which the portion of statutory audit amounted to EUR 85 675 (53 852).

Annual fees paid to members of the Board of Directors in 2019 for their Board and committee work (EUR):

	Annual remunerations	Audit Committee	Nomination Committee	Total
Aspara Jaakko, Member of the Board	19 000			19 000
Rönkkö Markku, Member and Secretary of the Board	35 800	1 650	330	37 450
Niemi Liudmila, Member of the Board	19 000	990		19 990
Svanborg Reijo, Member of the Board	19 000	1 650		20 650
Tähtinen Jyrki, Member and Part-time Chairman of the Board	73 000	330	330	73 330
Vauhkonen Heikki, Member of the Board	19 000	330	330	20 320
Total	184 800	5 280	990	191 070

1 INTRODUCTION

The Tulikivi Corporation Remuneration Policy sets out the principles and decision-making processes for the remuneration of the Board of Directors and the Managing Director and the key terms of the contract of the Managing Director.

The company's remuneration principles apply to all employees of the company. Transparency in remuneration, market orientation and rewarding good performance are key principles in the remuneration process.

The company's remuneration policy applies to the company's Board of Directors and the Managing Director. The purpose of the company's remuneration policy is to encourage and reward management for operating in accordance with the company's current strategy and for compliance with current rules, and to motivate them to strive for Tulikivi's success.

Effective and competitive remuneration is an essential tool for recruiting capable management for the company, which in turn contributes to the company's financial success and good governance. Remuneration supports the achievement of the company's goals, strategy and long-term profitability.

Remuneration in accordance with the remuneration policy is based on the following elements. Basic salary and employee benefits must comply with local market practices, laws and regulations. The purpose of the short-term incentive plan is to steer the performance of individuals and the organisation and to support the rapid implementation of strategic projects. The long-term incentive plan is designed to engage key people. Long-term incentives aim to engage management and align their interests with those of the company's shareholders.

2 DECISION-MAKING PROCESS

Tulikivi Group's remuneration principles and policies are discussed by the Board of Directors. The company does not have a remuneration committee appointed by the Board of Directors to manage the remuneration system. It has not been considered necessary given the size and nature of the company's operations.

The Board of Directors monitors and supervises the performance of the remuneration policy, the competitiveness of remuneration, and the way in which the remuneration policy contributes to the long-term goals of the company and the Group and, if necessary, will propose changes to the company's remuneration policy.

When changing the remuneration policy, the Board will provide the reasons for any significant changes. In addition, the Board will give an account of how the new remuneration policy has taken into account the decision of the Annual General Meeting concerning the previous remuneration policy and the opinions expressed during the Annual General Meeting's consideration of remuneration reports published following the adoption of the previous remuneration policy.

The Board of Directors adopts and presents the company's remuneration policy to the General Meeting.

The remuneration policy must be presented to the Annual General Meeting at least every four years. In addition, material changes in the remuneration policy must always be presented to the General Meeting. The General Meeting will decide whether it supports the proposed remuneration policy. The General Meeting's decision is advisory.

If a majority at a General Meeting does not support the proposed remuneration policy, the revised remuneration policy and a description of how the new remuneration policy has taken into account the decision of the General Meeting regarding the previous remuneration policy must be submitted to the General Meeting at the next Annual General Meeting at the latest.

The Board of Directors has been entrusted with the preparation of the remuneration proposal. The General Meeting makes the final decision on the fees payable to the members of the Board of Directors.

The Board of Directors shall decide on the remuneration and key terms of service of the Managing Director and Deputy to the Managing Director, if any. The decisions must be made within the current remuneration policy presented to the General Meeting.

The Managing Director is assisted by the Management Group in the operative management of the company. The Board appoints the Managing Director, who appoints the other members of the Management Group. The Board of Directors decides on the company's remuneration and incentive plan.

3 REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides on the fees paid to the members of the Board of Directors for one term at a time based on the Board of Directors' proposal.

The decision on the remuneration of the members of the Board of Directors must be based on the valid remuneration policy that has been presented to the Annual General Meeting.

In accordance with the decision of the Annual General Meeting, members of the Board of Directors are paid an annual or monthly fee and / or a meeting fee.

Members of the Board of Directors may be reimbursed for travel expenses and / or other expenses resulting directly from the duties as a Board member in accordance with the decision of the Annual General Meeting.

The Board members and members of any committee may be paid, in accordance with the decision of the Annual General Meeting, in whole or in part in company shares.

The members of the Board of Directors are not covered by the short-term incentive pay scheme, the company's stock option schemes or other long-term incentive plans.

The General Meeting or the Board, when authorised by the General Meeting, decides on the distribution of the company's shares, options and other special rights entitling to shares. Where shares, options or other special rights entitling to shares are granted to members of the company's bodies as part of remuneration, this must take place within the framework of the remuneration policy.

If a company employee is a member of the Board of Directors, their remuneration shall be determined on the same basis as that of the other members of the Board of Directors, and their salary and other benefits are determined in accordance with the terms and conditions applicable to their employment relationship.

4 REMUNERATION OF THE MANAGING DIRECTOR

The Board of Directors decides on the remuneration of the Managing Director and the terms and conditions of his/her contract of service within the framework of a valid remuneration policy that has been presented to the Annual General Meeting.

Remuneration components and their proportional shares of overall remuneration

The Managing Director's remuneration consists of a monthly salary, benefits and performance-based incentive plans. The Managing Director's remuneration may also include a supplementary pension and severance compensation.

The incentive plans consist of an annual short-term incentive pay scheme and a long-term share-based incentive plan.

The Managing Director's basic salary must be in line with the interests of the company and its shareholders. The basic salary should be competitive on the labour market in order to attract and retain talented professionals.

Short-term incentive pay

The Managing Director may be paid an annual performance bonus. The Board of Directors set the Managing Director's performance targets. The Managing Director's performance period for the short-term incentive pay is one year.

The Managing Director may be entitled to an performance bonus of up to 75 per cent of the fixed annual salary if the criteria set annually by the Board are met.

The criteria defined by the Board of Directors may take into account financial, business or shareholder value, customer or staff satisfaction, quality and corporate responsibility objectives that are critical for the implementation the company's strategy. The Board of Directors will evaluate whether the criteria have been met.

Long-term incentive pay

The purpose of the long-term incentive pay is to encourage the Managing Director to work on increasing the long-term shareholder value and to further commit the Managing Director to the company.

The Managing Director is covered by a share- or option-based plan decided by the company. The stock options will be distributed to key personnel employed by a Group company as part of the Group's incentive and commitment plan for key personnel. The terms and conditions of the stock options define the related vesting periods and ownership obligation.

The company may distribute stock options or bonuses to key personnel employed by the company and to the Managing Director as part of the Group's incentive and commitment programme for key personnel.

The company does not currently have a stock option plan.

Pension plan

The Managing Director's pension coverage is provided under statutory pension cover (YEL), which provides pension and earnings-based pension coverage as required by law. The retirement age of the Managing Director is determined by the Employees' Pensions Act.

Terms of termination

The service contract may stipulate a notice period applicable to the Managing Director. The Managing Director's period of notice is three months. If the company terminates the service contract, the period of notice is 12 months. A separate severance payment will not be paid at the termination of the contract. In addition, other terms of termination may be agreed upon with the Managing Director, such as that the Managing Direct will be entitled to a stock option plan that has already been issued, in all circumstances, including in the event of termination.

Terms for deferral and possible clawback of remuneration

The company's remuneration policy does not include any terms or conditions for deferring remuneration that could be used to reclaim any benefits paid other than for stock options. As a rule for stock options, key employees lose their options when their employment relationship with the company ends. However, the Board of Directors may decide to deviate from the above condition in the terms of the Managing Director's service contract.

5 REQUIREMENTS FOR TEMPORARY DEVIATION

There may be temporary deviation from the remuneration policy when it is necessary to ensure the long-term interests of the company, taking into account the company's long-term financial success, competitiveness and development of shareholder value.

Temporary deviation from a valid remuneration policy is only possible in exceptional circumstances in which the core operating circumstances of the company have, following the General Meeting's consideration of the remuneration policy, changed as a result of a change of Managing Director or a merger or an acquisition proposal or regulation, and the valid remuneration policy of the company's bodies would no longer be appropriate in the changed circumstances.

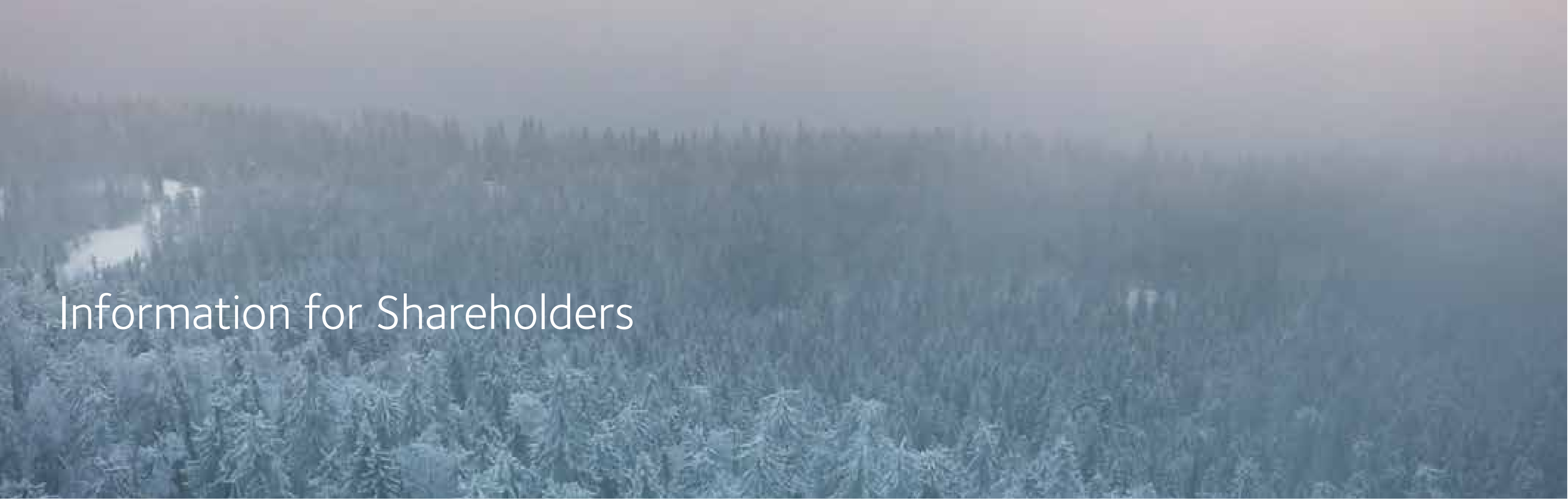
If the deviation from the remuneration policy is expected to continue other than on a temporary basis, the company shall draw up a new remuneration policy, which will be discussed at the next Annual General Meeting.

The Board of Directors evaluates the need for deviation from the remuneration policy and decides on the deviation. An account of a temporary deviation must be included in the remuneration report.

6 AVAILABILITY OF REMUNERATION POLICY

The company's valid remuneration policy is available to the public on its website.

If the company's general meeting has voted on the remuneration policy, the date and result of the vote must be disclosed in conjunction with the policy.



Information for Shareholders

Annual General Meeting

Tulikivi cancels its Annual General Meeting on 22 April 2020 and postpones it to a later date.

Tulikivi takes the threat of the coronavirus (COVID-19) seriously and has, on the basis of developments and the guidance of the Finnish Government, decided to postpone the Annual General Meeting scheduled for 22 April 2020.

On 16 March 2020, the Finnish Government announced that public gatherings will be limited to a maximum of ten persons. In accordance with the Finnish Government's guidance, Tulikivi's Board of Directors has decided that the Annual General Meeting will not be held due to the prevailing exceptional circumstances. Tulikivi wants to ensure a safe meeting environment both for its shareholders and employees.

Tulikivi's Board of Directors will convene the Annual General Meeting at a later date.

Financial Reports

Tulikivi Corporation will publish the following financial reports in 2019:

Tulikivi Corporation will publish the following finacial reports in 2019: Financial Statements Release on 28 February 2020, 2019 Annual Report week 13.

- Interim Report for January–March 8 May 2020
- Half Year Financial Report for January–June 21 August 2020
- Interim Report for January–September 6 November 2020

The Annual Report, Interim Reports and the company's stock exchange releases are published in Finnish and English.

The Annual Report will be published on the company´s website in week 13. Financial reports are posted on the company´s website, *www.tulikivi.com*, on their day of publication. If you have questions concerning investor relations, please contact the company´s director of finance and administration Jouko Toivanen, Tel. +358 207 636 330.

TULIKIVI CORPORATION´S ANNUAL SUMMARY OF STOCK EXCHANGE RELEASES 2019

13.2.2019	Tulikivi will recognise an EUR 0.5 million impairment loss in goodwill and change its profit guidance for 2018
15.2.2019	Financial statements release, Jan–Dec 2018
15.2.2019	Tulikivi Corportion´s Corporate Governance Statement
22.3.2019	Notice to the general meeting of Tulikivi Corporation 2019
1.4.2019	Annual Report
25.4.2019	Tulikivi Corporation Resolutions of the Annual General Meeting and Organisation of the Board
3.5.2019	Interim Report 1-3/2019: Net sales decreased but sales of new products grew
28.6.2019	The mineral resources of the Suomussalmi talc expands to 13 million tonnes; JORC report expected in August 2019
7.8.2019	Tulikivi Corporation has decided to sign loan agreemenst of EUR 0.5 million due to the dalay of the Suomussalmi talc project
16.8.2019	Half year finacial report 1-6/2019, Net sales were at the previous year's level, but sales of new products are growing
30.8.2019	JORC report on Tulikivi's Suomussalmi talc deposit completed on 30 August 2019
1.11.2019	Interim report 1–9/2019: Net sales were at the previous year's level, profitability improves
28.11.2019	Notification in accordance with Chapter 9, section 5, of the Securities Markets Act
20.12.2019	Tulikivi Corporation has concluded an agreement with its finance providers on the 2019–2020 repayment programme and its terms
20.12.2019	Tulikivi Corporation annual general meeting and financial reporting in 2020

Board of Directors' Report and Financial Statements of Tulikivi Corporation for year 2019

These are the financial statements of Tulikivi Corporation, that have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations upon force as at December 31, 2019. The term IFRS refers to the standards and interpretations upon these in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

The consolidated financial statements are presented in thousands of Euros.

BOARD OF DIRECTORS' REPORT 2019

Operating environment

In Finland, low-rise housing construction and the renovation of fireplaces have stabilised at a lower level than before. The reduction in consumer confidence may weaken 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 and 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 fourth-quarter net sales totalled EUR 8.8 million (EUR 8.7 million in 10–12/2018). In the fourth quarter, net sales continued to develop favourably in the largest export countries Germany and Russia. As a result of impairment testing conducted in conjunction with the preparation of its financial statements, Tulikivi has decided to recognise an EUR 0.8 (0.5) million impairment loss on goodwill in the Group's balance sheet. The impairment loss concerns the good-will generated by the acquisition of Kermansavi Oy in 2006. The impairment loss has no impact on cash flow or on the indicators of the parent company Tulikivi Corporation. The comparable fourth-quarter operating profit was EUR 0.4 (0.0) million and the comparable profit before taxes EUR 0.1 (-0.2) million. Fourth-quarter operating profit totalled EUR -0.5 million (-0.5) and the profit before taxes was EUR -0.7 (-0.7) million, including a goodwill impairment loss of EUR -0,8 (-0.5). The sales margin improved in the fourth quarter due to price increases and measures improving productivity. Fixed costs decreased as planned in the review period.

Due to seasonal fluctuation in fireplace sales, the second half of the year is stronger than the first, in terms of both net sales and operating profit. The Tulikivi Group's net sales in 2019 totalled EUR 28.7 million (EUR 28.6 million in 1–12/2018). The comparable operating profit in 2019 was EUR 0.0 (-0.5) million, and the comparable profit before taxes was EUR -0.7 (-1.3) million. The operating profit totalled EUR -0.8 million (-1.0), and the profit before taxes was EUR -1.5 (-1.8) million, including a goodwill impairment loss of EUR -0.8 (-0.5). In 2019, we succeeded in turning Tulikivi's net sales around, achieving small growth and the comparable operating profit. This turnaround took place thanks to increased sales of the renewed collections and improved profitability in Finland, Germany and Russia.

The company's order books amounted to EUR 2.9 (3.0) million at the end of the financial year. In the fourth quarter, the company's order intake was EUR 8.6 (8.4) million.

Net sales in Finland in the financial year were EUR 12.5 (12.9) million, or 43.4% (45.1%) of total net sales. In 2019, the share of Finnish fireplace and sauna sales in net sales grew as a result of increased renovation sales. The sales of fireplaces for new buildings were slightly lower than in the previous year. We are continuing our efforts to enhance sales efficiency in Finland to increase renovation sales. The sales of saunas developed favourably. The deliveries of interior stone products declined due to a lower number of deliveries to project sites.

Net sales in exports in the financial year were EUR 16.2 (15.7) million, or 56.6% (54.9%) of total net sales. The principal export countries were Germany, Russia, France, Sweden and Denmark. Solid growth in the sales of the new Karelia and Pielinen collections continued in the fourth quarter, and growth in the financial year was 16%. The good reception of our new Pielinen collection among customers had a positive effect on our net sales in Germany. In Russia, our revamped collections have enabled a stronger focus in sales on the premium market. In Russia, net sales in euros were at the previous year's level. The new Karelia and Pielinen fireplace collections continued to significantly increase dealers' and consumers' interest in Tulikivi products in Central Europe and Russia. This has enabled us to open new dealer locations and reactivate old ones. Thanks to these collections, Tulikivi has further strengthened its market position in exports.

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 and for markets where there is no expertise in installing heat-retaining fireplaces.

The new fireplace collections have been well received in Finland and abroad. Low-rise housing construction is not expected to increase anymore in Finland. We are continuing our efforts to enhance sales efficiency in Finland to increase renovation sales.

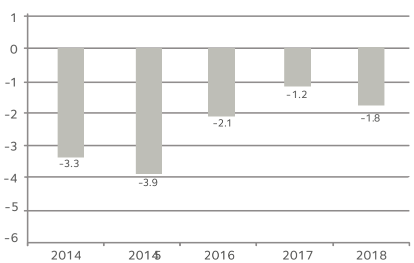
The highly successful development work on the Karelia and Pielinen collections provides us with an opportunity to increase our market share in euros and our profitability in both Finland and exports in 2020.

Financing

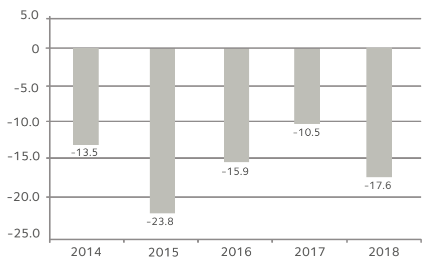
Net cash flow from operating activities was EUR 1.1 (0.5) million in the fourth quarter, and EUR 1.6 (1.6) million during the financial year. Working capital decreased by EUR 0.6 (1.0) million during the financial year. Inventories decreased by EUR 0.4 million during the financial year. Working capital stood at EUR 0.7 (1.3) million at the end of 2019.

