Tulikivi®

Annual Report 2020

www.tulikivi.com

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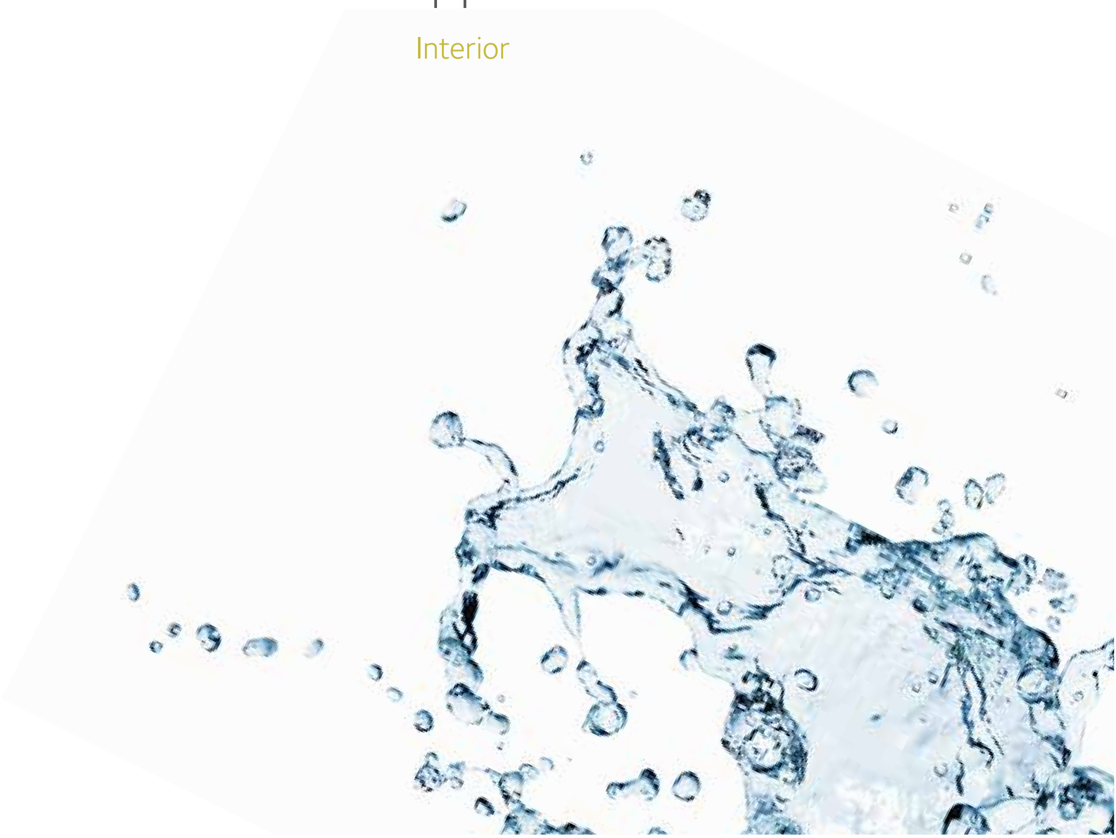


The year 2020 in brief

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.

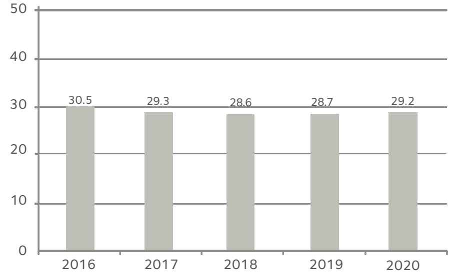
Tulikivi and its costomers value wellbeing, intrior design and the benefits of bioenergy. Tulikivi's net sales are approximately EUR 29.2 million (EUR 28.7 million in 2019), of which exports account for about half. Tulikivi empolys approximately 200 people.

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.