Loans taken out in the review period totalled EUR 0.5 (0.0) million. Loan repayments totalled EUR 0.3 (0.3) million in the financial year. At the end of the financial year, MFI loans and working capital loans totalled EUR 15.6 (15.4) million, and net financial expenses were EUR 0.8 (0.8) million. The equity ratio at the end of the financial year was 23.0% (27.4%). The ratio of interest-bearing net debt to equity, or gearing, was

Result Before Income Tax, MEUR



Return on Equity, %



Development of the Sales, MEUR

200.1% (156.6%). The current ratio was 1.1 (0.5), and equity per share was EUR 0.13 (0.16). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 1.2 (0.8) million.
On 20 December 2019, Tulikivi Corporation signed a financing agreement with its finance provid-ers concerning the 2019–2020 repayment programme in ratio to the finance providers' exposures and the loan covenants given to the finance providers. The company met the covenant conditions at 31 December, 2019. Assessment of the management of the company is that company's financing is secured and the company meets the financial covenants in finance agreement in 2020, if the company's business is developing in line with forecasts. The company has also agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2021 and subsequent years and its terms no later than 30.9.2020 and complete the negotiations by 31.12.2020.
As a result of posting a loss, the parent company's equity has fallen below 50% of share capital. The parent company's equity was EUR 0.3 million (consolidated equity EUR 7.7 million) at the end of the financial year, 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 for the financial year totalled EUR 0.9 (1.1) million. In the spring, a new Saramo model with a horizontal door was added to the Karelia collection, along with a Senso digital fireplace controller that makes it easier to use the fireplace and further reduces its already-low emissions. Deliveries of Lako and Juva, fireplace models with vertical sliding doors launched in the Pielinen collection, started in the second quarter. New models have been well received in the mar-ket.
Research and development expenditure in was EUR 0.9 (0.9) million in the financial year, or 3.2% (3.1%) of net sales. EUR 0.3 (0.4) million of this was capitalised on the balance sheet

Suomussalmi talc reserves

On 30.8.2019, Tulikivi announced that the JORC report on Tulikivi's Suomussalmi talc deposit had been completed on that date. According to the report, the indicated mineral resources of the Haaponen deposit are 12.3 million tonnes and the average talc content is 45%. Furthermore, additional drilling has indicated that the deposit continues unchanged to a depth of at least 75 metres below the known mineralisation. Based on the drilling, the potential additional miner-alisation is approximately 7 to 10 million tonnes. In addition, according to the Geological Survey of Finland, the Kivikangas, Sivusuvanto and Kivisuvanto deposits, which are located in the same mining district, have a total mineral deposit potential in excess of 10 million tonnes. Concentration tests carried out by the Geological Survey of Finland show that the talc is suitable for most commercial prod-ucts. The mineral deposit report was prepared by Markku Meriläinen, MAusIMM JORC (2012), and Pekka Loven, MAusIMM (CP) JORC (2012), as the Competent Persons.
The mineral resource report shows that the deposit is significant on the European scale. Because of its extent and shape, the Haaponen deposit can be efficiently mined as an open pit. Open pit opti-misation based on the mineral resource report and our cash flow models indicate that the deposit can be mined profitably.
Evaluation of the possibility of selling the deposit or the financial impact of the deposit is premature.

Personnel

The Group had an average of 205 (200) employees during the financial year. Salaries and bonuses during the financial year totalled EUR 8.7 (8.6) million. The number of personnel will be adjusted through lay-offs in accordance with the level of demand.

Annual General Meeting

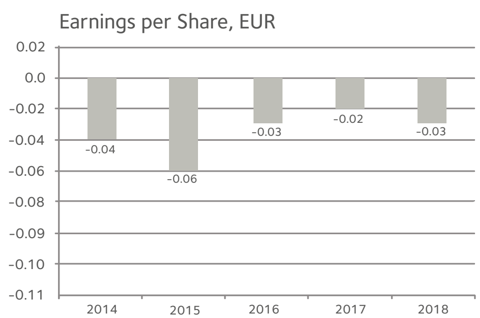
On 24.4.2019, Tulikivi Corporation's Annual General Meeting resolved not to distribute a dividend for the 2018 financial year. Jaakko Aspara, Liudmila Niemi, Markku Rönkkö, Reijo Svanborg, Jyrki Tähtinen and Heikki Vauhkonen were elected as members of the Board of Directors. The Board elected Jyrki Tähtinen as its Chair. The auditor appointed was KPMG Oy Ab, Authorised Public Ac-countants, 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 share-holders' 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.

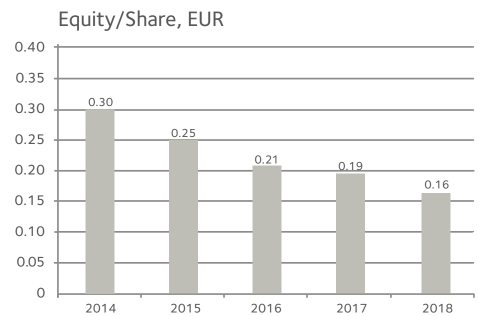
Treasury shares

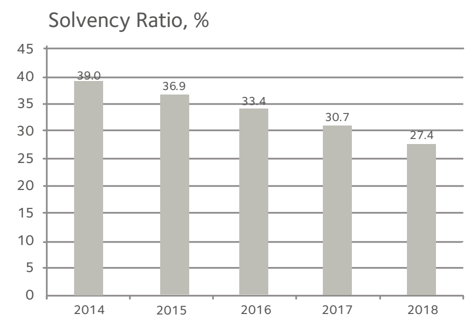
The company did not purchase or assign any treasury shares during the reporting period. At the end of the period, the total number of Tulikivi shares held by the company was 124,200 Series A shares, corresponding to 0.2 per cent of the company's share capital and 0.1 per cent of all voting rights.

Board of Directors' proposal on use of distributable equity

The parent company has no distributable equity.







The Board will propose to the Annual General Meeting that no dividend be paid out for 2019.

Near-term risks and uncertainties

The Group's most significant risk is a decline in net sales in the principal market areas. New con-struction and renovation projects affect the sales of 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 im-provement 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. There is also a risk of breach of the covenants and that the talc project will not suc-ceed. A further risk is that the company will not succeed in negotiating a sufficient repayment pro-gramme 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 impairment 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 ad-verse effect on the sales margin.

The risks are described in more detail on page 84 of the Annual Report 2019.

Future outlook

Net sales are expected to increase in 2020, and the comparable operating profit is expected to be positive.

Monitoring of strategy implementation

The Group's strategy covers all key operating and financial targets until 2022. Under the strategy, the company's annual organic growth target will be over 10 per cent once the economy improves. The aim is also that the profit before taxes will be 10 per cent of net sales within the next three years. The target for return on equity is more than 20 per cent. Due to the unstable operating environment, no strategic targets have been met. The Group has increased the efficiency of its operations to improve profitability. Over the past five years, Tulikivi has undergone an extensive restructuring programme to improve its operations. In the process, the company's debt has de-creased by around EUR 12 million since 2013, and it has invested around EUR 5 million in reorgan-isa-tion and restructuring. The company has also made significant investments in a new range of ceramic fireplaces, as well as its Karelia and Pielinen collections and their production technology. These collections have met with a positive response among end customers and dealers, and they will enable profitable growth in 2020. To increase its net sales, the company seeks to accelerate the growth in the sales of the Karelia and Pielinen collections in Finland and abroad. Special attention will also be paid to sales efficiency measures. The company's profitability will improve in 2020 as a result of its streamlined cost structure and more favourable distribution of sales.

Key ratios and ownership information

The key figures concerning the Group's financial performance, as well as key figures per share and their calculation formulas, are presented in the financial statements, along with the company's shareholders and the management's holdings.

Corporate Governance Statement

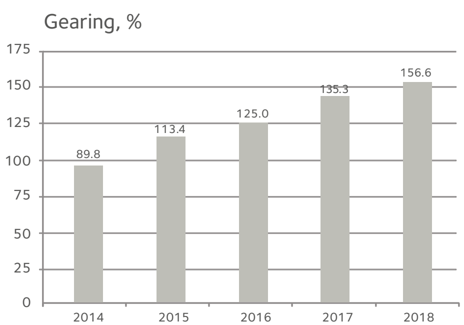
Tulikivi Corporation will issue its Corporate Governance Statement for 2019 separately from the Annual Report. The Corporate Governance Statement has been prepared in accordance with Finn-ish Corporate Governance Code, which entered into force on 1 January 2020. Information about corporate governance can be found under "Corporate Governance and Management" on Tulikivi's website at *www.tulikivi.com/en/tulikivi/corporation.*

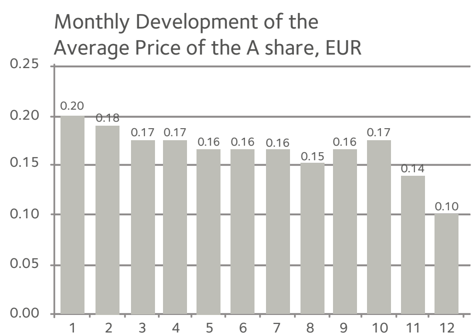
Events after the balance sheet date

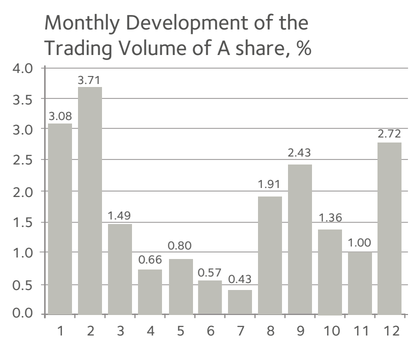
The Board of Directors of Tulikivi Corporation has assessed the impact of the outbreak and rapidly expanding epidemic of coronavirus (Covid-19) in early 2020 on the company's market environment, employees and business. So far, the viral epidemic has not had a significant impact on the demand for the company's products. The overall financial impact of the epidemic on Tulikivi Corporation's operations depends on the scale and duration of the epidemic, and it is not possible to estimate these precisely at this stage. The Board of Directors and management closely monitor the progress of the epidemic and update their assessment of its impact as the situation progresses.

Group structure

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.







Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 - Dec. 31, 2019	Jan. 1 - Dec. 31, 2018
Sales	3	**28 681**	28 583
Other operating income	4	236	266
Increase/decrease in inventories of finished goods and in work in progress		-237	-940
Production for own use		411	501
Raw materials and consumables		-6 913	-7 053
External services		-3 656	-3 474
Personnel expenses	5	-10 498	-10 312
Depreciation and amortisation	6	-2 452	-1 906
Impairment		-805	-508
Other operating expenses	7	-5 539	-6 182
Operating result		**-772**	-1 025
Financial income	8	53	45
Financial expenses	9	-829	-778
Result before income tax		**-1 548**	-1 758
Income taxes expense	11	-95	-38
Result for the year		**-1 643**	-1 796
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	10	0	6
Translation differences	10	50	-15
Other comprehensive income, net of tax		50	-9
Total comprehensive result for the year		**-1 593**	-1 805
Calculated from result attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	**-0,03**	-0.03

Consolidated Statement of Financial Position

EUR 1 000	Note	Dec. 31, 2019	Dec. 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	13	7 452	6 865
Goodwill	15	2 849	3 654
Other intangible assets	15	9 759	9 708
Investment properties	14	92	92
Other financial assets	17	26	26
Deferred tax assets	18	3 073	3 069
Other receivables		83	77
Total non-current assets		**23 334**	23 491
Current assets			
Inventories	19	6 553	6 925
Trade and other receivables	20	2 981	3 376
Cash and cash equivalents	21	1 158	798
Total current assets		**10 692**	11 099
Total assets		**34 026**	34 590
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	6 314	6 314
Treasury shares	22	-108	-108
The invested unrestricted equity fund	22	14 407	14 407
Translation differences	22	86	37
Retained earnings		-12 982	-11 340
Total equity		**7 717**	9 310
Non-current liabilities			
Deferred income tax liabilities	18	657	653
Provisions	24	260	251
Non-current liabilities		13 878	0
Other non-current liabilities		1 449	0
Total non-current liabilities		**16 244**	904
Current liabilities			
Trade and other payables	18	8 859	8 977
Current tax liabilities		0	16
Provisions	25	6	5
Short-term interest-bearing liabilities	26	1 200	15 378
Total current liabilities		**10 065**	24 376
Total liabilities		**26 309**	25 280
Total equity and liabilities		**34 026**	34 590

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018
Cash flows from operating activities			
Result for the year		-1 643	-1 797
Adjustments:			
Non-cash transactions	29	3 343	2 304
Interest expense and finance costs		829	778
Interest income		-49	-43
Dividend income		-4	-2
Income taxes	11	95	38
Changes in working capital:			
Change in trade and other receivables		110	-300
Change in inventories		373	1 197
Change in trade and other payables		-692	226
Interest paid		-659	-791
Interest received		18	38
Dividends received		4	2
Income tax paid		-107	-27
Net cash flow from operating activities		**1 618**	1 623
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-160	-279
Grants for tangible assets		178	
Purchases of intangible assets		-862	-844
Grants for intangible assets		112	
Proceeds from sale of tangible assets		13	61
Investments in other investments		-6	-30
Net cash flow from investing activities		**-725**	-1 092
Cash flows from financing activities			
Proceeds from borrowings		500	0
Repayments of borrowings		-300	-288
IFRS 16 lease liabilities paid		-764	0
Net cash flow from financing activities		**-564**	-288
Net decrease (-) / increase (+) in cash and cash equivalents		329	243
Cash and cash equivalents at the beginning of the year		798	567
Exchange gains (+) / losses (-)		31	-12
Cash and cash equivalents at the end of the year	21	**1 158**	798

Consolidated statement of changes in equity

Attributable to equity holders of the Company	Note	Share capital	The invested unrestricted equity fund	Revaluation reserve	Treasury shares	Translation differences	Retained earnings	Total equity
EUR 1 000								
Equity at January 1, 2018		6 314	14 407	-6	-108	52	-9 499	11 160
Total comprehensive result for the year				6		-15	-1 796	-1 805
Transactions with owners							-49	-49
Share option scheme							4	4
Equity at December 31, 2017		6 314	14 407	0	-108	37	-11 340	9 310
Equity at January 1, 2019		6 314	14 407	0	-108	37	-11 340	9 310
Total comprehensive result for the year				0		50	-1 643	-1 593
Equity at December 31, 2018	22, 27.5	**6 314**	**14 407**	**0**	**-108**	**87**	**-12 983**	**7 717**

Basic Information of the Group

The parent company is Tulikivi Corporation (Business ID 0350080-1) and it is domiciled in Juuka, Finland. Its registered address is 83900 Juuka, Finland.

A copy of the consolidated financial statements is available on the Internet at www.tulikivi.com or at the parent company's head office, located at the above address.

Tulikivi Corporation's Board of Directors approved these financial statements for publication at its meeting held on 26 February 2020. Under the Finnish Limited Liability Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held after publication. The Annual General Meeting also has the right to decide on making changes to the financial statements.

1. Accounting Principles for Financial Statements

1.1. Basis of Preparation

These are the financial statements of the Group. They have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2019. The term IFRS refers to the standards and interpretations that are approved for adoption in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also comply with the additional requirements under the Finnish accounting and company legislation.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities (including derivatives) carried at fair value through profit or loss. The consolidated financial statements are presented in thousands of euros.

From the beginning of 2019, the Tulikivi Group has complied with the following new and amended standards:

- IFRS 16 Leases (effective for financial years beginning on or after 1 January 2019). The new standard supersedes IAS 17 and related interpretations. IFRS 16 requires lessees to recognise leases as a liability for the lease and an related asset in the balance sheet. Recognising in the balance sheet is very similar to accounting for finance leasing in accordance with IAS 17. There are two reliefs for short-term leases of up to 12 months and assets of up to USD 5 000. The accounting treatment of lessors will remain largely consistent with current IAS 17. The company adopted the IFRS 16 Leases standard on 1 January 2019. 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. The balance sheet value of assets recognised under Buildings increased by EUR 1.4 million and that of assets under Machinery and Equipment by EUR 0.1 million. Leasing costs decreased by EUR 0.8 million and depreciation increased by EUR 0.7 million during the financial year 2019 due to the impact of IFRS 16, and hence IFRS 16 had no significant impact on profit or loss 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. As at 31 December 2019, the IFRS 16 lease liability in the balance sheet was EUR 1.5 million. The weighted average discount rate for lease liabilities under IFRS 16 was 3.0 per cent. Other amendments to standards are not expected to have an impact on the consolidated financial statements when adopted.

The preparation of the consolidated financial statements in conformity with IFRS requires the management to make certain estimates and judgements. Information about the areas where the management has exercised judgment in the application of the Group's accounting principles and which have the most impact on the figures presented in the financial statements is presented in the accounting policies under "Critical management judgments in applying the entity's accounting principles and major sources of estimation uncertainty".

1.2. Accounting Policies for the Consolidated Financial Statements

Subsidiaries

The consolidated financial statements include the parent company, Tulikivi Corporation, and all its subsidiaries. Subsidiaries are companies, over which the Group has control. Control exists when the Group owns more than half of the voting rights, or it otherwise has control. Also the existence of potential voting rights is considered when assessing the conditions of control if the instruments entitling to potential voting rights are currently exercisable. Control means the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup share holdings are eliminated using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and the disposed subsidiaries until the control ceases. Intragroup transactions, receivables, liabilities, unrealised gains, and intragroup distribution of profits are eliminated when preparing the consolidated financial statements. Unrealised losses are also eliminated unless the loss is due to impairment. Tulikivi Corporation owns its subsidiaries in full, therefore the Group's profit for the year or equity do not include non-controlling interests. All business combinations of the Group have taken place before the effective date of the revised IFRS 3(2008).

Associates

Associated companies are all entities over which the Group has significant influence. Significant influence mainly arises when the Group holds over 20 per cent of the voting rights or otherwise has significant influence, but no control. Investments in associates are accounted for using the equity method. When the Group's proportionate share of losses in an associate exceeds the book value of the interest, the investment is recognised in the balance sheet to zero value and further losses are not recognised unless the Group has committed to fulfil the associates' obligations.

The investment in an associate includes goodwill identified on acquisition. Unrealised gains between the Group and an associate are eliminated according to the ownership interest of the Group. The Group's share of the associate's profit or loss for the year is separately disclosed below operating profit. Respectively, the Group's share in the changes recognised in other comprehensive income of an associate is recognised in other comprehensive income of the Group.

Translation of Foreign Currency Items

The results and financial positions of subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing at the transaction date. In practice, exchange rates close to the rates prevailing at the dates of the transactions are usually used. Monetary items are translated into functional currency using the exchange rates prevailing at the reporting date. Non-monetary items are translated using the exchange rate at the transaction date.

Exchange differences of transactions in foreign currencies and translation of monetary items are recognized in profit or loss. Exchange differences resulting from business operations are recognized in the respective items in the income statement as part of the operating profit. Gains or losses arising from borrowings and cash in bank are recognized in finance income and expenses.

Translation of financial statements of foreign subsidiaries

Income and expenses in the statements of comprehensive income of the foreign Group companies are translated at exchange rates at the dates of the transactions and the statements of financial position are translated at closing rates at the reporting date. Exchange differences arising from translation of comprehensive income with different exchange rates in the statement of comprehensive income and in the statement of financial position are recorded within equity and this change is recognised in other comprehensive income. Translation differences arising from eliminating the cost of foreign subsidiaries and from translating the foreign subsidiaries' accumulated post-acquisition equity are recognised in other comprehensive income. When a subsidiary is disposed of, in part or in full, the accumulated translation difference is restated in profit or loss as part of the gain or loss on disposal. The Group did not acquire or sell any foreign subsidiaries in 2018–2019.

Goodwill arising from the acquisitions of foreign entities and related fair value adjustments to the assets and liabilities of the acquired entities are recognised as assets and liabilities of the said foreign entities. and are translated into euros using the exchange rates at the reporting date. The fair value adjustments and goodwill arising from the acquisitions occurring prior to 1 January 2004 have been recognised in euros.

Property, Plant and Equipment

Property, plant and equipment assets are measured in the balance sheet at cost less accumulated depreciation and impairment charges.

Cost includes expenditure directly attributable to the acquisition of an item of property, plant and equipment. The cost of a self-constructed asset includes material costs, direct employee benefit costs and other direct costs attributable to the cost of preparing the asset for its intended use. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of the asset.

When the asset consists of several items with different useful lives, each item will be dealt with as a separate asset. In this case the replacement costs of the item are capitalised and any remaining part of the asset is derecognised. Otherwise subsequent costs are included in the book value of an item of property, plant and equipment only when it is probable that the Group will gain the future economic benefits associated with the item and that it will be possible to measure the cost reliably. Other repair and maintenance costs are charged to the income statement when they occur.

Depreciation is calculated using the straight-line method based on the useful lives of the assets. Land areas are not depreciated except for mining areas, where depreciations are recognised based on the consumption of the rock material and stacking area filling time. The useful lives are as follows:

The useful lives are as follows:

Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 15 years
Motor vehicles	5 to 8 years
Other property	3 to 5 years
Equipment	3 to 5 years
investment property(buildings)	10 to 20 years

The assets' residual values and useful lives are reviewed at each financial year-end at the minimum and adjusted, if appropriate, to describe any changes in the anticipated economic benefits.

Depreciation of property, plant and equipment is discontinued when the item of property, plant and equipment is classified as being held for sale in accordance with the IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The Group had no items of property, plant and equipment classified as held for sale during the years 2018 and 2019. Gains and losses on disposal of property, plant and equipment are recognised through profit or loss and presented in other operating income and expenses. Gain/loss on sale is determined based on the difference between the disposal price and the residual value.

Government Grants

Government grants, for example grants from the state, related to the purchase of property, plant and equipment or intangible assets are deducted from the carrying amount of the asset when there is a reasonable assurance that the grant will be received and the group will comply with attached conditions. The grants are recognised in profit or loss through the depreciation/amortisation made over the useful life of the asset. Grants received as compensation for expenses already incurred are recognised in profit or loss of the period in which they become receivable. Such government grants are presented within other operating income.

Investment Properties

Investment properties are properties held in order to earn rental income or capital appreciation. Investment properties are measured at cost less accumulated depreciation.

Intangible Assets

– Goodwill

Goodwill arising on business combinations taking place after 1 January 2010 is recognised as the excess of the aggregate of the consideration transferred, the recognised amount of non-controlling interests and previously held equity interest in the acquired company, over the Group's share of the fair value of the net identifiable assets acquired. No business combinations have taken place in the Group since 1 January 2010.

Business combinations that took place between 1 January 2004 and 31 December 2009 have been accounted for in accordance with the previous IFRS standard (IFRS 3(2004)). The goodwill arising from the acquisitions that occurred before 1 January 2004 represents the carrying amount of goodwill at the date of transition to IFRSs based on the previous accounting principles.

Goodwill (and other intangible assets with unlimited useful lives) is not amortised but tested annually for impairment. For this purpose the goodwill is allocated to cash-generating units or, if an associate is in question, goodwill is included in the cost of the associate. The goodwill is measured at historical cost less impairment.

– Research and development costs

Research costs are expensed in the income statement as incurred. Development costs arising from planning of new or improved products are capitalised as intangible assets in the balance sheet when costs arising from the development phase can be reliable measured, the entity can demonstrate the technological and commercial feasibility of the product and the Group has the intention and resources to complete the development work. Capitalised development costs comprise the material, labour and test costs that are directly incurred when making the assets capable of operating in the manner intended by management. Development costs previously expensed cannot be capitalised later.

Amortisation of an asset begins as soon as the project commences. Assets not available for use are tested annually for impairment. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of the capitalised development costs is 5 years during which the capitalised costs are expensed using the straight-line method.

– Mineral resource exploration and evaluation costs

Costs of exploration and evaluation of soapstone resources are mainly capitalised. However, costs of exploration and evaluation of soapstone resources are expensed in the statement of comprehensive income when there is significant uncertainty related to commercial viability. Elements of cost of exploration and evaluation are geographical studies, exploration drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources.

After initial recognition the Group applies the cost model and the assets are amortised over 5 to 10 years. The exploration and evaluation assets are classified as a separate intangible asset category until it is possible to demonstrate technical feasibility and commercial viability. Afterwards the exploration and evaluation assets are reclassified to other intangible assets. The exploration and evaluation activities may only start once the Ministry of Employment and the Economy has granted a right of appropriation.

– Other intangible assets

Intangible assets are initially recognised in the balance sheet at cost only if the cost of the item can be measured reliably and it is probable that the Group will gain the future economic benefits associated with the asset.

Costs arising from establishing the soapstone quarries and construction of roads, dams and other site facilities related to the quarry are also capitalised. It can take years to establish a quarry. Amortisation of quarry lands, basins and other auxiliary structures begins when the quarry is ready and taken into production use, and the amortisation is allocated over the useful life of the quarry, that is, over the extraction period using the unit of production method. The extraction periods vary by quarry and can last tens of years. The amount of amortisation in unit of production method is the portion of the cost equalling the portion of extracted rock during the reporting period from the estimated total extractable amount of rock of the quarry. The amortisation period of quarries in the production phase varies from ten to twenty years. The amortisation of construction expenses of roads and dams begins in the construction year.

Intangible assets with a finite useful life are recognised as expenses on a straight-line basis over the known or estimated useful life of the asset. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Amortisation periods of other intangible assets are as follows:

Patents and trademarks	5 to 10 years
Development costs	5 years
Distribution channel	10 years
Mineral resource exploration and evaluation costs	5 to 10 years
Quarrying areas	

and basins =	unit of production method
Quarrying area roads and dams	5 to 15 years
Computer software	3 to 10 years
Others	5 years

The useful life of the fireplaces trademark has been assessed to be indefinite because there is no foreseeable limit to the period in which this asset is expected to generate net cash inflows.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost is determined using the weighted average cost method. The cost of quarried blocks is affected by the stone yield percentage. The cost of acquiring finished products includes all costs of purchase, including direct transportation, handling and other costs. The cost of own finished goods and work in progress consists of raw materials, direct labour input, other direct costs and related variable and fixed production overheads systematically allocated on a reasonable basis on a normal capacity of the production facilities. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Leases

– Group as lessee

The Group has applied the IFRS 16 standard as of 1 January 2019 and has recognised lease liabilities and the corresponding assets in the balance sheet as the lessee at the inception of the lease. Lease liability is valued at the present value of future lease payments. Rents are discounted at the Group's incremental borrowing rate. The right-of-use assets are measured at acquisition cost at the inception of the contract, including the original amount of the lease liability; any initial direct costs and estimated restoration costs of the asset, and any rents paid up to the date of inception of the contract, less any incentives received. The lease term for the lease is the period during which the lease is non-cancellable. The period included in the lease is increased by the period of the option to extend or terminate, if it is reasonably certain that the Group will exercise the extend option or will not exercise the terminate option. Leases for business premises are mainly for three years. There are two reliefs for short-term leases of up to 12 months and assets of up to USD 5 000 with regard to recognition in the 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. Some leases for business premises include an index term that is included in the amount of the lease liability, as are the minimum increase terms. After the inception of the contract, the Group values the non-current asset using the acquisition cost model. The right-of-use asset is measured at cost less depreciation and impairment losses. In addition, the carrying amount of a non-current asset is restated to the value of the lease liability if the lease liability is re-measured during the lease term. If the value of the asset is zero, the adjustment is recognised through profit or loss. Depreciation of a non-current asset is recognised in accordance with IAS 16. The residual value and useful life of a right-of-use asset are reviewed as necessary but at least in all financial statements, and any impairment is recognised if there is any change in the expected future economic benefits from the right-of-use asset. The Group values the lease liability in subsequent periods using the effective interest method. The lease liability is redefined if future lease payments are subject to change due to index increases or price changes, or changes to rentals payable under the residual value guarantee. In addition, changes in the estimates of the purchase option or the option to extend or terminate the asset may lead to a revaluation of the lease liability. The company chose the simplified approach in the transition to the standard, and thus the comparative figures for the previous year were not adjusted. In the 2018 financial statements, the Group applied IAS 17 to account for leases where the risks and rewards typical of ownership were substantially retained by the lessor as other leases and recognised the lease payments as an expense through profit or loss over the lease term.

– Group as lessor

Assets leased by the Group are included in property, plant and equipment or investment properties in the balance sheet. They are depreciated over their useful lives consistent with the Group's normal depreciation policy. Some of the leased assets are subleased. Lease income from operating leases is recognised on a straight-line basis over the lease term.

Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is assessed. In addition, the recoverable amount is assessed annually for the following assets, whether or not there is an indication of impairment: goodwill, intangible assets with indefinite useful lives and intangible assets not yet available. Mineral resource exploration and evaluation assets are tested always before reclassification of the assets in question. For the purpose of assessing criteria for recognising an impairment loss assets are grouped at the lowest levels for which there are separately identifiable cash-generating units with separately identifiable cash flows. The Group's corporate assets, which contribute to several cash-generating units and which do not generate separate cash flows, have been allocated to cash-generating units in a reasonable and consistent manner and they are tested as a part of each cash-generating unit.
The recoverable amount of an asset is the higher of the fair value less costs to sell and value in use. Value in use is the value, discounted to the present value, of the future cash flows expected to be derived from an asset or a cash-generating unit. A pre-tax rate, which reflects the market view on the time value of money and asset-specific risks is used as the discount rate.
An impairment loss is recognised when the carrying amount of the asset exceeds the recoverable amount. The impairment loss is immediately recognised through profit or loss. If an impairment loss is allocated to a cash-generating unit, it is first recognised as a deduction of the goodwill allocated to the unit and then on a pro-rata basis to unit's other assets. When an impairment loss is recognised,

the useful life of the asset to be depreciated / amortised is reassessed. For other assets except for goodwill, the impairment loss is reversed when there is a change in those estimates that were used when the recoverable amount of the asset was determined. The increased carrying amount must not, however, exceed the carrying amount that would have been determined if no impairment loss had been recognised in prior years. Previously recognised impairment loss on goodwill is not reversed for any reason.

Employee Benefits

– Pension obligations

Pension plans are classified either as defined benefit plans or defined contribution plans. In defined contribution plans the group makes fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay any further contributions if the receiver of payments is not able to pay the pension benefits in question. All other pension plans that do not meet these conditions are defined benefit plans. The contributions made to defined contribution plans are recognised through profit or loss in the period which they are due. Group's pension plans are defined contribution plans.

– Share-based payments

It also operates a stock option scheme for management and key personnel. As the EBITDA goal set for 2019 was not achieved, no options were distributed for 2019.

Provisions and Contingent Liabilities

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. A provision is measured at the present value of the expenditure required to settle the obligation. The discount factor used in the calculation of the present value is determined so that it reflects the current market assessment of the time value of money and risks related to the obligation. The amount of the provisions is assessed at each reporting date and adjusted to correspond to the current best estimate at the time of evaluation. Changes in provisions are recognised in the income statement in the same item in which the provision was originally recognised.

A warranty provision is recognised when the product subject to the warranty is sold. The amount of the warranty provision relies on the statistical information of historical warranty realisation.

A provision for restructuring is recognised when the Group has prepared a detailed restructuring plan and the restructuring has commenced or those affected have been informed about the restructuring plan. No provisions are recognised on expenses related to the Group's continuing operations.

A provision of onerous contracts is recognised when the incremental costs exceed the benefits received from the contract.

Based on environmental legislation the Group has restoration obligations related to the factory and quarry areas. A provision is recognised in the consolidated financial statements for the environmental obligations that can be estimated.

A contingent liability is a contingent obligation as a result of a past event and its existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An existing obligation in which the payment obligation probably does not need to be settled or whose amount that cannot be reliably estimated is also considered a contingent liability. Contingent liabilities are disclosed in the notes.

Current and Deferred Taxes

Income tax expense comprises current tax based on taxable income for the period and deferred tax. Taxes are recognised through profit or loss, except when they relate to items recognised directly in equity or in other comprehensive income. In this case, tax is also recognised within the item in question. Current tax is the amount of income taxes payable in respect of the taxable profit for the period and is calculated on the basis of the local tax legislation.

Deferred taxes are calculated on temporary differences between the carrying amounts of balance sheet items and their taxable values. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination and the transaction does not affect accounting or taxable profit or loss at the time of execution.

Deferred tax is recognised for investments in subsidiaries and associates, with the exception that the Group is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

The Group´s most significant temporary differences arise from depreciation of property, measuring derivatives at fair value, tax losses carried forward and fair value measurement associated to business combinations.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The recognition criteria of a deferred tax asset in this respect are assessed at each reporting date.

Non-recurring items

To ensure comparability between reporting periods, the Group classifies certain items of expense and income as non-recurring items in its financial reporting. The Group presents as non-recurring items expenses and income related to the restructuring of the Group's operations, non-recurring impairment losses on goodwill and assets, and other exceptional items that materially distort the comparability of the profitability of the Group's core business.

Revenue Recognition

– Sold goods and rendered services

The Group's revenue consists of sales of products and sales of installation and freight services. Tulikivi adopted the IFRS 15 Revenue from Contracts with Customers standard on 1 January 2018. In accordance with the standard, the Group recognises revenue to express the sale of goods and rendering of services to customers as an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. A five-step model is used to record sales revenue. 1. Identification of contracts with the customer. 2. Identification of performance obligations under all contracts. 3. Determining the purchase price. 4. Allocation of the purchase price to the performance obligations under the contract. 5. Sales revenue is recognised as performance obligations are met. The model determines when and to what extent sales revenue is recognised. The model identifies the customer contract, the contract performance obligations, defines the transaction prices, allocates the transaction price to the performance obligations, and records sales revenue. Revenue is recognised when the customer is deemed to have control over the promised goods or services; either over time or at a point in time. Tulikivi's sales revenue is recognised at a point in time.

- Lease income

Lease income is recognised on a straight-line basis over the lease term.

- Construction contracts

The Group did not have any construction contract revenues in 2019 or 2018.

- Interest income and dividends

Interest income is recognized according to the effective interest rate method and dividend income when the right to the dividend is arisen.

Non-Current Assets Classified as Held for Sale and Discontinued Operations

The Group did not have non-current assets classified as held for sale nor discontinued operations during in 2018 or 2019.

Financial assets and financial liabilities

-Financial Assets

The Group's financial assets are classified in accordance with IFRS 9 in the following categories:

- financial assets at fair value through profit or loss
- financial assets at amortised cost; and
- at fair value through other comprehensive income.

The classification depends on the purpose for which the financial asset was acquired and is made at initial recognition. The classification is based on the objectives of the business model and the contractual cash flows of the financial assets or on applying the fair value option at initial acquisition. The Group has recognised all financial assets at amortised cost and did not have any financial assets recognised at fair value through comprehensive income or at fair value through profit or loss at the reporting date. Transaction costs are included in the initial value of all the financial assets not carried at fair value through profit or loss. All purchases and sales of financial assets are recognised at trade date.

Recognised at amortised cost

Items recognised at amortised cost are non-derivative assets with fixed or determinable payments that are not quoted in an active market and are not held by the Group for trading purposes or initially recognised at fair value through other comprehensive income.

All trade and other receivables are recognised under the item. According to the Group's business model, accounts receivable is intended to hold contracts and to collect cash flows relating to them, which are solely based on capital or interest.

Assets classified in the group are measured at amortised cost using the effective interest method. The carrying amount of current receivables and other receivables is assumed to be equal to fair value. The Group recognises a deduction for expected credit losses on a financial asset that is measured at amortised cost.

Trade and other receivables are, by their nature, current or non-current assets. Items are included in the balance sheet as current or non-current receivables, the latter if they are due after more than 12 months. For trade receivables a simplified procedure is used in accordance with IFRS 9 whereby credit losses are recognised at an amount equal to the expected loss for the entire life of the loan. Credit losses recognised are based on historical information on bad debts.

They are recognised at fair value through other comprehensive income

Assets recognised at fair value through other comprehensive income are non-derivative financial assets that are explicitly designated in this category. They are included in non-current assets.

The assets of the item may consist of equities and interest-bearing investments. Available-for-sale financial assets are carried at fair value, or when the fair value cannot be measured reliably, at amortised cost. The fair value of financial assets is determined based on market bid prices. If quoted rates are not available, different valuation methods may be used as required. These can include recent transactions between independent parties, discounted cash flows and measurements of similar instruments. Market information is mainly applied in measurement minimising the application of factors determined by the Group itself. Valuation methods have been explained in connection with the notes on fair value.

For unquoted equity shares, the Group has made an irrevocable choice to value them at fair value through other comprehensive income. The investments in question are of a permanent nature and do not seek short-term returns.

Changes in the fair value recognised at fair value through other comprehensive income are recognised in other comprehensive income and presented in equity under the heading "Revaluation reserve", taking into account the tax effect. The cumulative change in the fair value of non-equity investments is restated from equity to profit or loss as an adjustment due to a change in classification when the investment is disposed or if expected credit loss is recognised on it in accordance with IFRS

9 or if credit loss is recognised on it if it is permanently impaired.

The changes in equity investments are recognised in other comprehensive income, net of tax, and presented within equity in the revaluation reserve. Changes in the fair value of these items are restated in retained earnings when the investment is sold.

Interest income fixed-income investments included the item are recognised in financial income using the effective interest method. The Group did not have any other financial assets included in the item in 2018 and 2019 except for unlisted investments.

Recognised at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets acquired to be held for trading or financial assets which are classified at initial recognition in this category. The classification can only be changed under extremely rare conditions. The financial assets measured at fair value through profit or loss include the financial assets held for trading or financial assets that include one or more embedded derivatives that significantly alter the cash flows under a contract, when the compound financial instrument as a whole is measured at fair value. Assets classified as held for trading have been acquired principally for the purpose of short-term profit-taking from market price changes.

Derivatives that are not financial guarantee contracts or that do not qualify for hedge accounting are classified as held for trading. Derivatives and financial assets with maturities less than 12 months are included in current assets. The Group had no embedded derivatives or financial guarantee contracts in 2018 or 2019. Financial assets at fair value through profit or loss are measured at fair value based on quoted market prices at the reporting date. Fair values of interest rate swaps are determined based on the present value of future cash flows and fair values of forward exchange agreements based on forward exchange rates at the reporting date. The Group applies commonly accepted valuation methods in measuring derivatives and other financial instruments that are not held for sale. Unrealised and realised gains and losses from changes in fair value are recognised in the income statement for the financial period in which they arise.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and for which the risk of changes in value is insignificant. Cash and cash equivalents mature in three months or less.

– Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If the fair value of an equity investment is significantly lower compared to the cost and for a time period defined by the Group, this is indication of impairment. If there is indication of impairment, the loss accumulated in the revaluation reserve is restated in profit or loss. Impairment losses on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss, whereas, subsequent reversal of impairment losses on interest instruments is recognised through profit or loss.

The Group recognises an impairment loss when there is objective evidence that the trade receivables are not collectible in full. Significant financial difficulties of a debtor, probability of bankruptcy, failure to make payments or delay of payments exceeding 90 days are considered as evidence of an impairment of trade receivables. An impairment loss to be recognised in the income statement is determined as the difference between the carrying amount of a receivable less the present value of the estimated future cash flows discounted with the effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is be reversed through the income statement.

Financial Liabilities

Financial liabilities are initially recognised at fair value. Transaction costs are included in the initial carrying amount for those financial liabilities carried at amortised cost. Subsequently financial liabilities, except for derivative liabilities, are measured at amortised cost using the effective interest rate method. Financial liabilities may comprise current and non-current liabilities. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to postpone the settlement of the liability at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred. Fees related to the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the loan facility will be drawn down. In these cases, the fees are capitalised in the balance sheet until the drawdown occurs. As the loan is drawn down, any related transaction fees are recognised as part of transaction expenses. To the extent that it is probable that the loan facility will not be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The principles applied in determination of fair values of all financial assets and financial liabilities are presented in Note 26 Carrying amounts of financial assets and financial liabilities by category and their fair values.

Derivative contracts and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gains and losses from the fair value measurement are recognised following the purpose of use of the underlying derivative. Changes in the fair value of derivatives that are designated and qualify as effective hedges are presented in the income statement, together with any changes in the hedged item. When the group enters into a derivative contract, it is accounted for either as a hedge of the fair value of receivables or liabilities or firm commitments (fair value hedge), or in respect of foreign currency risk, hedges of cash flows related to highly probable forecast transaction or as a derivative not qualifying for hedge accounting.