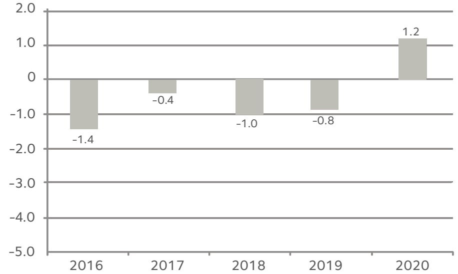
The formulae for calculating key figures are on page 88.

	2020	2019	Muutos, %
Net Sales, MEUR	29.2	28.7	1.7
Operating result, MEUR	1.2	-0.8	251.7
Result before income tax, MEUR	0.4	-1.5	
Return on investments, %	5.6	-3.0	
Solvency ratio, %	24.6	23.0	
Earnings per share, EUR	0.00	-0.03	
Equity per share, EUR	0.13	0.13	
Payment of dividend on			
A share, EUR	-	-	
K share, EUR	-	-	

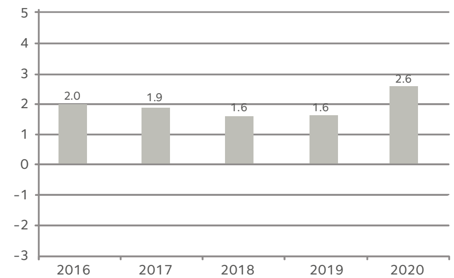
Development of Net Sales, MEUR



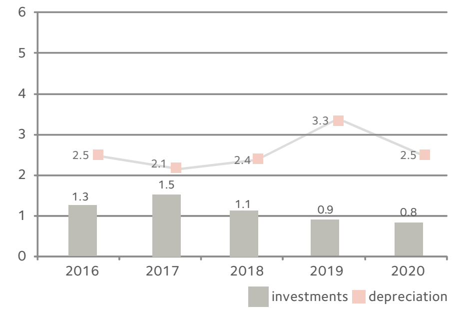
Operating Result, MEUR



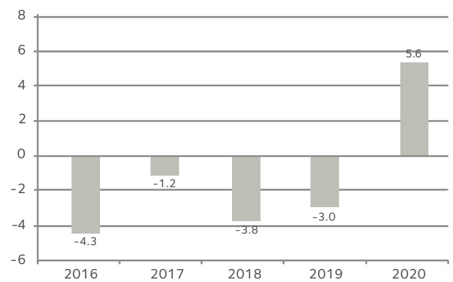
Net Cash Flow from Operating Activities, MEUR



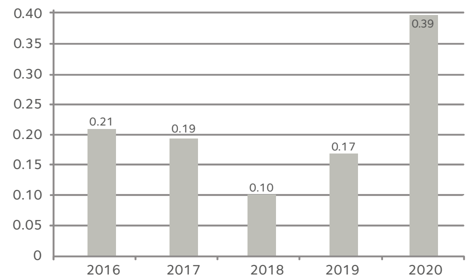
Investments and Depreciation, MEUR

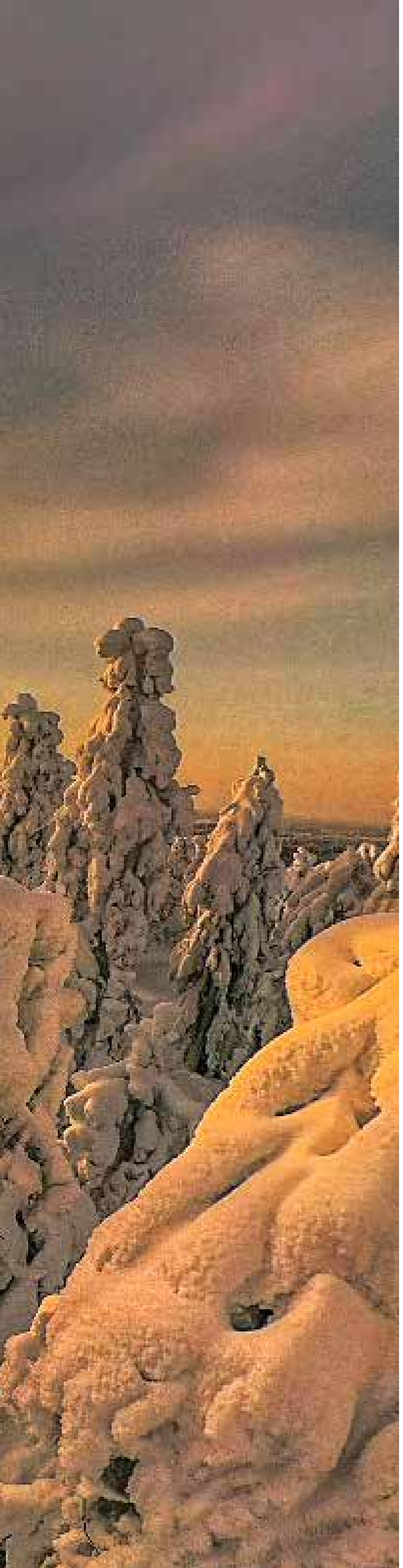


Return on Investments, %



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





Tulikivi in brief

- Tulikivi is the market leader in slow heat-release appliances. Our net sales in 2020 were approximately EUR 30 million. Exports account for more than half of this figure.
- Tulikivi's mission is to produce the highest quality heat in a natural, aesthetical and memorable way with the expertise of the world's northernmost producer of fireplaces and saunas.
- Tulikivi's net sales growth is focused on exports, new collections and product groups that are constantly renewed.
- Tulikivi's target is that its fireplace collections will offset the carbon footprint of their production ten times over during their life cycle.
- Tulikivi has extensive and high-quality soapstone and mineral resources.

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 in terms of its design, combustion technology and thermal properties, which lives up to the wishes of even the most demanding customers in Central Europe. The new surface treatment technology for soapstone emphasises the modern design of the products. The combustion technology of the fireplaces meets even the most stringent requirements in the world. The collection has unique patented whirlbox technology that allows either wood or pellets to be burnt in the firebox. The heat release of the models in the Karelia collection is adjustable for both low-energy and traditional houses. The combustion of the models in the Karelia collection can be controlled with the Tulikivi Senso fireplace controller if desired.

The models in the Pielinen collection are based on modern Scandinavian design and feature a new soapstone surface finish technology. The Pielinen products 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.

Tulikivi also has a classic collection made up of popular models from recent decades. It consists of heat-retaining fireplaces, bakeovens and stoves made of soapstone. The strengths of the products in the collection include classic design and unrivalled heating properties.

Tulikivi's Kermansavi collection is a stylish collection of heat-retaining fireplaces and fireplace/bakeovens. The main markets for this collection are in Finland and its neighbouring regions.

This collection's strengths are its versatile range of colours suitable for various interiors, its high quality and its suitability for Finnish construction methods.

All our products emphasise 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.

Most of our 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 the customers because of their eco-friendliness, energy efficiency, aesthetics and durability, and because of the pleasant 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 new kind of design that distinguishes itself from the rest has received recognition the form of the Fennia Prize, for example.

The Sauna products are sold under the Tulikivi brand, and their principal markets are Finland, Russia and Central Europe. Soapstone interior design stones and tiles are sold as accessories in the Sauna product group, and they are very popular on the export market.

Tulikivi Interior

The main products in the Interior product group are countertops made of different natural or composite stone materials or ceramic material 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 speciality. They are very well-suited for bathroom floors as they are not slippery even when wet. The heat-retaining characteristic of soapstone is beneficial in spaces with underfloor heating.

Managing Director's review

Net sales increased and profitability improved

The year 2020 was positive for Tulikivi. Net sales increased and profit before taxes turned positive after several loss-making years. The development of net sales was most favourable in sauna and interior design stone products, but the changed operating environment also provides new opportunities for growth in fireplace products.

Changing operating environment supports growth

lTulikivi has captured the essence of its operations in the promise: 'Sensation of Northern Warmth'. Tulikivi's location as the world's northernmost fireplace and sauna producer combined with its excellent soapstone reserves guarantees a strong foundation for the company to offer consumers unique and genuine products with reliable performance.