At the inception of hedge accounting the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents and assesses, both at hedge inception and at least each reporting date, the efficiency of the hedging relationship by assessing whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

- Fair value hedges

The fair value changes of derivatives satisfying the criteria of fair value hedges are recognised through profit or loss. The fair value changes of the hedged asset or liability are treated in a similar manner in respect of the hedged risk. The Group held no derivative contracts meeting the criteria of fair value hedges in 2018 or 2019.

- Cash flow hedges

The effective portion of changes in the fair values of derivatives designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the revaluation reserve in equity. The cumulative gain or loss in equity is restated in profit or loss in the same period as the hedged cash flows affect profit or loss. Gains or losses on the derivatives hedging forecasted foreign currency denominated sales are recognised as sales adjustments when those sales are realised. The ineffective portion of the changes in fair values is recognised through profit or loss in financial income or finance expenses. If the forecasted transaction that is hedged results in the recognition of a non-financial asset, such as an item of property, plant and equipment, the gains and losses recognised in equity are accounted for as a cost adjustment of the item in question.

When a hedging instrument designated as a cash flow hedge expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in equity until the forecast transaction is realised. However, if the forecasted transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is immediately recognised through profit or loss.

The fair values of hedging instruments are presented in Note 29. Changes in the revaluation reserve are presented in Note 10.2 Other comprehensive income.

Treasury Shares

If Tulikivi Corporation repurchases its own equity instruments the cost of these instruments is deducted from equity.

Operating Profit / Result

The IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: the operating profit is the net amount attained when other operating income is added to and purchase expenses adjusted with changes in finished goods, and work in progress and costs of production for own use, employee benefit expenses, depreciation and amortisation, any impairment charges and other operating expenses are deducted from net sales. All other items are presented below operating profit in the income statement. Exchange rate differences and the fair value changes of derivatives are included in operating profit if they result from business operations, otherwise they are recognised in the financial items. Negative operating profit is referred to as Operating result in the reporting.

Critical Management Judgments in Applying the Entity's Accounting Principles and Major Sources of Estimation Uncertainty

Estimates and assumptions are made in preparing financial statements and their outcome may differ from that of earlier estimates and assumptions. Moreover, judgement must also be exercised in applying the accounting principles.

- Sources of estimation uncertainty

Judgments and assumptions are based on the management's best estimate as at the reporting date. The estimates are based on earlier experience and assumptions of the future considered to be most probable at the reporting date, relating to i.a. expected development of the economic environment in which the Group operates affecting the sales volumes and expenses. The Group monitors realisation of the estimates, the assumptions and the changes in the underlying factors regularly in cooperation with business units by using various, both internal and external sources of information. Possible revisions to estimates and assumptions are recognised in the period in which the estimates and assumptions are revised and in any future periods affected.

At Tulikivi the key assumptions about the future and major sources of estimation uncertainty as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to, amongst others, deferred tax assets, measurement of inventories, property, plant and equipment related to quarries, fair value measurement and impairment testing of assets acquired in business combinations, that are described in detail below. The Group management believes that these are the key areas in the financial statements, since they include the most complex accounting policies and require most significant estimates and assumptions. In addition, changes in the estimates and assumptions used in these areas of financial statements are estimated to have the most extensive effects.

- Impairment testing

The Group tests goodwill, intangible assets not yet available for use and intangible assets with indefinite useful life annually for potential impairment and assesses indications of impairment of property, plant and equipment and intangible assets at each reporting date. In addition, regarding mineral resource exploration and evaluation assets, impairment tests are performed when the assets are reclassified. The recoverable amounts of the cash-generating units are assessed based on their value in use. The preparation of such calculations requires the use of estimates, especially in respect of future growth estimates of the cash-generating units and changes in profitability.

Further information on the sensitivity of the recoverable amount to the changes in the assumptions used can be found in Note 16.3 Impairment testing.

EUR 1 000

2. Segments

In connection with the performance improvement programme, the organisation has been streamlined and the Fireplace and Interior Stone businesses have been integrated.

3. Sales

3.1. Net sales per goods and services

	2019	2018
Sales of goods	26 983	26 919
Rendering of services	1 698	1 664
Sales, total	**28 681**	28 583

3.2. Geographical information

2019	Finland	Rest of Europe	USA	Group Total
Sales	12 448	15 480	753	28 681
Assets	23 286	48	0	23 334
2018	**Finland**	**Rest of Europe**	**USA**	**Group Total**
Sales	12 884	15 077	622	28 583
Assets	23 452	39	0	23 491

Non-current assets exclude financials instruments and deferred tax assets.
Geographical segments' sales are presented based on the country in which the customer is located and assets are presented based on location of the assets.

3.3. Information on most important clients

Group's revenue was distributed so that no one external client generated over 10 per cent of the company's total revenue in 2019 (2018).

3.4. Timing of satisfying performance obligations

	2019	2018
At a point in time	28 681	28 583
Over time	0	0
Sales, total	**28 681**	28 583

4. Other operating income

Proceeds from sale of PPE	13	59
Other income	223	207
Other operating income, total	**236**	266

5. Employee benefit expense

Wages and salaries	-8 711	-8 578
Pension costs - defined contribution plans	-1 373	-1 420
Other social security expenses	-414	-310
Share-based compensation	0	-4
Employee benefit expense, total	**-10 498**	-10 312

Information on key management personnel compensation is disclosed in note 34.3. Key management compensation.

5.1. Group's average number of personnel for the financial period

Group's average number of personnel for the financial period, total	**205**	200
Group's personnel at 31 December.	235	247

1 000 euro	2019	2018

6. Depreciation, amortisation and impairment

Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	-7	-10
Capitalised development costs	-386	-380
Other intangible assets	-189	-235
Amortisation on quarries based on the unit of production method *)	-174	-146
Right-of-use assets	-5	0
Amortisation of intangible assets, total	**-761**	-771
Tangible assets		
Buildings	-425	-445
Machinery and equipment	-499	-659
Motor vehicles	-22	-14
Depdeciation on land areas based on the unit of production method *)	-15	-17
Other tangible assets	0	0
Right-of-use assets	-730	0
Depreciation of tangible assets, total	**-1 691**	-1 135
Investment property		
Buildings	0	0
Impairment		
Inpairment of Goodwill	-805	-508
Total depreciation, amortisation and impairment	**-3 257**	-2 414

*) The Group applies the unit of production method based on the usage of stone in calculating the amortisation for quarries, precipitation basins and mining rights. Land areas are depreciated on a unit-of-use basis based on the consumption of the rock material or stacking area filling time.

7. Other operating expenses

Losses on sales of tangible assets	-62	0
Rental expenses	0	-1 007
Expense - leases of low-value assets (<5000 USD)	-66	0
Expense - short-term leases (<12 months)	-58	0
Real estates costs	-318	-264
Marketing expenses	-1 113	-1 112
Other variable production costs	-2 013	-1 721
Other expenses	-1 909	-2 078
Other operating expenses, total	**-5 539**	-6 182

7.1. Research expenditure

Research costs expensed totalled EUR 601 thousand (516 thousand in 2018).

7.2. Auditors' fees

KPMG Oy AB		
Audit fees	85	54
Other fees	2	6
Audit fees, total	**87**	60

EUR 1 000	2019	2018
8. Finance income		
Dividend income on available for sale financial assets	4	2
Foreign exchange transaction gains	37	34
Interest income on trade receivables	6	5
Other interest income	6	4
Finance income, total	**53**	45
9. Finance expense		
9.1. Items recognised in profit or loss		
Interest expenses on financial liabilities at amortised cost and other liabilities	-629	-580
Interest expense related to lease contracts	-44	0
Foreign exchange transactions losses	-37	-36
Other finance expense	-119	-162
Finance expense, total	**-829**	-778

Exchange rate differences recognised in sales and purchases totalled EUR 1 thousand (profit) in 2019 (2018: loss of EUR 2 thousand).

10. Other comprehensive income

Financial items recognised in other comprehensive income:

	2019			2018		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	0	0	0	6	0	6
Translation differences	50	0	50	-15	0	-15
Other comprehensive income, total	**50**	**0**	**50**	-9	0	-9

11. Income taxes	2019	2018
Current tax	95	38
Income taxes, total	**95**	38

The reconciliation between the tax expense in the income statement and the tax calculated based on the Group's domestic tax rate (20 per cent in 2018).

	2019	2018
Profit before tax	-1 548	-1 759
Tax calculated at domestic tax rates 20 per cent	310	352
Effect of foreign subsidiaries different tax bases	-1	-5
Income not subject to tax	1	0
Unrecognized deferred taxes on provisions	-26	-18
Unrecognised taxes of previous losses	-183	-286
Unrecognized deferred taxes on provisions	0	5
Impairment of goodwill	-161	-102
Other	-35	16
Income statement tax expense	-95	-38

EUR 1 000	2019	2018

12. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Profit attributable to equity holders of the parent company (EUR 1 000)	-1 643	-1 797
Weighted average number of shares for the financial period	59 747 043	59 747 043
Basic/diluted earnings per share (EUR)	-0,03	-0,03

13. Property, plant and equipment

2019	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 284	15 095	15 726	1 448	1 807	20	35 380
Additions	0	0	30	2	0	7	39
Disposals	0	0	-21	-41	0	0	-62
Translation differences and other adjustments	0	0	0	6	0	0	6
Cost December 31	1 284	15 095	15 735	1 415	1 807	27	35 363
Accumulated depreciation and impairment January 1	-507	-11 681	-14 032	-1 424	-871	0	-28 515
Depreciation	-15	-425	-499	-22	0	0	-961
Depreciation related to the disposals	0	0	21	41	0	0	62
Accumulated depreciation and impairment December 31	-522	-12 106	-14 510	-1 405	-871	0	-29 414
Right-of-use assets January 1	0	1 270	206	0	0	0	1 476
Additions	0	857	69	0	0	0	926
Depreciation	0	-582	-148	0	0	0	-730
Disposals	0	-169	0	0	0	0	-169
Right-of-use assets December 31	0	1 376	127	0	0	0	1 503
Property, plant and equipment, Net book amount January 1	777	3 414	1 694	24	936	20	6 865
Property, plant and equipment, Net book amount December 31, 2019	**762**	**4 365**	**1 352**	**10**	**936**	**27**	**7 452**

The Group's production machinery within property, plant and equipment has carrying amount of EUR 1 167 (1 630) thousand.
The reductions in machinery and equipment did not include scraps in 2019 or 2018. The Group started to use a new fixed asset register software in 2018. There were no construction under Machinery and equipment in 2019 or 2018.
The Group did not obtain government grants(EUR 18 thousand in 2018) to acquisitions of plant and equipment. Government grants are deducted in arriving at the carrying amount of the related assets.

2018	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 284	15 095	16 021	1 426	1 807	45	35 678
Additions	0	0	159	22	0	0	181
Disposals	0	0	-454	0	0	-25	-479
Translation differences and other adjustments	0	0	0	0	0	0	0
Cost December 31	1 284	15 095	15 726	1 448	1 807	20	35 380
Accumulated depreciation and impairment January 1	-490	-11 236	-13 822	-1 410	-871	0	-27 829
Depreciation	-17	-445	-659	-14	0	0	-1 135
Translation differences and other adjustments	0	0	-5	0	0	0	-5
Depreciation related to the disposals	0	0	454	0	0	0	454
Accumulated depreciation and impairment December 31	-507	-11 681	-14 032	-1 424	-871	0	-28 515
Property, plant and equipment, Net book amount January 1	794	3 859	2 199	16	936	45	7 849
Property, plant and equipment, Net book amount December 31, 2018	777	3 414	1 694	24	936	20	6 865

EUR 1 000		
14. Investment property	2019	2018
Buildings	Buildings	Buildings
Acquisition cost January 1 and December 31	28	28
Accumulated depreciation and impairment January 1 and December 31	-28	-28
Net book amount January 1 and December 31	**0**	0
Land	Land	Land
Acquisition cost January 1	92	92
Cost December 31	92	92
Investment property, total	**92**	92
Fair value *)	92	92
Pledged property	0	0

*) The value of the real estates, that have market value on active markets, is based on the opinions of real estate agents.

The Group has categorised the fair value measurement for all of its investment properties as a Level 3 fair value since observable market data was not comprehensively available when fair value was determined.

Net book amount (land and buildings) December 31, 2019	**92**	92

EUR 1 000

15. Intangible assets

15.1. Goodwill and other intangible assets 2019	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Quarry lands and mining patents	Other intangible assets	Total
Cost January 1	3 654	3 388	5 489	6 184	123	3 392	5 405	27 635
Additions	0	0	0	162	0	18	367	547
Capitalised development costs	0	0	319	0	0	0	0	319
Disposals	0	0	0	0	0	0	-685	-685
Impairments	-805	0	0	0	0	0	0	-805
Cost December 31	2 849	3 388	5 808	6 346	123	3 410	5 087	27 011
Accumulated amortisation and impairment January 1	0	-733	-4 543	-3 502	-103	-1 130	-4 262	-14 273
Depreciation	0	-7	-386	-157	0	-50	-156	-756
Depreciation related to the disposals	0	0	0	0	0	0	623	623
Accumulated amortisation and impairment December 31	0	-740	-4 929	-3 659	-103	-1 180	-3 795	-14 406
Right-of-use assets January 1	0	0	0	0	0	0	8	8
Depreciation	0	0	0	0	0	0	-5	-5
Right-of-use assets December 31	0	0	0	0	0	0	3	3
Goodwill and other intangible assets, Net book amount January 1	3 654	2 655	946	2 682	20	2 262	1 151	13 370
Goodwill and other intangible assets, Net book amount December 31, 2019	**2 849**	**2 648**	**879**	**2 687**	**20**	**2 230**	**1 295**	**12 608**

Internally generated intangible assets are costs incurred from opening new quarries and construction of basins. The carrying amount of intangible assets includes costs incurred from opening quarries EUR 4 845 (4 889) thousand in total. Costs from opening quarries are a few €/m3 for the total stone reserves of the quarry in question. Book value is the carrying amount of each quarry at the balance sheet date. Carrying amount includes the cost of opening a quarry, concession fees, coagulation basin and the attributable carrying amounts of roads.

Other intangible assets consist of licences, software, connection fees as well as of expenditures arisen from gates and asphalting works.

The group did not receive any public grants in 2019 (101 thousand in 2018).
There were no classification changes relating to the mineral resources exploration and evaluation assets, that is, there were no transfers to other intangible assets during the reporting period or comparative period.
There haven't been recognised any expenditures relating to mineral resources exploration and evaluation directly as an expense in the income statement.

In 2019 and 2018 there were not any deductions of intangible assets / accumulated amortisations on deductions.
At the end of the current financial year, there were deductions / accumulated depreciation of EUR 62 thousand in 2019, any deductins in 2018.

2018	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Quarry lands and mining patents	Other intangible assets	Total
Cost January 1	4 162	3 388	5 109	5 975	123	3 280	5 242	27 279
Additions	0	0	0	209	0	112	163	484
Capitalised development costs	0	0	380	0	0	0	0	380
Cost December 31	-508	0	0	0	0	0	0	-508
Accumulated amortisation and impairment January 1	3 654	3 388	5 489	6 184	123	3 392	5 405	27 635
Depreciation	0	-723	-4 163	-3 372	-99	-1 077	-4 068	-13 502
Depreciation related to the disposals	0	-10	-380	-130	-4	-53	-194	-771
Accumulated amortisation and impairment December 31	0	-733	-4 543	-3 502	-103	-1 130	-4 262	-14 273
Goodwill and other intangible assets, Net book amount January 1	4 162	2 665	946	2 603	24	2 203	1 174	13 777
Goodwill and other intangible assets, Net book amount December 31, 2018	3 654	2 655	946	2 682	20	2 262	1 143	13 362

EUR 1 000

16. Goodwill
16.1. Goodwill allocation
The Group's goodwill totals EUR 2.8 (3.7) million. Of that amount EUR 2.2 million has been allocated to Ceramic fireplaces unit and EUR 0.6 million to Interior stones , which form separate cash-generating units. Of the value of the Kermansavi trademark acquired in the acquisition of Kermansavi Oy, amounting to EUR 3.2 million, EUR 2.7 million has been allocated to Ceramic fireplaces unit and EUR 0.5 million to Utility ceramics unit. The amount has been derecognised in full as impairment losses transpired in impairment testing during previous years. The useful life of the trademark has been estimated to be indefinite. Beacause of its established brand, the management believes that the trademark will generate net cash inflows for the group for an undefined period of time.

The carrying amounts of goodwill and trade mark were allocated as follows:	Interior stone products	Kermansavi fireplaces
2019		
Goodwill	632	2 229
Trademark		2 712
Total	632	4 941
2018		
Goodwill	632	3 034
Trademark		2 712
Total	632	5 746

16.2. Recognition and allocation of impairment losses
As a result of impairment testing conducted in conjunction with the preparation of its financial statements, Tulikivi has decided to recognise an EUR 0.8 million (EUR 0.5 million) impairment loss on goodwill in the Group's balance sheet. The impairment loss concerns the goodwill generated by the acquisition of Kermansavi Oy in 2006.

16.3. Impairment testing
In impairment testing, the recoverable amounts of the cash-generating units are determined based on their value in use. The cash-flow projections are based on management forecasts covering a five-year period. The pre-tax discount rate used in impairment testing was 10.5 per cent (11.0 in 2018) for Kermansavi fireplaces and 10.5 per cent (10.4) for interior stones, which corresponds to the weighted average cost of capital, taking into account the risk premium. The Kermansavi fireplaces will see a 5 per cent increase in sales in 2020 and a 2 per cent increase in sales in 2021 and beyond, based on contracts with self-build house kit manufacturers and a 5 per cent price increase made in autumn 2019. In October–November 2019, leases covering on approximately 3,500 m2 of the Heinävesi plant were terminated with one month's notice, with the savings fully realised as of 1 January 2020. Reduced production space heating costs, electricity costs, repair costs, etc. are variable costs and hence improve the sales margin. The sales margin will also improve as a result of price increases made in the autumn of 2019, as well as through enhanced production and purchasing efficiency. In interior stones, 5 per cent net sales growth in 2020 and 2 per cent in 2021 and beyond is based on improved outlook for new construction and renovation in the interior stone products market and price increases. Kermansavi fireplaces and interior stone products use the average figures for the period for the terminal year.

The key assumptions used in determining value in use were as follows:

1. Sales margin
Operating result of Kermansavi fireplaces is assumed to slightly improve resulting from the renewed product collection and efficiency measures under the performance improvement programme being carried out. Operating result of Interior Stone unit is assumed to improve resulting from the optimization of operations through restructuring.

2. Discount rate: determined as the weighted average cost of capital (WACC) where the cost of capital is the weighted average cost of equity and liability components including the adjustment for risk.

EUR 1 000						
The discount rate and growth rate			Interior stone		Kermansavi fireplaces	
			2019	2018	2019	2018
Discount rate			10.5	10.4	10.5	11.0
Growth rate (average for the forecast period)			2.0	5.0	2.0	5.0
The cash amount recoverable with the assumptions made less book value is presented in the following table.					2019	2018
Interior stone					252	496
Kermansavi fireplaces					0	0
Sensitivity analysis of impairment tests						

Effects of potential changes in the variables on other factors have not been taken into account in the sensitivity analysis. The change in result has been tested on the operating profit level.

2. Effect on impairment if the discount rate rises by 1 per cent or if profit is 20 per cent lower than the target.			Effect of changes in discount rate, in thousands of euro		Effect of changes in profit, in thousands of euro	
			2019	2018	2019	2018
Interior stone			-	-	-	-
Kermansavi fireplaces			-748	-783	-1 427	-1 536

Increase of 0.00 (0.00) per cent -point in the interest rate would result in recognition of impairment loss for Kermansavi stoves. Increase of 2.7 (5.7) per cent -point in the interest rate would result in recognition of impairment loss for Interior stone. Decrease of 0.00 (0.00) percent -point and of 1.1 (1.5) per cent -point in operating margin would result in recognition of impairment loss for Kermansavi stoves and Interior Stones respectively.