As the COVID-19 pandemic reshapes the concepts of remote work and living, interest in Tulikivi's products is increasing both in Finland and in the export countries. This was reflected as increased demand for Tulikivi's products already in 2020 both in Finland and in the export countries. The increase in the construction of detached houses and holiday homes creates a good foundation for growth in the near future. Investments that have been made in recent years in new product collections of both fireplaces and saunas allows us to benefit from the improved market conditions.

Ecodesign requirements for fireplaces will finally be implemented in Finland on 1 January 2022

lThe new Ecodesign regulations will enter into force on 1 January 2022. This is the most significant change to fireplace regulations in Finland for decades. From the beginning of next year, factory-produced fireplaces must meet the same emission requirements in Finland as in Central Europe, and they must be CE marked. Tulikivi has operated on these markets for decades and its soapstone fireplace collections, such as the Karelia and the Pielinen collections, comply with these regulations. During 2021, we will launch new ceramic fireplace collections that are based on the same technology which meet the new emission regulations and customer expectations regarding product design. We believe that our competitive position will strengthen substantially in Finland as a result of the changes, as competitors that operate only in Finland will have to adapt to the changed regulations.

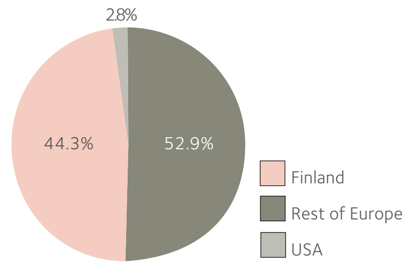
Successful export strategy

The starting point for Tulikivi's exports is its strong brand, which has a genuine and original story. The product concept, which is based on the characteristics of soapstone and its volumetric heat capacity, is unique in the export market and has few competitors compared with the situation for fireplaces and heaters made from metal. In recent years, the product design and technology have been upgraded to make them even more competitive. These competitive advantages, which differ from those of competitors, offer a good earnings opportunity for skilled specialists and dealer entrepreneurs in Europe. Tulikivi's goal is to increase the number of dealers in the main markets. In the Benelux market area, we successfully moved away from a traditional import model to a single-tier distribution model, as was the case in Germany, in autumn 2020.

Regulations will support sales growth in Germany in the coming years

In Germany, our largest country of export, demand is supported not only by the COVID-19 pandemic, but also by the renewal of the fireplace stock on the basis of official regulations. The Bim SchV regulation is in force in Germany and sets limits for emissions and efficiency. These regulations also have an impact on existing fireplaces and old, inoperative products are removed from use. At the end of 2020, fireplaces installed before 1994 had to be replaced or were required meet current emission requirements. At the end of 2024, the same requirement will apply to all fireplaces installed before 2010. They are required to be replaced with a new fireplace or removed from use if they do not comply with current emission and efficiency requirements.

Net Sales
per Geographical Area, %



Tulikivi's dealer network has expanded in Germany in recent years and is in a good position to take its share of any market growth.

Tulikivi Sauna offers growth opportunities

In addition to increasing traditional exports, Tulikivi aims to grow its business operations by expanding into new product groups. Sauna products play a key role in this part of the strategy, and their sales growth was fastest in 2020. Woodburning and electric sauna heaters are a natural area of expansion for the Tulikivi brand. The product group can make use of Tulikivi's strong design and its product characteristics based on its own raw materials, soapstone. The range is complemented by Tulikivi's soapstone tile and mosaic products. Exports play a significant role in sauna products and represent about 50 per cent of net sales. In Russia in particular, soapstone is a highly valued material for use in saunas.