16.4. Mineral resource exploration and evaluation assets

Mineral resource exploration and evaluation assets belong to the Fireplaces business segment. The carrying amount of capitalised exploration and evaluation expenditure is EUR 20 (20 thousand. Impairment tests are performed always when theclassification of assets in question changes and if there is an indication of impairment. Change in classification is dealt with more thoroughly in the accounting principles, section Mineral resource exploration and evaluation assets.

17. Other financial assets	2019	2018
Financial assets available for sale		
Balance sheet value January 1	26	26
Balance sheet value December 31	**26**	26

Financial assets available for sale are investments in unquoted shares. They are measured at cost, since their fair values can not be determined reliably. The company has made an irrevocable decision to recognise unlisted shares in other comprehensive income. There have been no changes in the item during the financial year.

EUR 1 000						
18. Deferred tax assets and liabilities						
18.1. Changes in deferred taxes during year 2019:	Jan. 1, 2019	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2019
Deferred tax assets:						
Provisions	0	0	0	0	0	0
Unused tax losses	950	-140	0	0	1	810
Accumulated depreciation / amortisation not yet deducted in taxation	1 908	137	0	0	0	2 045
Change in the revaluation reserve	0	0	0	0	0	0
Other items	210	8	0	0	0	218
Deferred tax assets, total	3 068	5	0	0	1	3 073
Deferred tax liabilities:						
Capitalisation of intangible assets	0	0	0	0	0	0
Valuation of tangible and intangible assets at fair value in a business combinations	-542	0	0	0	0	-542
Other items	-111	-4	0	0	0	-115
Deferred tax liabilities, total	**-653**	**-4**	**0**	**0**	**0**	**-657**
Changes in deferred taxes during year 2018:	Jan. 1, 2018	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2018
Deferred tax assets:						
Provisions	0	0	0	0	0	0
Unused tax losses	1 222	-271	0	0	0	950
Accumulated depreciation / amortisation not yet deducted in taxation	1 739	170	0	0	0	1 909
Change in the revaluation reserve	0	0	0	0	0	0
Other items	210	0	0	0	0	210
Deferred tax assets, total	3 171	-101	0	0	0	3 069
Deferred tax liabilities:						
Capitalisation of intangible assets	0	0	0	0	0	0
Valuation of tangible and intangible assets at fair value in a business combinations	-643	102	0	0	0	-541
Other items	-112	0	0	0	0	-112
Deferred tax liabilities, total	-755	102	0	0	0	-653

The Group has recognized deferred tax assets for the part of deductible temporary differences. Deferred tax assets are recognized for some unused tax losses as well as depreciation and amortization charges not yet deducted in taxation to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. In addition, deferred tax assets offer the company tax planning opportunities. The losses in question expire gradually over 2021 - 2025. Deferred tax assets have not been recognized in respect of losses for the financial period 2019. Due to the completed performance improvement programme in 2013 - 2016, the cost structure of the company has been improved significantly. Consequently, it is considered that the financial performance of the company will be positive during the following strategy period 2020 - 2022.

In recent years, the company has implemented a rigorous cost-saving programme and made its structure much more competitive. The difficult market situation and major changes led to a substantial decline in net sales, the company successfully turned its net sales around already in 2019, achieving minor growth. The highly successful development work on the Karelia and Pielinen collections provides an opportunity to increase net sales and profitability in 2020.

The Group has EUR 13 145 (12 904) thousand tax losses carried forward, of which no deferred tax asset was recognized, as it is unlikely that the Group will generate taxable profit, before the expiration of the tax losses against which tax losses can be utilized. Of non-recognised losses, EUR 224 thousand will expire in 2020, EUR 2 471 thousand in 2021, EUR 124 thousand in 2022, EUR 2 368 thousand in 2023, EUR 3 368 thousand in 2024, EUR 2 487 thousand in 2025, EUR 841 thousand in 2026, EUR 738 thusand in 2027 and EUR 524 thousand in 2028.

EUR 1 000	2019			2018
19. Inventories				
Raw materials and consumables	2 912			3 048
Work in progress	1 653			1 692
Finished goods	1 987			2 185
Inventories, total	**6 552**			6 925

In 2019 raw materials, consumables and changes in finished goods and in work in progress recognized as an expense amounted to EUR 17 233 (16 406) thousand. Furthermore, a write-down of inventories to net realisable value was made, amounting to EUR 189 (184) thousand.

20. Trade and other receivables				
20.1. Current trade and other receivables				
Trade receivables	2 583			2 645
Accrued incomes	324			0
Tax assets	-5			0
Other accrued income	0			578
Other receivables	79			153
Current receivables, total	**2 981**			3 376
20.2. Aging analysis of trade receivables and impairment losses at balance sheet date				
2019	Gross	Impairment (%)	Impairment	Net
Not past due	1 812	0.3	5	1 807
Past due 1-30 days	314	1.6	5	309
Past due 31-60 days	125	3.6	4	121
Past due 61-90 days	88	6.6	6	82
Past due over 90 days	295	10.6	31	264
Total	**2 634**		**51**	**2 583**
2018	Gross	Impairment (%)	Impairment	Net
Not past due	1 773	0.3	5	1 768
Past due 1-30 days	565	1.6	9	556
Past due 31-60 days	64	3.6	3	61
Past due 61-90 days	97	6.6	6	91
Past due over 90 days	191	10.6	22	169
Total	2 690		45	2 645

EUR 1000			
20.3. Trade receivables by risk categories			
2019	Gross	Impairment	Net
Largest customers by customer groups			
Stove producers	355	0	355
Distributors of fireplaces in foreign countries	819	25	794
Construction companies	95	8	87
Distributors in home country	1 079	13	1 066
End users	286	5	281
Trade receivables, total	**2 634**	**51**	**2 583**
2018			
Largest customers by customer groups	Gross	Impairment	Net
Stove producers	351	3	348
Distributors of fireplaces in foreign countries	944	18	926
Construction companies	34	1	33
Distributors in home country	1 178	16	1 162
End users	183	7	176
Trade receivables, total	2 690	45	2 645
The carrying amount of trade receivables for which the terms have been renegotiated	0		0

Trade and other receivables

The carrying amounts of trade and other receivables equal with their fair values, since discounting has not material effect owing to short maturities.

Credit risk related to receivables is presented in note 27.3 Credit risk.

21. Cash and cash equivalents		2019	2018
Cash in hand and at bank		1 158	798

22. Notes to shareholders' equity				
Share series	Number of shares	% of shares	% of voting rights	Share, EUR of share capital
K shares (10 votes) at December 31,2019	7 682 500	12.8	59.5	810 255
A-shares (1 vote) total at December 31, 2019	52 188 743	87.2	40.5	5 504 220
Shares total at December 31, 2019	59 871 243	100.00	100.00	6 314 475

Effect of changes in the number of shares	Number of shares	Share capital, EUR	Treasury shares, EUR	Total, EUR
January 1, 2011	37 143 970	6 314 475	-108 319	6 206 156
Acquisition of own shares	-124 200			
December 31, 2011	37 019 770	6 314 475	-108 319	6 206 156
December 31, 2012	37 019 770	6 314 475	-108 319	6 206 156
Issue of shares	22 727 273			0
Shares total at December 31, 2018 and December 31, 2019	59 747 043	6 314 475	-108 319	6 206 156

According to the articles of association the company shall distribute from distributable profit EUR 0.0017 per share more to the company's series A shares than for the company's series K shares. Tulikivi Corporation's series A share is listed in the NASDAQ OMX Helsinki Ltd. Shares do not have nominal value. Maxium share capital was EUR 10 200 in 2019 and 2018.

Share premium fund and invested unrestricted equity fund

Payments for share subscriptions under the old Companies Act (29.9.1978/734) have been recognised in share capital and share premium fund in accordance with the terms of the share issues. As decided by the Annual general meeting the funds of the share premium account, EUR 7 334 thousand, has been transfered to the invested unrsetricted equity fund in 2010.
The proceeds received from the share issued carried out in 2013, amounting to EUR 7 500 thousand, are recognised in the invested unrestricted equity fund. The related transaction costs, totalling EUR 427 thousand, are debited to the invested unrestricted equity fund. The invested unrestricted equity fund amounted to EUR 14 407 thousand at December 31, 2013.

Translation differences

Translation differences consist of translation differences related to translation of the financial statements of foreign entities into Group reporting currency.

Revaluation reserve

The revaluation reserve includes the effective portion of changes in the fair value of derivatives that qualify as cash flow hedges.

Treasury shares

Treasury shares include the cost of own shares held by the Group. It is presented as a deduction from equity.
During the reporting period, Tulikivi Oyj has neither acquired nor disposed any own shares in 2019 (2018). At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.2 per cent of the share capital and 0.1 per cent of the voting rights. The acquisition price is EUR 0.87 /share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.
No dividend was paid in 2019 and 2018.

23. Share-based payments

Stock options for management and key personnel

Terms of share-based payments / Option rights
Option rights are used to encourage the key employees to work on a long-term basis to increase shareholder value. The option rights also aim at committing the key employees to the employer.
The option program is targeted to approximately 13 key employees, including the members of the Management Group. The Board of Directors decides on the distribution of the option rights annually. For all key employees, the prerequisite for receiving stock options is share ownership in the company.

The management of Tulikivi Group and the key employees are entitled to subscribe the company shares if the separately established vesting criteria are met, as follows:
The maximum total number of stock options issued is 1,800,000, and they entitle their owners to subscribe for a maximum total of 1,800,000 new A shares in the company or existing A shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be 1 May 2016—31 May 2018, for the stock option 2013B, 1 May 2017—31 May 2019, and the for stock option 2013C, 1 May 2018—31 May 2020. The share subscription price for all stock options is EUR 0.33 per share. The basis for the subscription price is the subscription price used in the share issue of Tulikivi Corporation carried out in October 2013. Each year dividends and equity returns will be deducted from the share subscription price. Dividends and equity returns paid annually will be deducted from the subscription price.

The theoretical market value of one stock option has been calculated through the use of Black & Scholes stock option pricing model with the following input factors:
- options 2013A, theoretical market value EUR 0.10: share price EUR 0.32, share subscription price EUR 0.33, risk free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent.
- options 2013B, theoretical market value EUR 0.03: share price EUR 0.21, share subscription price EUR 0.33, risk free interest rate 0.13 per cent, validity of stock options approximately 4.5 years and volatility 33 per cent.
- options 2013C, theoretical market value EUR 0.04: share price EUR 0.22, share subscription price EUR 0.33, risk free interest rate 0.24 per cent, validity of stock options approximately 4.2 years and volatility 38 per cent.

The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets established for the vesting criterion.

The Board of Directors will determine separate financial targets based on the company's performance improvement programme for each option type, which must be met in order to the option to be granted. For vesting of each stock option class, the Board of Directors will establish financial targets related to the company's performance improvement program separately for each stock option class. The number of stock options 2013A is 500 000, 2013B is 650 000 and 2013C is 650 000. As the EBITDA goal set for 2014 to 2019 was not achieved, no incentive pay was paid and no options were distributed for 2014 to 2019.

The Board decided to extend the monitoring period to the 2019 reporting period to option type 2013C.

24. Provisions EUR 1000	Environmental provision		Warranty provision		Restructuring provision	
	2019	2018	2019	2018	2019	2018
Provisions January 1	182	185	75	75	0	21
Increase in provisions	0	0	96	73	0	0
Effect of discounting, change	4	3	0	0	0	0
Used provisions	-6	-6	-86	-73	0	-21
Discharge on recerves	0	0	0	0	0	0
Provisions December 31	**180**	182	**85**	75	**0**	0

Environmental provision
A provision for Tulikivi Group's estimable environmental obligations has been recognised. The provision covers the costs from future closure of quarries related to monitoring waters, security arrangements and stacking area lining work. For the quarries open at the moment, the costs are estimated to incur on average in ten years from now. The discount rate used in determining the present value is 4 (4) per cent. The undiscounted amount of environmental provision was EUR 395 (399) thousand.

Warranty provision
There is a warranty period of five years related to certain products of Tulikivi Group. During the warranty period faults consistent with the warranty contract are fixed at company's expense. Warranty provision is based on previous years experience on the faulty products, taking into consideration improvements.

	2019	2018
Non-current provisions	260	251
Current provisions	5	6
Proviosions, total	**265**	257
25. Interest-bearing liabilities		
Bank borrowings	11 983	12 221
TyEL pension loans	3 095	3 157
Balance sheet value	15 078	15 378
25.1. Non-Current		
Bank borrowings	11 029	0
TyEL pension loans	2 849	0
Non-Current Total	13 878	0
Interest bearing loans expire as follows:		
2019	0	600
2020	1 200	14 778
2021	13 878	0
Interest bearing loans total	**15 078**	15 378
25.2. Current		
Repayments of long-term bank loans in 2020	954	12 221
Repayments of long-term TyEL loans in 2020	246	3 157
Interest-bearing liabilities total	**1 200**	15 378

The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

On 20 December 2019, the company signed a new financing agreement with its finance providers, which replaced the earlier agreement, including its amendments, signed on 31 October 2018. The financing agreement includes a repayment programme for 2019–2020 in proportion to the finance providers' exposures and loan covenants to finance providers. The financing agreement includes covenants concerning EBITDA, the equity ratio and the ratio of debt to EBITDA, for example. Assessment of the management of the company is that company's financing is secured and the company meets the financial covenants in finance agreement in 2020, if the company's business is developing in line with forecasts. The company has agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2021 and subsequent years and its terms no later than 30 September 2020 and that it will complete the negotiations by 31 December 2020. The weighted average of the effective interest rates of non-current financial liabilities was 3.5 per cent (3.4) on 31 December 2019. Of the Group's debt financing, EUR 15.1 (15.4) million includes covenants that are tied to the Group's equity, EBITDA or interest-bearing debt to EBITDA. Failure to meet these conditions may require consultation with the finance provider and the provision of additional collateral for the loans.

26. Trade and other payables	2019	2018
26.1. Non-current		
Other non-current liabilities	1 449	0

Other non-current liabilities comprise IFRS 16 lease liabilities EUR 949 thousand and working capital loan EUR 500 thousand.

26.2. Current		
Trade payable	3 276	4 072
Advances received	469	583
Accrued expenses		
Wages and social security expenses	3 445	3 400
Discounts and marketing expenses	213	227
External services	17	11
Interest liabilities	123	3
Other accrued expenses	168	96
Accrued expenses, total	3 966	3 737
Other liabilities	1 148	585
Current trade and other payables, total	**8 859**	8 977

Other accrued expenses comprise accrued interest expenses and accruals related to other operating expenses.
Other accrued expenses include accruals of other operating expenses. Other liabilities include IFRS 16 current lease liabilities EUR 571 thousand.
There are no other IFRS 15 liabilities related to customer contracts

27. Financial risk management

The Group's activities expose it to various financial risks. The objective of the Group's financial risk management is to minimisize the unfavourable effects of the changes in the finance market to its profit for the period. The main financial risks to which the Group is exposed are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group finance has been centralised in parent company, and the financing of the subsidiaries is mainly taken care of by internal loans. The liquidity of the Group companies is centralised by consolidated accounts. The finance department is responsible for investing the liquidity surplus and for financial risk management in accordance with the policies approved by the Board of Directors.

27.1. Foreign exchange risk:

The group's currency risks arise from commercial transactions, monetary items in the statement of financial position and net investments in foreign subsidiaries. The most important currencies in respect of the Group's foreign currency risk are US Dollar (USD) and Russian Rouble (RUB). Over 90 per cent of the Group's cash flows are denominated in euro, thus, the Group's exposure to foreign currency risk is not significant. Foreign currency risk can be hedged with forward contracts. The Group did not have any open forward contracts at the year-end 2018. The group does not apply hedge accounting as defined in IAS 39 on forward contracts.

The functional currency of the parent company is Euro. Foreign currency assets and liabilities translated to euro using the balance sheet rate are as follows:

	2019		2018	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets	0	48	0	42
Current assets	352	492	366	602
Non-current liabilities	0	6	0	2
Current liabilities	14	243	20	321
Position	338	291	346	321
Net position	338	291	346	321

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2019 and 2018. The Group does not hedge the foreign equity exposure.

The table below analyses the effect of strengthening or weakening of Euro against the currencies below assuming that all other variables remain constant. The sensitivity analysis is based on assets and liabilities denominated in foreign currencies at the balance sheet date. The sensitivity analysis takes into account the effect of the foreign currency forwards.

	2019		2018	
	Income	Share capital	Income	Share capital
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes	+/- 34	+/- 0	+/- 35	+/- 0
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes	+/- 28	+/- 0	+/- 32	+/- 0

EUR 1 000

27.2. Interest rate risk

The Group's short-term money market investments expose Tulikivi to interest rate risk but their effect as a whole is not material. The Group's result and cash flows from operating activities are mainly independent from changes in interest rates.

The Group is exposed to cash flow interest rate risk, which largely relates to the loan portfolio. The Group can borrow funds with fixed or floating rates and use interest rate swaps in order to hedge against risks arising from fluctuation of interest rates. The share of the loans with floating rates amounted to EUR 15.1 (15.4) million representing 100.0 per cent (100.0 per cent) for the interest-bearing liabilities at the year end.

Sensitivy analysis of interest rate risk		Result before income tax		Share capital
+/- point change in market rate		+/- 214		+/- 307
Interest rate risk		2019		2018
EUR 1 000		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		0		0
Floating rate instruments				
Financial liabilities		15 078		15 378
Interest rate derivatives				
Accrued interest costs payable		0		6

27.3.Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single costumer or a group of customers is not material for the Group. The aggregate amount of the credit losses and the impairment losses on trade receivables recognised in the income statement during the financial year totalled EUR 3 (loss 65) thousand. The positive result impact of credit losses resulting from sales receivables recognised in profit or loss during the financial year and the depreciation of receivables has been EUR 3 thousand as a result of the positive recognition of a EUR 3 thousand credit loss provision calculated in accordance with IFRS 9. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 11.0 (31.3) per cent of the outstanding accounts at balance sheet date. Business units are responsible for credit risk related to trade receivables. The aging analysis of trade receivables is presented in note 20.2. The group's maximum credit risk exposure for trade receivables is their carrying amount at the year-end less any compensation received from customer credit insurances.

Financial instruments involve a risk of the counterparty not being able to meet its obligations. Liquid assets are invested in objects with good credit rating. Derivative contracts are entered only with banks with good credit rating.

The maximum credit risk related to group's other financial assets than trade receivables equals their carrying amounts at the balance sheet date.

EUR 1 000

27.4. Liquidity risk

The group strives to continuously asses and monitor the amount of capital needed for business operations in order to ensure that the group has adequate liquid funds for financing its operations and repayment for loans due. The Group aims at ensuring the availability and flexibility of financing is ensured, in addition to liquid funds, by using credit limits and different financial institutions for raising funds. There were no unused credit limits and undrawn credit facilities in 2019 at the balance sheet date.

Company's financial situation is tight, because operative cash flows were lower in the biginning the year than last year's autumn. Regarding that the company has negotiated loan payments to the end of the year. In years 2020 - 2021 the company's objective is to increse turnover regarding to new Karelia- and Pielinen-collections, Kermansavi fireplaces and Interior stone products. Increased turnover would improve company's financial situation.

On 20 December 2019, the company signed a new financing agreement with its finance providers, which replaced the earlier agreement, including its amendments, signed on 31 October 2018. The financing agreement includes a repayment programme for 2019–2020 in proportion to the finance providers' exposures and loan covenants to finance providers. The financing agreement includes covenants concerning EBITDA, the equity ratio and the ratio of debt to EBITDA, for example. The company has agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2021 and subsequent years and its terms no later than 30 September 2020 and that it will complete the negotiations by 31 December 2020. The weighted average of the effective interest rates of non-current financial liabilities was 3.5 per cent (3.4) on 31 December 2019. Of the Group's debt financing, EUR 15.1 (15.4) million includes covenants that are tied to the Group's equity, EBITDA or interest-bearing debt to EBITDA. Failure to meet these conditions may require consultation with the finance provider and the provision of additional collateral for the loans.
The company has reduced its debt by approximately EUR 12 million since 2013 and it expects that it can achieve a result in the financing negotiations at the end of 2020 that will be sufficient for 2021. Should the company not meet its financial targets or its covenants under financing agreements and should it not be able to successfully restructure its short- or long-term financing or the sell talc reserves, it may run out of working capital, its financing agreements may be terminated and it may face difficulty in continuing its business operations.