Helsinki, March 10, 2021
Heikki Vauhkonen, Managing Director

Profitability continued to improve
Tulikivi has carried out systematic work to ensure that the cost structure corresponds with the previously changed market situation. As a result of these measures, the company's fixed costs have more than halved from five years ago, and it has been possible to retain the sales margin of the company's products at a good level. To ensure positive profitability development, the Management Group has development projects that are to be implemented jointly to improve sales margin, cut fixed costs and boost the efficiency of processes. The most significant development project in 2020 was reducing the size of the premises of the Heinävesi plant by 50 per cent, which will bring significant savings in rent and heating costs in the future. The improvement in profitability is also partly due to the price increases implemented.

Nordic Talc Oy is moving ahead in its talc project in Suomussalmi
For a long time Tulikivi has had a strategy to acquire stone reserves corresponding to at least 50 years of production. As a result, Tulikivi has drilled about 50 kilometres of bedrock in North Karelia and Kainuu and has acquired extensive reserves of soapstone and minerals to ensure its operations. The talc reserves in the Suomussalmi region belonging to Tulikivi's mining concessions are significant on a European scale.
Nordic Talc Oy, which was established in March 2020 for the financial and industrial exploitation of the talc deposits, is moving forward with the talc project in Suomusalmi. The most recent measure in the talc project in January 2021 was the initiation of an environmental impact assessment (EIA) for the talc enrichment plant planned for the Suomussalmi mining district. The procedure will assess the environmental permit issues related to the quarry and talc enrichment plant.

A big thank you to our personnel and partners
The increase in net sales and profitable result are the result of the hard work of all Tulikivi personnel and partners. I would like to warmly thank you all for your contribution. Best of all, the hard work and ongoing projects will enable the positive development to continue in 2021!

Trends

- The COVID-19 pandemic and the increase in remote working will increase investments in detached houses and holiday homes.
- Consumers focus on their personal wellbeing, health and experiences.
- Ease of purchase is emphasised in the purchase decisions of consumers.
- Climate change affects consumer choices.
- Urbanisation creates demand for new products and services.

- **Increasing net sales by expanding target groups**
  - Modern consumers alongside traditional consumers
  - Collections designed together with customers, such as the Karelia and Pielinen collections
- **Increasing net sales with a clear product concept**
  - More efficient sales and marketing thanks to genuine differentiation factors
  - More efficient sales with a collection that is easier to embrace
- **Modular collections**
  - Improves manufacturing efficiency
  - Focus on product development
- **Reduction of fixed costs**
  - Centralisation of production
  - Reduction of support functions

Shareholders and Management Ownership December 31, 2020

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. Toivanen Jouko	100 000	2 431 259	4,23
6. Finnish Cultural Foundation	100 000	2 158 181	3,77
7. Mutanen Susanna	797 300	846 300	2,75
8. Fennia Mutual Insurance Company		1 515 151	2,53
9. Nikkola Jarkko		1 458 000	2,44
10. Vauhkonen Mikko	397 500	343 810	1,24
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	100 000	2 158 181	2,45
9. Fennia Mutual Insurance Company		1 515 151	1,17
10. Nikkola Jarkko		1 458 000	1,13

The members of the Board and Managing Director control 5 810 000 K shares and 1 777 056 A shares representing 46.41 % of votes.


Tulikivi

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 12,0 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 2020, the examination of deposits focused on Suomussalmi. Examination of potential deposits and further work on current deposits will continue in 2021.

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 responsibilities 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. 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 2020. Customers generated a total of EUR 29.2 million (28.7) 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 6.5 million (6.7) to suppliers of goods and semi-finished products and EUR 9.4 million (9.8) to service providers. In addition, the company paid EUR 0.2 million (0.0) for machinery and equipment. Employees' salaries and bonuses totalled EUR 8.5 million (8.7), and the related pension and other insurance contributions were EUR 1.8 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 (0.8) net in interest and other financial expenses. Shareholders were paid no dividends for 2020 or for 2019.

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.

Tulikivi Group's average personnel was 192 (205 in 2019) 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.