The following table summarises the maturity profile of the group. The undiscounted amounts include interests and capital repayments.

Maturiteettianalyysi

December 31, 2019

Type of credit	Balance sheet value	Total cash flows	0-6 months	6-12 months	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	15 078	15 505	411	1 159	13 935	0	0
Lease liabilities	1 520	1 582	336	271	969	6	0
Trade and other payables	4 822	4 822	4 322	0	500	0	0
Total	**21 420**	**21 909**	**5 069**	**1 430**	**15 404**	**6**	**0**

December 31, 2018

Type of credit	Balance sheet value	Total cash flows	0-6 months	6-12 months	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	15 378	15 815	185	15 630	0	0	0
Trade and other payables	5 240	5 240	5 240	0	0	0	0
Total	20 624	21 055	5 425	15 630	0	0	0

27.5. Capital management

The objective of the Group's capital management is through an optimal capital structure to support the business operations by ensuring the normal operating conditions and increase shareholder value by striving at the best possible return. The capital structure is effected i.a. through dividend distribution and share issues. The Group may change and adjust the dividends distributed and capital repaid to the shareholders or the number of new shares issued or decide on sales of assets in order to repay liabilities. The equity presented in the consolidated statement of financial position is managed as capital.

The group monitors the develoment of capital on the basis of the equity ratio, for which 40 per cent is set as the lowest limit for dividend distribution by the Board Directors. Financing agreement made 20th of December, 2019 includes a restriction concerning distribution of dividends and repurchase of own shares if the company would break the covenants defined in the financing agreement.

The group calculates equity ratio using the following formula:

100*Equity / (Balance sheet total - Advances received)

	2019	2018
Equity	7 717	9 310
Balance sheet total	34 026	34 590
Advances received	469	583
Solvency ratio, %	23.0	27.4

EUR 1 000

28. Carrying amounts of financial assets and financial liabilities by categories and their fair values

Balance sheet, 2019	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Financial liabilities at amortised cost	Carrying amounts of balance sheet items	Fair value	Hierarchy of fair value
Long-term assets							
Other financial assets	0	0	26	0	26	26	2
Short-term assets							
Trade and other receivables	0	2 662	0	0	2 662	2 662	
Cash and cash equivalents	0	1 158	0	0	1 158	1 158	
Carrying amounts of financial assets by categories	0	3 820	26	0	3 846	3 846	
Long-term liabilities							
Financial liabilities	0	0	0	13 878	13 878	13 878	2
Non-current lease liabilities				949	949	949	2
Other non-current liabilities				500	500	500	2
Short-term liabilities		0					
Interest-bearing liabilities				1 200	1 200	1 200	2
Current lease liabilities				571	571	571	
Trade and other payables				3 853	3 853	3 853	
Carrying amounts of financial liabilities by categories	**0**	**0**	**0**	**20 951**	**20 951**	**20 951**	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 0 (0) thousand.
The levels in a fair value hierarchy are as follows:

Level 1: fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values are based on inputs other than quoted prices included within level 1. However, the fair values are based on information that is observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of these instruments is measured on the basis of generally accepted valuation techniques which primarily use inputs based on observable market data.

Level 3: fair values are not based on observable market data (non-observable inputs) but to large extent on management estimates and application of those in generally accepted valuation models. There were no transfers between levels of the fair value hierarchy during the financial year ended and the comparative financial year.

EUR 1 000

Carrying amounts of financial assets and financial liabilities by categories and their fair values

Balance sheet, 2018	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Available for sale financial assets	Financial liabilities at amortised cost	Carrying amounts of balance sheet items	Fair value	Hierarchy of fair value
Long-term assets							
Other receivables	0	0	26	0	26	26	2
Other financial assets							
Short-term assets	0	2 798	0	0	2 798	2 798	
Trade and other receivables	0	798	0	0	798	798	
Cash and cash equivalents	0	3 596	26	0	3 622	3 622	
Carrying amounts of financial assets by categories							
Short-term liabilities							
Interest bearing liabilities	0	0	0	15 378	15 378	15 387	2
Trade and other payables	0	0	0	4 657	4 657	4 657	2
Carrying amounts of financial liabilities by categories	0	0	0	20 035	20 035	20 044	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 0 (6) thousand.
The levels in a fair value hierarchy are as follows:

Level 1: fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair values are based on inputs other than quoted prices included within level 1. However, the fair values are based on information that is observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of these instruments is measured on the basis of generally accepted valuation techniques which primarily use inputs based on observable market data.
Level 3: fair values are not based on observable market data (non-observable inputs) but to large extent on management estimates and application of those in generally accepted valuation models. There were no transfers between levels of the fair value hierarchy during the financial year ended and the comparative financial year.

28.1. Reconciliation of financial liabilities with cash flow from financing

	2018	Cash flows	Not influenced by cash flow			**2019**
			Changes in exchange rates	Changes in fair values	Other changes	
Long-term financial liabilities	0	0	0	0	13878	13 878
Short-term financial liabilities	15 378	-300	0	0	- 13878	1 200
Total	**15 378**	-300	**0**	**0**	**0**	15 078
	2017					2018
Long-term financial liabilities	0		0	0	0	0
Short-term financial liabilities	15 666		-288	0	0	15 378
Total	15 666		**-288**	**0**	**0**	15 378

29. Adjustments of cash generated from operations EUR 1 000

Non-cash transactions:		**2019**	2018
Depreciation and amortisation		2 452	1 906
Change in provisions		8	-25
Impairment		805	508
Exchange differences		29	18
Other		49	-103
Non-cash transactions, total		**3 343**	2 304

30. Leases

30.1. Group as lessee

Reconciliation of IFRS 16 lease liabilities 1 January 2019	**2019**
Future aggregate minimum lease payments under non-cancellable operating leases for leaseholds 31 December 2018	283
Future aggregate minimum lease payments under non-cancellable operating leases for machinery and equipment 31 December 2018	251
Total non-cancellable operating leases (IAS17) 31 December 2018	**534**
Leases of low-value assets and short-term leases	-21
Additional options added to lease periods based on management estimates	1027
Impact of discounting	-57
IFRS 16 lease liabilities on balance sheet January 1	**1483**
IFRS 16 lease liabilities on balance sheet	
Carrying amount on January 1	1483
Additions, new additional options	898
Additions, new lease contracts	28
Repayments	-718
Disposals (Unused add-options due to termination of leases)	-171
Carrying amount on December 31	**1520**
Lease liabilities, non-current	949
Lease liabilities, current	571
Total 31.12.	**1520**
IFRS 16 Amounts recognised in statement of income	1-12/2019
Lease expense cancellations in other operationg expenses	764
Depreciation of right-of-use assets	-736
Impact on operating result	29
Interest expense related to lease contracts	-44
Impact on result before income tax	-15
	1-12/2019
Expense - leases of low-value assets (<5000 USD)	-66
Expense - short-term leases (<12 months)	-58

30.2. Group as lessor

The Group has leased commercial spaces and offices from its own properties under cancellable operating leases.

Minimum lease payment under non-cancellable operating leases	2019	2018
Not later than 1 year	35	34
Later than 1 year and not later than 5 years	8	8
Later than 5 years	18	20
Total	**61**	62

EUR 1 000	2019	2018
31. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	15 078	15 378
Real estate mortgages given	15 780	15 780
Company mortgages given	19 996	19 996
Total given mortgages and pledges	35 776	35 776
Other own liabilities for which guarantees have been given		
Real estate mortgages given	534	534
Pledges given	3	3
Total given guarantees on behalf of other own liabilities	**537**	**537**
Obligation to repay VAT deductions made in earlier periods	49	66

The Group is obligated to check the value added tax deductions made on property investments. The last annual check is in the year 2027.

32. Other contingent liabilities

Environmental obligations
Tulikivi group has landscaping obligations based on the Mining Act and other environmental legislation, which must be met during operations and when the quarries are shut down in the future.

Actions demanded by the environmental obligations are continuously performed besides normal production processes. Handling of water, arrangements for soil and rock material stacking areas, vibration and noise measurement, dust prevention and the monitoring the measurement result belong to these tasks. The costs relating to these activities are mainly recognised in the income statement as expense. Transport of soil material to stacking areas by opening new quarries is capitalised to other long-term expenses and depreciated during the useful life of the quarry. Lining work of stacking areas is based on long-term quarrying plans, according to which surface material of new opened quarries will be used in lining work. However, the lining work cannot be done until the point when there are finished sectors in the stacking area. The landscaping is not estimated to increase the costs of normal quarrying work.

After a factory or a quarry is shut down, the final lining work of the stacking areas, water arrangements, establishing of check points, bringing to safety condition and planting and seeding the vegetation will take place. For that part of these costs which are estimable, a provision is recognised.

Based on the environmental authorisations, the Group has given guarantees to the effect of EUR 630 thousand in total. For other environmental obligations.

EUR 1 000			
33. Indicators relating to environmental obligation	**2019**	2018	2017
Use of energy, electricity MWh	8 460	13 320	8 621
Use of oil, m^3	164	147	125
District and wood chips heating, MWh	232	660	787
Liquid gas, tonne	115	105	102
Fuel for vehicles, tonne.	148	100	178
Exsplosives, tonne	19	20	27
Stone material extracted in quarrying, 1 000 fixed-m^3	91	130	160
Quarrying of soap stone, 1 000 fixed-m3 gross	62	80	90
Stacked soil material, 1 000 net-m^3	117	264	213
The lubricant used for saw chains, for soap stone extraction sawing, is rapeseed oil which binds permanently with fine soap stone powder.	67	43	63

The amount of soapstone used is affected by factory-specific capacity as well as yield of stone in the quarry and the factory in a given time.

Acquired natural stone, 1 000 tonne	1	1	1

Leftover clippings from production are partly used as filling for earthwork sites, the rest is stacked in stacking areas or is transferred to a waste disposal site. The natural stone is purchased from external suppliers.

The ceramic fireplace production uses mainly recycled porcelain fracture, feldspar and various kinds of cements as raw material for concrete products. The amount of ceramic materials used annually is approximately 2 250 tonnes. The amount of surface tiles used in coating of ceramic fireplaces supplied annually is approximately 53 tonnes and waste from cutting of ceramic tile slabs is directed to the sedimentation basin. Normal washing water and waste from the ceramic and concrete production is directed to the sedimentation basin on the factory area from which the solids are carried to the dumping ground.

In 2019, 3 600 cubic meter new process water was taken in Group’s production processes. Soapstone manufacturing uses a closed process water cycle. In the Espoo plant part of process waters is recyclable, in the Heinävesi production plant process waters are treated in sedimentation basins. In Heinävesi process waters are led through sedimentation basins to the water system as overflow to drainage network or they absorb into ground. Quarry waters are led to the water system through sedimentation basins. Domestic waste water is led to the municipal waste water system or in absence of such a system, in filted fields.

EUR 1 000

34. Related-party transactions

Group's related parties comprise the parent company, subsidiaries, associates, Board members, Managing Director and the Management Group as well as the managing directors of the foreign subsidiaries.

34.1 The Group's parent company and subsidiaries have the following relation:	Ownership interest (%)			Share of voting right (%)
Tulikivi Corporation, Juuka, parent company, factory				
Tulikivi U.S. Inc., USA, marketing company	100			100
OOO Tulikivi, Russia, marketing company	100			100
Tulikivi GmbH, Germany, marketing company	100			100
The New Alberene Stone Company Inc., USA	100			100

34.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
Transactions with key management		**2019**		**2019**
Sales to related parties	2	0		
Loans to related parties				200

The Group companies had no receivables from the key management personnel at the end of the current or the previous financial year.

Transactions with other related parties

Tulikivi announced on 7 August 2019 that it had 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.

EUR 1 000		
34.3. Key management compensation	**2018**	**2017**
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.	378	375
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	43	36
Share-based payments	0	0
Total	**421**	411
Managing Director		
Salaries and fees		
Vauhkonen Heikki		
Salaries	187	185
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	43	36
Share-based payments	0	0
Total	**230**	221

EUR 1 000	**2019**	2018
Members of the Board of Directors		
Members of the Board of Directors		
Aspara Jaakko	19	19
Rönkkö Markku	38	38
Niemi Liudmila	20	0
Salastie Paula	0	19
Svanborg Reijo	21	20
Tähtinen Jyrki	73	73
Vauhkonen Heikki	20	21
Total	**191**	190

Key management personnel comprises the members of the Management Group as well as the managing directors of the foreign subsidiaries.

The Managing Director is a member of the Management Group.

Key management personnel compensation		
Salaries and fees	790	778
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	132	116
Share-based payments	0	0
Total	**922**	894

35. Major risks and their management

Anything that may prevent or hinder the Group from achieving its objectives is designated as a risk. Risks may be threats, uncertainties or lost opportunities related to current or future operations. The Group's risks comprise strategic and operational risks, financial risks, and damage, casualty and loss risks. In the assessment of risks, their probability and impact are taken into account.

Strategic Risks

Strategic risks are related to the nature of business operations and concern, but are not limited to, the changes in the Group's business environment, financial markets, market situation and market position as well as consumer habits and demand factors, allocation of resources, raw material reserves, changes in legislation and regulations, business operations as a whole, reputation of the company, brands and the raw materials, and large investments.

Unfavourable changes in operating environment, market situation and market position

An abrupt fall in consumer confidence may result in a quick, unexpected fall in demand. Economic recession and the related consumer uncertainty play a role in decreasing housing construction and renovations, and this reduces demand for products and therefore profitability. Recession may also affect consumers' choices by making price the dominant factor instead of product features.

A changing competitive environment and substitute products entering the market and changes in consumer habits may adversely affect the demand for the Group's products. Operations in several market areas, active monitoring of industry development and flexibility of capacity and cost structure even out the sales risks arising from economic fluctuation. The downturn may also have a negative impact on customers' solvency and subcontractors' operations. Keeping the product cost structure competitive is a prerequisite for maintaining demand and growth.

In Tulikivi's market areas, the types of fireplace cultures range from areas which use conventional heat-retaining fireplaces to countries where there is a strong tradition of room heaters. As markets become more uniform, fireplace cultures will change in the target countries. These changes in consumer habits may affect the demand for certain products or production materials and thereby have an impact on profitability. Tulikivi focuses on understanding the needs of customers and meets these needs by, for instance, continuously developing products for new customer segments. Following trends and changes in standards enhances the ability to forecast customer demand. Correctly targeted communication makes it possible to reach the right customer groups. Unhealthy price competition may weaken profitability. Problems with the efficiency of distribution channels may decrease sales of products. Disturbances may arise in connection with the renewal of distribution channels, or owing to reasons relating to entrepreneurs which are part of the distribution channel, or competing products entering the same distribution channel. The distribution network and product range are continuously developed so that the distribution of the Group's products remains profitable and interesting for the entrepreneurs.

The volume of the fireplace market is partly dependent on the coldness of the winter season, thus, an exceptionally warm winter may reduce demand for fireplaces. In addition, public authority regulation measures may affect the demand for fireplaces.

The coronavirus epidemic (Covid-19) can have an impact on the company's market environment, employees and business. The overall financial impact of the epidemic on Tulikivi's operations depends on the scale and duration of the epidemic, and it is not possible to estimate these precisely at this stage. The Board of Directors and management closely monitor the progress of the epidemic and update their assessment of its impact as the situation progresses.

Risks related to managing soapstone raw materials

Soapstone is a natural material whose integrity, texture and yield percentage vary by quarry. The quality of the raw materials affects manufacturing costs. Tulikivi seeks to determine the quality of the materials on a quarry-specific basis by taking core samples and through test excavations before opening the quarry. Risks are also posed by potential competitors in raw materials on a global scale and soapstone deposits held by parties other than Tulikivi. Tulikivi's strategic objective is to further increase the reserves of soapstone. We continuously seek and explore new deposits. The adequacy of the stone is increased by using the raw material as precisely as possible and by accounting for the special requirements of the stone in product development. Tulikivi Group manages the competition risks of its raw materials with continuous product development, a strong total concept and the Tulikivi brand, as well as with long-term stone reserve and excavation planning.

Changes in legislation and environmental issues

About half of the fireplaces manufactured by Tulikivi are exported, primarily to continental Europe, Russia and the United States. Exceptional changes in the product approval process in these countries, sudden changes in product approval, such as in the case of particulate emission limits or restrictions on use, might affect the sales potential of Tulikivi products and restrict their use. Other legislative risks are the tightening of the requirements of environmental permits for quarrying and the lengthening of permit processes. Environmental legislation and regulations may cause the company to incur costs that will affect sales margins and the earnings trend.

Tulikivi keeps abreast of the development and preparation of regulations and exercise an influence on them both directly and through regional fireplace associations. The burning technology of the products is constantly developed and product development takes a long-term approach to ensuring that Tulikivi products measure up to local regulations. We secure product approval for our products in all our business countries. Group's products have long life cycles and carbon emissions of fireplace production are extremely low.

Business Risks

Business risks are related to products, distribution channels, personnel, operations and processes.

Product liability risks

Tulikivi Group reduces potential product liability risks by developing the products for optimal user safety. We ensure that the product and service chain spanning from Tulikivi to the customer is hitch-free and knowledgeable by providing training for retailers and installers as well as ensuring that the terms and conditions of sale are precise. We also seek to protect ourselves against product liability risks by taking out product and business liability insurance policies.

Operational and process risks

Operational risks are related to the consequences of human activities, failures in internal company processes or external events. The operational risks of factory operations are minimized by means such as compliance with the company's operating manual, by developing occupational safety consistently and with systematic development efforts. Manufacturing and introduction of new products involve risks. Careful planning and training of personnel are used as protection against these risks.

Dependence on key goods supplies might increase the Group's material costs or the costs of machinery or their spare parts or affect production. Failures in the distribution network can affect the Group's ability to deliver products timely to its customers. Energy procurements from external suppliers might influence the Group's energy costs or energy supply. On the other hand, the high price of energy supports demand for products. Changes in distribution channels and logistics systems might also disturb operations. Contractual risks are part of operational risks.

The Group's business relies on functional and reliable information systems. The utilization of the ERP system involves risks if new practices are not adopted in business processes and the potential provided by the new system utilized promptly. The Group aims to manage the risks related to data applicability by duplicating the critical information systems, among other things. Steps taken to manage their risks include setting up backups for critical information systems and telecom connections, selecting cooperation partners carefully and standardizing the workstation configurations and software used in the Group as well as consistent information security practices.

The company has also conducted analyses of the current state of personal data processing and data security practices and taken measures to develop them to ensure that they comply with the EU's General Data Protection Regulation or GDPR.

In line with the nature of the Group's business, trade receivables and inventories are major balance sheet items. The credit loss risk of trade receivables is managed by means of a consistent credit granting policy, insuring receivables and effective collection.

The Group's core expertise involves its core business processes, including sales, product development, quarrying, manufacture, procurements and logistics, as well as the necessary support functions, which include information administration, finance, HR and communications. An unforeseen drain in the core expertise or decrease in personnel's development ability or disadvantageous development in population structure in current operation locations would pose risks. Core competence conservation and availability are secured with planning the need of personnel and knowledge and engaging personnel to constant change and growth. The Group continuously seeks to step up the core expertise and other significant competence of its personnel by offering opportunities for on-the-job learning and training and to complete the expertise needed for strategy implementation in those areas where it has not existed before. Sufficient core competencies can be partly secured through networking.