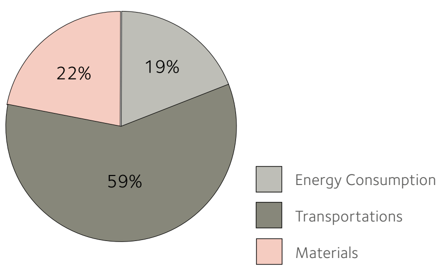
Training of employees was focused on the controlling current situation. This includes related knowledge requirements in legislation or other regulation (e.g. GDPR) as well as first aid and occupational safety training. Learning by doing is still the most important way of learning in the company. Apprenticeship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

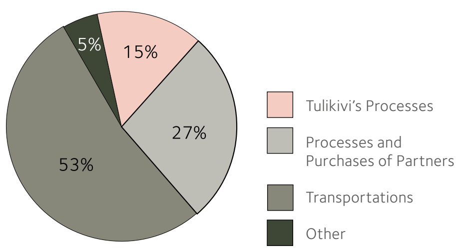
In 2020 new initiatives were made 53 (78) pieces. The accident frequency rate was 24 (25) accidents per million working hours.

Formation of Carbon Footprint in Tulikivi's Own Production



(calculated 2010)
British Standard PAS 2050

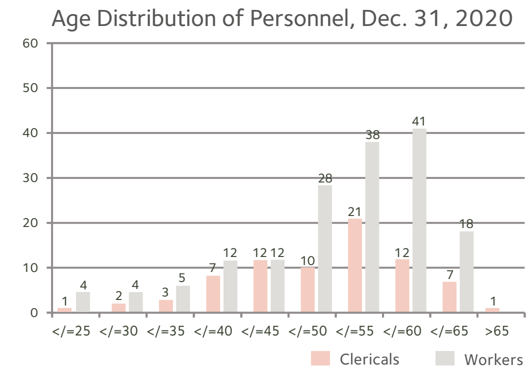
Formation of Carbon Footprint in Tulikivi Fireplace's Life Cycle

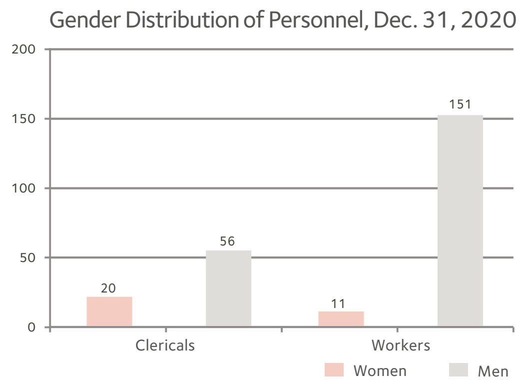


The carbon equivalent was calculated per a kilo of soapstone; the result is 0.612 CO2 eqv kg/kg.

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.