Boosting operational efficiency, controlled change and effective internal communications serve as means of managing operational and process risks.

Financial Risks

The Group's business exposes it to a variety of financial risks. Risk management seeks to minimize the potential adverse effects of changes in the financial markets on the Group's result. The main financial risks are liquidity risk, capital management risk, interest rate risk and foreign exchange risk. Financial risks and their management are presented in greater detail in Note 28 to the consolidated financial statements.

Any major downturn that might be caused by the euro area crisis could decrease the demand for the company´s products and the company's profitability and equity. The company's balance sheet assets include goodwill, the value of which is based on the management's estimates. If these estimates fail to materialise, it is possible that impairment losses would have to be recognised in connection with the impairment testing processes. Weakened profitability and a drop in equity could lead to deterioration in the company´s financial position. In order to meet the covenant requirements contained in the Group's bank borrowings the company's profitability should improve.

Damage, Casualty and Loss Risks

Most of the Group's production is capital-intensive and a large share of the Group's capital is committed to its production plants. A fire or serious machinery breakdown, for instance, could therefore cause major damage to assets or loss of profits as well as other indirect adverse impacts on the Group's operations. The Group seeks to protect itself against such risks by evaluating its production plants and processes from the perspective of risk management. Damage, casualty and loss risks also include occupational health and protection risks, environmental risks and accident risks. The Group regularly reviews its insurance coverage as part of overall risk management. Insurance policies are taken out to cover all the risks that are worth insuring against for business or other reasons. There are no pending legal proceedings and the Board of Directors is not aware of any other legal risks involved in the company's operations that would have a significant effect on its result or operations.

Development of the Group by Quartal and Business Area

MEUR	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Sales	8.8	6.6	7.5	5.8	8.7	6.4	7.4	6.1
Operating result	-0.5	0.1	0.3	-0.7	-0.5	-0.3	0.4	-0.6

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000

Income statement	2015	2016	2017	2018	**2019**
Sales	31 951	30 485	29 281	28 583	28 681
Change, %	-18.7	-4.6	-3.9	-2.4	0.3
Operating result	-2 931	-1 361	-367	-1 025	-772
% of turnover	-9.2	-4.5	-1.3	-3.6	-2.7
Finance incomes and expenses and share of loss of associated companies	-950	-756	-800	-734	-776
Result before income tax	-3 881	-2 132	-1 167	-1 759	-1 548
% of turnover	-12.1	-7.0	-3.9	-6.2	-5.4
Income taxes	0	-14	-74	-38	-95
Result for the year	-3 783	-2 037	-1 252	-1 805	-1 641
Balance sheet					
Assets					
Non current assets	26 875	25 582	25 089	23 491	23 334
Inventories	8 666	7 863	8 122	6 925	6 553
Cash and cash equivalents	1 429	894	567	798	1158
Other current assets	2 426	3 083	2 852	3 376	2 981
Equity and liabilities					
Equity	14 409	12 397	11 160	9 310	7 717
Interest bearing liabilities	17 766	16 393	15 666	15 378	15 078
Non-interest bearing liabilities	5 530	7 208	8 762	8 977	10 308
Balance sheet total	39 396	37 422	36 630	34 590	34 026

Financial Ratios 2015 - 2019

	2015	2016	2017	2018	2019
Return on equity, %	-23.8	-15.9	-10.5	-17.6	-19.3
Return on investments, %	-7.7	-4.3	-1.2	-3.8	-3.0
Solvency ratio, %	36.9	33.4	30.7	27.4	23.0
Net indebtness ratio, %	113.4	125	135.3	156.6	200.1
Current ratio	1.7	1.1	0.5	0.5	1.1
Gross investments, EUR 1 000	1 149	1 282	1 502	1 135	906
% of turnover	3.6	4.2	5.1	4.0	3.2
Research and development costs, EUR 1 000	985	484	497	516	601
% of turnover	3.1	1.6	3.6	1.8	2.1
Development costs (net), capitalised, EUR 1 000	272	538	536	383	319
Order book, EUR million	3.9	3.2	2.9	3.0	2.9
Average personnel	219	209	208	200	205
Key indicators per share					
Earnings per share, EUR	-0.06	-0.03	-0.02	-0.03	-0.03
Equity per share, EUR	0.25	0.21	0.19	0.16	0.13
Dividends					
Nominal dividend per share, EUR					
A share	-	-	-	-	-
K share	-	-	-	-	-
Dividend per earnings, %	-	-	-	-	-
Effective dividend yield, %/A shares	-	-	-	-	-
Price/earnings ratio, EUR	-2.7	-6.2	-9.3	-3.2	-5.3
Highest share price, EUR	0.3	0.29	0.26	0.21	0.19
Lowest share price, EUR	0.12	0.15	0.18	0.08	0.10
Average share price, EUR	0.18	0.20	0.22	0.16	0.14
Closing price, December 31, EUR	0.17	0.21	0.19	0.1	0.17
Market capitalization, EUR 1 000	10 157	12 547	11 591	5 795	10 038
(supposing that the market price of the K share is the same as that of the A share) Number of shares traded, (1 000 pcs)	27 900	13 847	28 244	10 528	8 263
% of the total amount	53.9	26.7	54.5	20.3	16.0
The average issue-adjusted number of shares for the financial year (1 000 pcs)	59 747	59 747	59 747	59 747	59 747
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	59 747	59 747	59 747	59 747	59 747

Calculations of Key Ratios

Key figures describing financial development		
Return on equity (ROE), % =	100 x	Result for the year / Average shareholders’ equity during the year
Return on investments (ROI), % =	100 x	Result before income tax + interest and other finance expenses / Shareholders’ equity + financial loans with interest, average during the year
Solvency ratio, % =	100 x	Shareholders’ equity / Balance sheet total - advance payments
Net indebtness ratio, % =	100 x	Net interest-bearing financial liabilities / Shareholders’ equity
Current ratio=		Current assets / Current liabilities
Key figures per share		
Earnings per share =		Profit/loss attributable to owners of the parent company / Average issue-adjusted number of shares for the financial year *)
Equity per share =		Shareholders’ equity / Issue-adjusted number of shares at balance sheet date *)
Dividend per share =		Dividend paid for the year / Issue-adjusted number of shares at balance sheet date *)
Dividend per earnings, % =	100 x	Dividend per share / Earnings per share
Effective dividend yield, % =	100 x	Issue-adjusted dividend per share / The closing price of A- share at balance sheet date
Price/ Earnings ratio (P/E)=		The closing price of A-share at balance sheet date / Earnings per share
*) own shares held by the company excluded		

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2019	Jan. 1 - Dec. 31, 2018
Net Sales	1.1.	**26 937**	27 109
Increase (+) / decrease (-) in inventories			
in finished goods and in work in progress		-234	-995
Production for own use		411	500
Other operating income	1.2.	374	386
Materials and services			
Purchases during the fiscal year		-6 306	-6 476
Change in inventories, increase (-) / decrease (+)		-136	-256
External charges		-3 594	-3 412
Materials and services, total		-10 036	-10 144
Personnel expenses			
Salaries and wages		-8 383	-8 244
Pension expenses		-1 318	-1 371
Other social security expenses		-313	-284
Personnel expenses, total	1.3.	-10 014	-9 899
Depreciation, amortisation and value adjustments	1.4.	-1 997	-2 183
Other operating expenses	1.5.	-5 905	-5 682
Operating result		**-464**	-908
Financial income and expenses	1.6	28	-740
Result before untaxed reserves and income taxes		**-436**	-1 648
Untaxed reserves			
Change in accelerated depreciation		7	0
Untaxed reserves, total	1.7.	**7**	0
Income taxes		-38	-2
Income taxes in total		-38	-2
Result for the year		**-467**	-1 650

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2019**	Dec. 31, 2018
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		879	946
Intangible rights		10	17
Goodwill		292	583
Other long term expenditures		7 596	7 473
Intangible assets, total	2.1.	**8 777**	9 019
Tangible assets			
Land		855	870
Buildings and constructions		2 989	3 414
Machinery and equipment		1 196	1 677
Other tangible assets		38	38
Advance payments		27	20
Tangible assets, total	2.2.	**5 105**	6 019
Investments			
Shares in group companies	2.3.	15	15
Group receivables	2.4.	75	50
Other investments	2.5.	26	26
Investments, total		**116**	91
Fixed assets and other non-current investments, total		**13 998**	15 129

Continues on next page.

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2019**	Dec. 31, 2018
Current assets			
Inventories			
Raw material and consumables		2 912	3 048
Work in progress		1 653	1 692
Finished products/goods		1 675	1 871
Inventories, total	2.6.	**6 240**	6 611
Non-current receivables			
Loan receivables		445	0
Accrued incomes		83	77
Non-current receivables, total		**528**	77
Current receivables			
Trade receivables		2 453	2 553
Receivables form group companies		142	37
Other receivables		15	19
Prepayments and accrued income		278	541
Current receivables, total	2.9.	2 888	3 150
Cash in hand and at banks		929	449
Total current assets		**10 585**	10 287
Total assets		**24 583**	25 416

Balance Sheet

EUR 1 000	Note	Dec. 31, 2019	Dec. 31, 2018
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock		6 314	6 314
Reserve for invested unrestricted equity		14 834	14 834
Revaluation reserve		0	0
Treasury shares		-108	-108
Retained earnings		-20 267	-18 617
Result for the year		-467	-1 650
Total shareholders' equity	2.10.	**306**	773
Untaxed reserves			
Accelerated depreciation		73	80
Provisions	2.13.	265	257
Liabilities			
Non-current liabilities			
Libilities to group companies		46	44
Bank borrowings		11 029	0
Pension loand		2 849	0
Other liabilities		500	0
Non-current liabilities, total	2.14.	**14 424**	44
Current liabilities			
Bank borrowings		954	12 221
Pension loans		246	3 157
Advances received		261	321
Trade payable		3 253	4 052
Liabilities to associates		290	257
Other liabilities		576	543
Accrued expenses		3 935	3 711
Current liabilities, total	2.15.	**9 515**	24 262
Total liabilities		**23 939**	24 306
Total liabilities and shareholders' equity		**24 583**	25 416

Cash Flow Statement

EUR 1 000	**Jan. 1 - Dec. 31, 2019**	Jan. 1 - Dec. 31, 2018
Cash flow from operating activities		
Reuslt before extraordinary items	-436	-1 648
Adjustments for:		
Depreciation	1 997	2 183
Unrealised exchange rate gains and losses	-15	29
Other non-payment-related expenses	9	-24
Financial income and expenses	-28	739
Other adjustments	49	-47
Cash flow before working capital changes	1 576	1 232
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	-9	-343
Increase (-) / decrease (+) in inventories	370	1 252
Increase (+) / decrease (-) in current non-interest bearing liabilities	-572	124
Cash generated from operations before financial items and income taxes	1 365	2 265
Interest paid and payments on other financial expenses from operations	-628	-777
Dividends received	764	2
Interest received	9	6
Income tax paid	-38	-2
Cash flow before extraordinary items	1 472	1 494
Net cash flow from operating activities	**1 472**	1 494
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-1 020	-1 101
Grant for investments	290	0
Proceeds from sale of tangible and intangible assets	13	49
Loans granted to subsidiaries	-470	-10
Other investments	-6	-30
Interest received	0	2
Net cash used in investing activities	**-1 193**	-1 090
Long-term borrowing	500	0
Repayment of long-term loans	-300	-288
Net cash flow from financing activities	**200**	-288
Net increase (+) / decrease (-) in cash and cash equivalents	479	116
Cash and cash equivalents at the beginning of the financial year	450	334
Cash and cash equivalents at the end of the financial year	**929**	450

Notes to the Financial Statements of the Parent Company

Accounting Policy
The financial statements have been prepared in accordance with the Finnish accounting law.

Valuation of Fixed Assets
Fixed assets have been disclosed in the balance sheet at acquisition cost net of received investment grants and depreciation according to plan. Depreciation according to plan have been calculated on straight-line method based on the economic life time of the assets as follows:

	Depreciation period
Intangible rights and other long-term expenditure	5 to 10 years
Quarring areas and basins	unit of production method
Goodwill	13 years
Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 15 years
Motor vehicles	5 to 8 years
IT equipment	3 to 10 years
Development expenditure	5 years

The acquisition cost of equipment is depreciated applying the maximum depreciation rates allowed by the corporate tax law, starting from the time of acquisition.

Quarrying areas, including the opening costs of quarries, basins and quarry land areas are depreciated using the unit of production method based on the amount of rock used and filling time of damping areas. Depreciation of quarry lands and basins and other auxiliary structures is commenced when the quarry is ready for production use.

Valuation of Inventories
Inventories have been presented in accordance with the average cost principle or the net realisable value, whichever is lower. The cost value of inventories includes direct costs and their proportion of indirect manufacturing and acquisition costs.

Revenue Recognition
Net sales represents sales after the deduction of discounts, indirect taxes and exchange gains/losses on trade receivables. Revenue has been recognized at the time of the delivery of the goods. Revenue from installing and services is recognised in the period when the service is rendered.

Research and Development Cost
Research cost has been recorded as annual costs when incurred. Costs incurred from drilling exploration in quarry areas have been capitalised for their main part and they are depreciated over their useful lives. However, drilling exploration costs are expensed when there is significant uncertainty involved in the commercial utilization of the soapstone reserves in question.
Development costs related to sauna-product group, the renewal of enterprise resource planning system, the productisation of new ceramic collection and the design of new soapstone interiors have been activated.

Retirement Costs
Employee pension schemes have been arranged with external pension insurance companies. Pension costs are expensed for the year when incurred. Pension schemes for personnel outside Finland follow the local practices.

Untaxed Reserves
According to the Finnish corporate tax law untaxed reserves, such as accelerated depreciation, are tax deductible only if recorded in financial statements.

Income Taxes
Income taxes include taxes corresponding to the Group companies' results for the financial period as well as the change in deferred tax asset. Deferred tax assets have been provided on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements, using the tax rate enacted at the balance sheet date for the following years.

Dividends
The Board will propose to the Annual General Meeting that no dividend be paid.

Share-based payments and option rights
The expense determined at the grant date of the stock options is based on the theoretical market value of the stock option which is calculated using the Black & Scholes stock option pricing model. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria. The stock options have been granted for the first time in 2013 and they can be used to subscribe shares earliest in 2016 if the vesting criteria are met.
The Group had no share-based incentive plans in 2019 or 2018.

Comparability of the result
Disclosures in the reporting period and the corresponding figures for the previous period are comparable over time.

Foreign Currency Items
Foreign currency balance sheet items have been valued at the average exchange rate prevailing on the balance sheet date as indicated by the European Central Bank.

EUR 1 000	2019	2018
1.1. Net sales		
1.1.1. Net sales per geographical area		
Finland	12 405	12 910
Rest of Europe	14 162	13 724
USA	370	475
Total net sales per geographical area	**26 937**	27 109
1.1.2. Net sales per goods and services		
Sales of goods	25 239	25 521
Rendering of services	1 698	1 588
Total net sales per goods and services	**26 937**	27 109
1.2. Other operating income		
Rental income	70	80
Charges for intergroup services	148	123
Proceeds from sale of fixed and other non-current investments	13	47
Other income	143	136
Total other operating income	**374**	386
1.3. Salaries and fees paid to Directors and number of employees		
1.3.1. Salaries and fees paid to Directors		
Salaries and other short-term employee benefits of the Board of Directors and the Managing Directors	378	375
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	43	36
Share-based payments	0	0
Total	**421**	411

EUR 1 000	2019	2018
Managing Director		
Salaries and fees		
Vauhkonen Heikki		
Salaries	187	185
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	43	36
Share-based payments	0	0
Total	**230**	221
Members of Board		
Aspara Jaakko	19	19
Rönkkö Markku	38	37
Niemi Liudmila	20	0
Salastie Paula	0	19
Svanborg Reijo	21	21
Tähtinen Jyrki	73	73
Vauhkonen Heikki	20	21
Total	**191**	190

Key management personnel comprises the members of the Management Group.

The Managing Director is a member of the Management Group.		
Key management personnel compensation		
Salaries and fees	678	682
Termination benefit paid		
Post-employment benefits (pension benefits)		
Post-employment benefits	114	116
Share-based payments	0	0
Total	**792**	798

EUR 1 000	2019	2018
1.3.2. Average number of empoyees durung the fiscal year		
Clerical employees	73	62
Workers	132	126
Total number of employees	**205**	188
1.4. Depreciation according to plan		
Development expenditure	386	381
Intangible rights	7	10
Other long-term expenditure	189	233
Amortisation on quarries based on the unit of production method *)	174	146
Buildings and constructions	424	445
Machinery and equipment	510	659
Other tangible assets	0	0
Depreciation on land areas based on unit of production method	15	17
Goodwill	292	292
Depreciation according to plan in total	**1 997**	2 183

*) The Group applies unit of production method based on the usage of stone in calculating the amortisation according to plan for quarries and mining rights. Land areas are depreciated on a unit-of-use basis based on the consumption of the rock material or stacking area filling time.

EUR 1 000	2019	2018
1.5. Other operating expenses		
Rental expenses	836	1 041
Maintenance of real estates	318	264
Marketing expenses	1 060	1 029
Other variable costs	2 013	1 921
Other expenses	1 677	1 427
Total	**5 904**	5 682
1.5.1. Auditors' fees		
KPMG Oy Ab		
Audit fees	85	54
Other fees	2	6
Audit fees, total	**87**	60
1.6. Financial income and expenses		
Dividend received from Group	760	0
Income from non-current investments		
Dividends received from others	4	2
Other financial income		
Interest income from Group companies	10	2
Interest income from others	9	5
Financial income, total	783	9
Reduction in value of investments held as non-current assets		
Interest expenses and other financial expenses to Group companies	-2	-2
Interest expenses to others	-628	-582
Other finalcial expenses to others	-125	-165
Interest expenses and other financial expenses, total	-755	-749
Financial income and expenses, total	**28**	-740

Notes to the Balance Sheet

EUR 1 000	2019	2018
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	3 059	2 680
Additions	319	379
Acquisition cost December 31	3 378	3 059
Accumulated depreciation according to plan January 1	-2 113	-1 733
Depreciation for the financial year	-386	-380
Accumulated depreciation December 31	-2 499	-2 113
Balance sheet value of capitalised development expenditure December 31	**879**	946
2.1.2. Intangible rights		
Acquisition cost January 1	486	486
Acquisition cost December 31	486	486
Accumulated depreciation according to plan January 1	-469	-459
Depreciation for the financial year	-7	-10
Accumulated depreciation December 31	-476	-469
Balance sheet value of intangible rights, December 31	**10**	17
2.1.3. Goodwill		
Acquisition cost January 1 and December 31	8 713	8 713
Accumulated depreciation according to plan January 1	-8 130	-7 838
Depreciation for the financial year	-292	-292
Accumulated depreciation December 31	-8 422	-8 130
Balance sheet value of goodwill, December 31	**291**	583

The parent company's goodwill comprises merger losses.

EUR 1 000	2019	2018
2.1.4. Other long term expenditures		
Acquisition cost January 1	14 367	13 885
Additions	547	482
Disposals	-684	0
Acquisition cost December 31	14 230	14 367
Accumulated depreciation according to plan January 1	-6 894	-6 515
Accumulated depreciation on disposals	623	0
Depreciation for the financial year	-363	-379
Accumulated depreciation December 31	-6 634	-6 894
Balance sheet value of long term expenditure, December 31	**7 596**	7 473

The balance sheet value of other long term expenditure includes EUR 4 845 (4 879) million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

At the end of the current financial year, there were deductions / accumulated depreciation of EUR 62 thousand in 2019, any deductins in 2018.

Total intangible assets	**8 776**	9 019

EUR 1 000	2019	2018
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 377	1 377
Acquisition cost December 31	1 377	1 377
Accumulated depreciation January 1	-507	-490
Depreciation based on the unit of production method for the financial year	-15	-17
Accumulated depreciation December 31	-522	-507
Balance sheet value of land, December 31	**855**	870
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 111	15 111
Acquisition cost December 31	15 111	15 111
Accumulated depreciation according to plan January 1	-12 203	-11 757
Depreciation for the financial year	-424	-445
Accumulated depreciation December 31	-12 627	-12 202
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	**2 989**	3 414

EUR 1 000	2019	2018
2.2.3. Machinery and equipment		
Acquisition cost January 1	17 988	18 283
Additions	30	159
Disposals	-62	-454
Acquisition cost December 31	17 956	17 988
Accumulated depreciation according to plan January 1	-16 311	-16 106
Accumulated depreciation on disposals	-510	-659
Depreciation for the financial year	62	454
Accumulated depreciation December 31	-16 759	-16 311
Balance sheet value of machinery and equipment, December 31	**1 197**	1 677

Disposals of Machinery and equipment / Accumulated depreciation on disposals don’t include thoudsand scrapped items in 2018 (EUR 53 thousand in 2017).

Amount of machinery and equipment included in balance sheet value	1 167	1 630
2.2.4.Other tangible assets		
Acquisition cost January 1 and December 31	38	38
Balance sheet value of other tangible assets, December 31	**38**	38
2.2.5. Advance payments		
Acquisition cost January 1	28	28
Accumulated depreciation December 31	-28	-28
Total tangible assets	**0**	0
2.2.6. Advance payments		
Advance payments 1.1.	20	45
Additions	7	0
Disposals	0	-25
Advance payments, total	27	20
Total tangible assets	**5 106**	6 019

The Group has started a new fixed asset register software in 2018.

EUR 1 000	2019	2018
2.3. Shares in Group Companies	%	%
Tulikivi U.S. Inc., USA	100	100
OOO Tulikivi, Russia	100	100
Tulikivi GmbH, Saksa	100	100
The New Alberene Stone Company Inc., USA	100	100
2.4. Receivables from Group companies		
Capital loan, Tulikivi GmbH	75	50
Receivables from Group companies, total	**75**	50
2.5. Other investments		
Other	26	26
Total other investments	**26**	26
2.6. Inventories		
Raw material and consumables	2 912	3 048
Work in grogress	1 653	1 692
Finished products/goods	1 675	1 871
Total inventories	**6 240**	6 611
2.7. Non-current receivables		
Receivables from Group companies		
Loan receivables	445	0
Receivables from Group companies, total	445	0
Receivables from others		
Accrued income	83	77
Total non-current receivables	**528**	77

EUR 1 000	2019	2018
2.8. Current receivables		
Receivables form group companies		
Trade receivables	142	37
Receivables form group companies, total	142	37
Receivables from others		
Trade receivables	2 453	2 553
Other receivables	15	19
Accrued income		
Other accrued income	79	389
Prepayments	199	145
Interest receivables	0	7
Accrued income, total	278	541
Receivables from other, total	2 746	3 113
Total current receivables	**2 888**	3 150
2.9. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
Revaluation reserve January 1	0	6
Change	0	-6
Revaluation reserve Decenber 31	0	0
Treasury shares	-108	-108
Restricted equity	6 206	6 206
The invested unrestricted equity fund January 1 and December 31	**14 834**	14 834
Retained earnings January 1	-18 618	-17 118
Retained earnings December 31	-20 267	-18 617
Result for the year	-467	-1 650
Eguity	-5 900	-5 433
Total shareholders' equity	**306**	773
2.10. Statement of distributable earnings December 31		
Profit for the previous years	-20 267	-18 617
The invested unrestricted equity fund	14 834	14 834
Result for the year	-467	-1 650
Capitalised development costs	-879	-946
Total distributable earnings	**-6 779**	-6 379

The invested unrestricted equity fund may not be distributed as dividend.

Parent company's equity has decreased to half of the share capital because of the unprofitable result. Parent company's equity is EUR 0,3 million (Group 7,7 million euros) and sharecapital 6,3 million euros (Group 6,3 million euros) in the financial statements. Based on these numbers, the company's board has begun to follow actions of Companies Act 23 § 1st moment. The board of directors proposed to the Shareholders' meeting that the company will continue the actions already in place as well as seeking other possible actions to strengthen the financial position fo the company.

Share-based payments

Terms of share-based payments / Option rights

Option rights are used to encourage the key employees to work on a long-term basis to increase shareholder value. The option rights also aim at commiting the key employees to the employer. The option program is targeted to approximately 13 key employees, including the members of the Management Group. The Board of Directors decides on the distribution of the option rights annually. For all key employees, the prerequisite for receiving stock options is share ownership in the company.

The management of Tulikivi Group and the key employees are entitled to subscribe the company shares if the separately established vesting criteria are met, as follows:

The maximum total number of stock options issued is 1,800,000, and they entitle their owners to subscribe for a maximum total of 1,800,000 new A shares in the company or existing A shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be 1 May 2016—31 May 2018, for the stock option 2013B, 1 May 2017—31 May 2019, and the for stock option 2013C, 1 May 2018—31 May 2020. The share subscription price for all stock options is EUR 0.33 per share. The basis for the subscription price is the subscription price used in the share issue of Tulikivi Corporation carried out in October 2013. Each year dividends and equity returns will be deducted from the share subscription price. Dividends and equity returns paid annually will be deducted from the subscription price.

The theoretical market value of one stock option has been calculated through the use of Black & Scholes stock option pricing model with the following input factors:

- options 2013A, theoretical market value EUR 0.10: share price EUR 0.32, share subscription price EUR 0.33, risk free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent.

- options 2013B, theoretical market value EUR 0.03: share price EUR 0.21, share subscription price EUR 0.33, risk free interest rate 0.13 per cent, validity of stock options approximately 4.5 years and volatility 33 per cent.

- options 2013C, theoretical market value EUR 0.04: share price EUR 0.22, share subscription price EUR 0.33, risk free interest rate 0.24 per cent, validity of stock options approximately 4.2 years and volatility 38 per cent.

The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets established for the vesting criterion.

The Board of Directors will determine separate financial targets based on the company's performance improvement programme for each option type, which must be met in order to the option to be granted. For vesting of each stock option class, the Board of Directors will establish financial targets related to the company's performance improvement program separately for each stock option class. The number of stock options 2013A is 500 000, 2013B is 650 000 and 2013C is 650 000. As the EBITDA goal set for 2014 to 2019 was not achieved, no incentive pay was paid and no options were distributed for 2014 to 2019.

The Board decided to extend the monitoring period to the 2019 reporting period to option type 2013C.
No dividend was paid in 2019 and 2018.

2.11. Treasury shares

Treasury shares include the cost of own shares held by the Group. It is presented as a deduction from equity.

During the financial year 2019 (2018), Tulikivi Oyj has neither acquired nor disposed any own shares. At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.2 % of the share capital and 0.1 % of the voting rights. The acquisition price is EUR 0.87/share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

EUR 1 000	2019	2018
2.12. Provisions		
Warranty provision	85	75
Environmental provision (Present value)	175	176
Environmental provision, current	5	6
Total	**265**	257

The undiscounted amount of environmental provision was EUR 395 (399) thousand. The discount rate used in determining the present value is 4.0 (4.0) per cent.

2.13. Non-current liabilities		
Loans from credit institutions	11 029	0
Pension loans	2 849	0
Liabilities to Group companies		
Other long-term liabilities	46	44
Liabilities from others		
Other non-current liabilities	500	0
Non-current liabilities to others	500	0
Non-current liabilities, total	**14 424**	44
2.14. Current liabilities		
Liabilities to Group companies		
Trade payables	290	257
Liabilities to others		
Loans from credit institutions	954	12 221
Pension loans	246	3 157
Advances received	261	321
Trade payables	3 253	4 052
Other current liabilities	576	543
Accrued liabilities		
Salaries, wages and social costs	3 423	3 381
Discounts and marketing expenses	213	227
External charges	15	11
Interest liabilities	123	3
Other accrued liabilities	161	89
Accrued liabilities, total	3 935	3 711
Liabilities to others, total	9 225	24 005
Total current liabilities	**9 515**	24 262

EUR 1 000	2 019	2 018
2.15 Given guarantees, contingent liabilities and other commitments		
Loans and credit limit accounts with related mortgages and pledges		
Loans from financial institutions and loan guarantees	15 078	15 378
Real estate mortgages given	15 780	15 780
Company mortgages given	19 996	19 996
Given mortgages and pledges, total	35 776	35 776
Other own liabilities for which guarantees have been given Guarantees	500	500
Other commitments	3	3
Other own liabilities for which guarantees have been given, total	503	503
Other commitments		
Rental commitments due		
Rental obligations payable not later than 1 year	273	250
Rental obligations payable later	12	15
Rental commitments due, total	285	265
Leasing commitments		
Due not later than 1 year	127	161
Due later	53	90
Leasing commitments, total	180	251

Leasing agreements are three to six years in duration and do not include redemption clauses.

Obligation to repay VAT deductions made in earlier periods	49	66

The company is obligated to check the value added tax deductions made on property investments. The last annual check is in the year 2027.

2.16. Other contingent liabilities

Environmental obligations

Tulikivi Corporation's environmental obligations, their management and recognition of environmental costs

Tulikivi group has landscaping obligations based on the Mining Act and other environmental legislation, which must be met during operations and when the quarries are shut down in the future.

Actions demanded by the environmental obligations are continuously performed besides normal production processes. Handling of water, arrangements for soil and rock material stacking areas, vibration and noise measurement, dust prevention and the monitoring the measurement result belong to these tasks. The costs relating to these activities are mainly recognised in the income statement as expense. Transport of soil material to stacking areas by opening new quarries is capitalised to other long-term expenses and depreciated during the useful life of the quarry. Lining work of stacking areas is based on long-term quarrying plans, according to which surface material of new opened quarries will be used in lining work. However, the lining work cannot be done until the point when there are finished sectors in the stacking area. No provision is recognised for the lining work, because it is not estimated to increase the costs of normal quarrying work.

After a factory or a quarry is shut down, the final lining work of the stacking areas, water arrangements, establishing of check points, bringing to safety condition and planting and seeding the vegetation will take place. For that part of these costs which are estimable, a provision is recognised.

Based on the environmental authorisations, the Company has given guarantees to the effect of EUR 630 thousand in total.

Shareholders and Management Ownership December 31, 2019

10 Major shareholders according to number of shares Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Heikki	5 809 500	1 064 339	11.48
2. Elo Mutual Pension Insurance Company		4 545 454	7.59
3. Ilmarinen Mutual Pension Insurance Company		3 420 951	5.71
4. Elo Eliisa	477 500	2 631 036	5.19
5. Nordea Bank ABP		2 617 010	4.37
6. Toivanen Jouko	100 000	2 431 259	4.23
7. Finnish Cultural Foundation	100 000	2 158 181	3.77
8. Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch		1 856 314	3.08
9. Mutanen Susanna	846 300	797 500	2.75
10. Fennia Mutual Insurance Company		1 515 151	2.53

10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	Votes/K shares	Votes/A shares	Proportion, %
1. Vauhkonen Heikki	58 095 000	1 064 339	45,86
2. Mutanen Susanna	7 975 000	846 300	6,84
3. Elo Eliisa	4 775 000	2 631 036	5,74
4. Elo Mutual Pension Insurance Company		4 545 454	3,52
5.Vauhkonen Mikko	3 975 000	343 810	3,35
6. Toivanen Jouko	100 000	2 431 259	2,66
7. Ilmarinen Mutual Pension Insurance Company		3 420 951	2,65
8. Finnish Cultural Foundation	1 000 000	2 158 181	2,45
9. Nordea Bank ABP		2 617 010	2,03
10. Skandinaviska Enskilda Banken Ab (Publ) Helsinki Branch		1 844 078	1,43

The members of the Board and Managing Director control 5 810 000 K shares and 1 557 056 A shares representing 46.26 % of votes.

Breakdown of share ownership of December 31, 2019 Number of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	648	13.52	37 004	0.06
101 - 1000	2 012	41.97	1 107 896	1.85
1001 - 5000	1 325	27.64	3 521 727	5.88
5001 - 10000	372	7.76	2 873 148	4.80
10001 - 100000	387	8.07	10 495 232	17.53
100001 -	50	1.04	41 836 236	69.88
Total	4 794	100.00	59 871 243	100.00

The Company's shareholders were broken down by sector as follows Sector	Holding %	Votes %
Enterprises	5.00	2.32
Financial and insurance institutions	10.59	4.92
Public organisations	13.31	6.18
Non-profit organisations	4.43	2.75
Households	66.23	83.63
Foreign	0.44	0.20
Total	100.00	100.00

Nominee-registered shares, 4 736 410 in total (7.911 per cent of the capital stock, 3.671 per cent of votes), are entered under financial and insurance institutions.
Treasury shares owned by Tulikivi Corporation, in total 124 200 Series A shares, are included in section dealing with shareholding information.

Signatures to Board of Directors' Report and Financial Statements

Helsinki February 26, 2020

Jyrki Tähtinen	Markku Rönkkö	Jaakko Aspara
Liudmila Niemi	Reijo Svanborg	Heikki Vauhjonen Managing Director

Auditors' Report

To the Annual General Meeting of
Tulikivi Corporation

We have audited the financial statements of Tulikivi Corporation (business identity code 0350080-1) for the year ended December 31, 2019. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee and Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 7.2 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Sufficiency of Group's funding (Refer to notes 1, 21 and 25 to the consolidated financial statements)	
The Group's financial position is still weak. The company concluded new financing agreement with creditors December 20, 2019. The financing agreement includes, among others, financial covenants related to EBITDA, equity ratio and the ratio between the interest-bearing debt and EBITDA. The company was in compliance with the covenant terms in the prevailing financing agreement at the year-end. Based on the budget prepared by the management for the financial year 2020 and approved by the Board of Directors in February 2020, the company will be in compliance with the covenant terms set in the current financing agreement. According to management assessment funding is secured for the financial year 2020. The company has continued measures related to the sale of the talc deposit.	We tested the financial forecast process and the related control environment. In order to evaluate the sufficiency of funding, we analyzed, among others, cash flow forecasts and sensitivity calculations prepared by the company, as well as the reliability of the data underlying the forecast. We evaluated the sensitivity calculations prepared by the management to test the headroom, especially in relation to the covenant terms. We have also familiarized ourselves with the plans related to the sale of the talc deposit. In addition, we have evaluated the appropriateness of the classification of the financial liabilities as well as the regularity and adequacy of the disclosures concerning financial position.
Valuation of goodwill and trademark (Refer to notes 1, 15 and 16 to the consolidated financial statements)	
The carrying value of goodwill and trademark totaled EUR 5.5 million in the consolidated financial statements representing 71% of the consolidated equity. Goodwill and trademark are not amortized, but they are tested for impairment at least annually. As a result of impairment testing conducted in conjunction with the preparation of the financial statements, a EUR 0.8 million impairment loss on goodwill was recognized. Determining the key assumptions for cash flow forecasts underlying impairment testing requires management judgement in respect of sales growth rate, profitability and discount rate. Valuation of goodwill and trademark is considered a key audit matter due to the significance of the carrying amounts and high level of management judgement involved.	We challenged judgments made by the management and considered key inputs in the calculations by reference to the budgets approved by the Board of Directors, data external to the Group and our own views. We assessed the historical accuracy of forecasts prepared by management by comparing the actual results for the year with the original forecasts. We involved our own valuation specialists when assessing the technical accuracy of the calculations and comparing the assumptions used to market and industry information. Furthermore, we assessed the appropriateness of the Group's disclosures in respect of goodwill, trademark and impairment testing in accordance with IFRS.
Valuation of deferred tax assets (Refer to notes 1 and 18 to the consolidated financial statements)	
At December 31, 2019, the carrying value of deferred tax assets, EUR 3.1 million, represents 40% of the consolidated equity. The Group's deferred tax assets arise from parent company's tax losses carry forward and tax credits. Valuation of deferred tax assets is based on management's estimate of the future taxable profits which will be generated before the unused tax losses expire. Valuation of deferred tax assets is considered a key audit matter due to the high level of management judgement involved in preparation of forecasts of future taxable profits and the significant carrying amounts recognized.	We tested the forecasting process and the related control environment. In addition, we assessed the historical accuracy of forecasts by comparing the actual results with the original forecasts. We analyzed estimates of future taxable profits made by management and evaluated the underlying assumptions in the calculations supporting carrying amounts of deferred tax assets, taking into account the parent company's historical performance and future projections. In addition, we considered the appropriateness of the disclosures relating to deferred tax assets in accordance with IFRS.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 13.4.2007, and our appointment represents a total period of uninterrupted engagement of 13 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 27 March 2020

KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant

Contact Information

PLANTS AND OFFICES

Head Office and Factories
FI-83900 Juuka
Tel. +358 403 063 100
www.tulikivi.com
firstname.lastname@tulikivi.fi
tulikivi@tulikivi.fi

Suomussalmi Plant
Saarikyläntie 26
FI-89920 Ruhtinansalmi
Tel. +358 403 063 100

Heinävesi Plant
Rasiahontie 3
FI-79700 Heinävesi
Tel. +358 403 063 100

Espoo Office and Factory
Lautamiehentie 1
FI-02770 Espoo
Tel. +358 403 063 100

Sales Displays in Finland

Find your nearest dealer at
www.tulikivi.com

Subsidiaries

Tulikivi Germany GmbH
FI-83900 Juuka, Finland
Tel. +358 403 063 100

Tulikivi U.S., inc.
172 South Pantops Dr, Suite B
VA 22911 Charlottesville
Tel. +1-800-843 3473

OOO Tulikivi
ul.Krasnyh Partizan -14
127229 St.Petersburg
Russian Federation
Tel. +7 495 799 3362

Tulikivi Abroad

Benelux
Dutry & Co.
Jagershoek 10
B-8570 Vichte
Belgium
Tel. +32 56 776 090

Italy
Eurotrias S.R.L. – GMBH
Via Max Planck 13
I-39100 Bolzano
Tel. +39 0 471 201 616

Austria
Feuer im Stein GmbH & Co KG
Gewerbepark 1
A-4861 Schörfling am Attersee
Tel. +43 7662 290 61

Latvia
SIA Akmens Kräsnis
Pulkveža Brieža 43
LV-1045 Riga
Tel. +371 6738 1149

Lithuania
Kad nebūtų šalta, UAB
Bangų 22a
LT-91250 Klaipėda
Tel. +370 46 256 300

Poland
TULIKIVI OYJ
FI-83900 Juuka, Finland
Tel. +358 403 063 100

France
TULIKIVI OYJ
FI-83900 Juuka, Finland
Tel. +358 403 063 100

United Kingdom
Tulikivi UK Limited
Unit 14 Elliott Road
Love Lane Industrial Estate
GB - GL7 1YS Cirencester
Tel. +44 1285 650 633

Germany
TULIKIVI OYJ
FI-83900 Juuka, Finland
Tel. +358 403 063 100

Hungary
Magyar-Norveg KFT
Nagy Lajos
Kiraly ùtja 81
1148 Budapest
Tel. +36 1 363 3058

Slovakia
TALC s.r.o.
Štiavnička 77
97681 Podbrezova
Tel. +421 904 945 888

Slovenia
Feliksbau d.o.o.
Celovška cesta 317
1210 Ljubljana – Šentvid
Tel. +386 1 421 61 80

Switzerland
Tiba AG
Hauptstr. 147
CH-4416 Bubendorf
Tel. +41 619 351 710

Czech Republic
Komiexpert s r.o.
Českomoravska 2255/12a
190 00 Praha 9
Tel. +420 777 718 722

USA and Canada
Tulikivi U.S., inc.
172 South Pantops Dr, Suite B
VA 22911 Charlottesville
Tel. +1-800-843 3473

Russia
OOO Tulikivi
Bersenevskiy lane 3/10 bld 7
Moscow
+7 495 741 00 17

Estonia
BALTIC TK GROUP OÜ
Pihlaka 1 a
11216 Tallinn
Tel. +372 6555 486


Tulikivi

Warmest
Regards,

ES 2021, 04/20