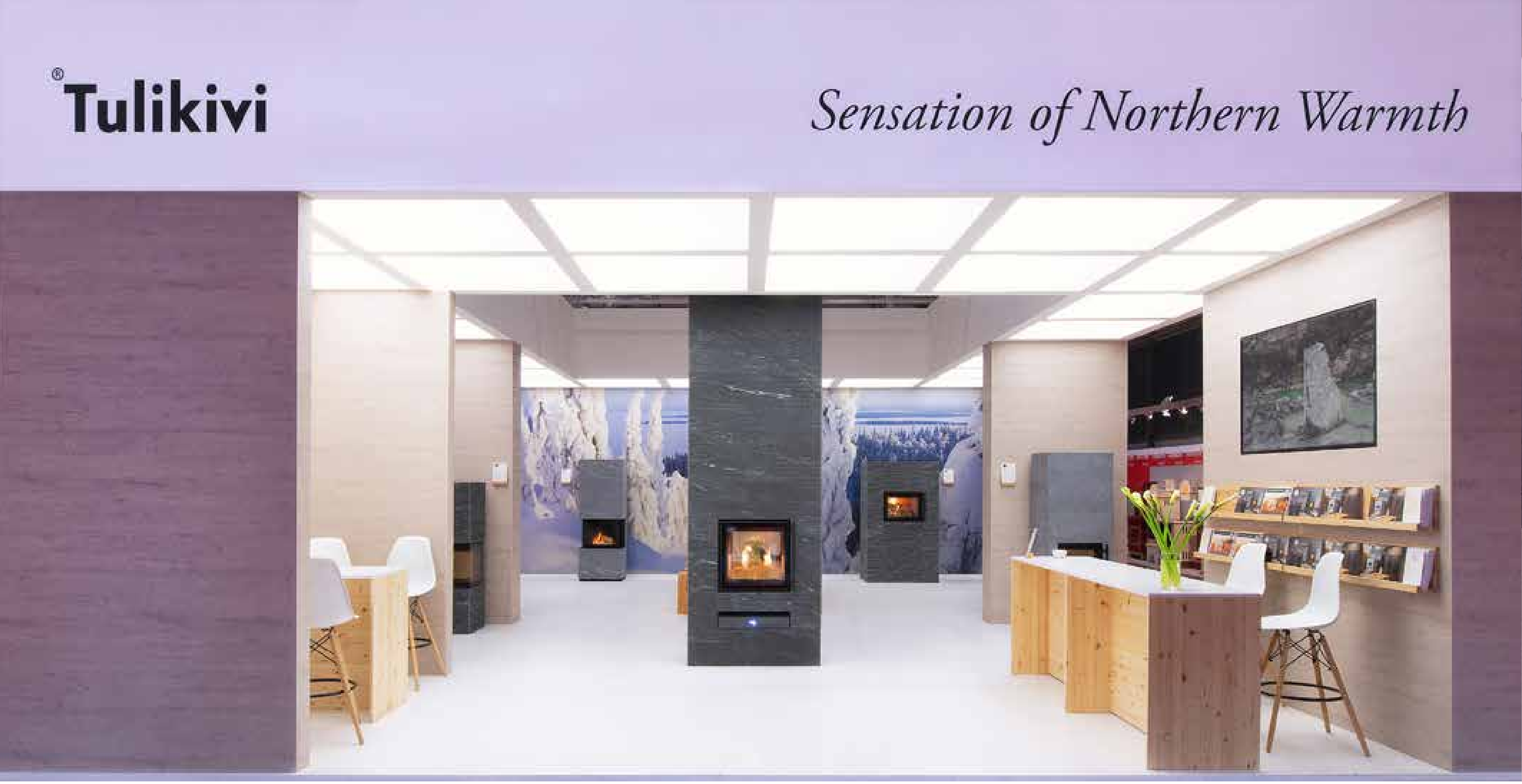




Hotel Iso-Syöte

Tulikivi was selected as the fireplace supplier for the project.

In December 2018, Hotelli Iso-Syöte burned down when a fire from the suite's fireplace destroyed half of the hotel building built in 1984 and caused damage of about 10 million euros. After the fire, entrepreneur Juha Kuukasjärvi decided to rebuild the hotel even more thoroughly, and during 2020 a new magnificent "Tunturihotelli Iso-Syöte" has risen to the natural landscapes of Pudasjärvi. Tulikivi was selected for the project as a fireplace supplier for the project. In addition, Tulikivi supplied domestic soapstone to the lobby and reception areas. Custom fireplaces were designed in collaboration with architect Asko Lax.



At the largest fireplace fair in Europe, Progetto Fuoco in Verona

Tulikivi was on display at Verona's Progetto Fuoco trade fair in Italy, February 2020.

At the stand, we introduced visitors to Tulikivi's ecological lifestyle, future themes and products. We presented the wonderful new products of the Karelia and Pielinen collections, the new natural-feeling surface of soapstone and Senso, the use of solar energy in the fireplace.


Sensation of Northern Warmth
Tulikivi

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 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 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)
Professor, Dean of PhD programme (NEOMA Business School, France). Professor (Hanken School of Economics, Finland). D.Sc. (Econ. and Bus. Adm.), D.A. (Design Management), M.Sc. (Tech.). Member of the Board of Tulikivi Corporation since 2016.

Other key positions of trust: Member of the Board of Directors: HOK-Elanto (since 2014), Makes ry. (since 2018), Media Industry Research Foundation (since 2014), Nordic Institute for Business & Society NIBS (since 2011). Vice-Chairman of the Board: TEN Ethics Council of Market Research Industry (since 2013)

Primary work experience:
Helsinki School of Economics: Professor, fixed-term (2007-2014). New York University NYU, Maastricht University: Visiting Scholar/Professor (2008-2009; 2010) Aalto University: Assoc. Professor of Design Business Management (2014). Hanken School of Economics: Vice-Rector, Dean of Research (2018-2020), Head of Department (2016-2018).

Tulikivi Corporation share ownership:
200,000 (series A share)

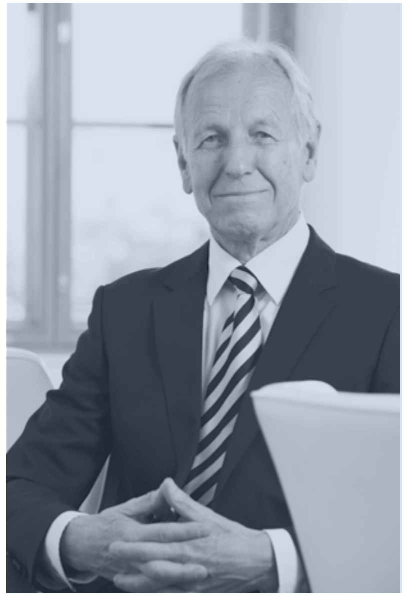
Liudmila Niemi (b.1972)
Executive MBA, M. Sc. Economics & History, Tulikivi Oyj, Juuka, Board Member, Member of Audit Committee, 04/2019-continues and member of Audit Committee 4/2019- contineus, Finnish Orthodox Church Parish Council Member, 01/2021-continues.

Other key positions of trust: ERP Finland Ry, Board Member, 03/2019-08/2020. Elektroniikan Tukkukauppiaat ETK Ry Board Member, 11/2015-08/2020.

Primary work experience: Country Manager at Oy Electrolux Ab 04/2015-08/2020, 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

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/Kerman-savi-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 2008-2020. Member of the Board of Nordic Talc since 2020.

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, Simo Kortelainen, Markku Prättälä, Martti Purtola, Jari Sutinen and Jouko Toivanen

Report on the Corporate Governance Statement 2020

The administration of Tulikivi Corporation and its subsidiaries is based on the law, the Articles of Asso-ciation 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 Recommen-dation 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, Nordic Talc Oy, 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 mem-bers. 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 16 June 2020 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. Tulikivi Corporation's Series A shares 200,000.
- Markku Rönkkö, b. 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several compa-nies. 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–16 June 2020 the members of the Board of Directors were Jyrki Tähtinen, Jaakko Aspara, Markku Rönkkö, Liudmila Niemi, 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 responsi-ble for the appropriate arrangement of the control of the company accounts and finances. The Board directs 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 publishes 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 2020, the company's Board of Directors convened 12 times. The average participation rate of the Board members in these meetings was 100.0%. 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 one time in 2020.

The Audit Committee was composed of Markku Rönkkö (Chairman), Reijo Svanborg (member) and Liudmila Niemi (member). 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 2020. The average partici-pation rate of the committee members in these meetings was 93.3%.

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, 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 24 times in 2020.

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.
- 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 and aesthetically pleasing nature of our products, the comfort created by these products and the benefits of wood heating. Tulikivi is a versatile

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

1 January–31 December 2020	Board meetings	Audit Committee	Nomination Board
Jyrki Tähtinen	12/12		1/1
Jaakko Aspara	12/12		
Markku Rönkkö	12/12	5/5	1/1
Liudmila Niemi	12/12	4/5	
Reijo Svanborg	12/12	5/5	
Heikki Vauhkonen	12/12		1/1

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 environmen-tal 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.

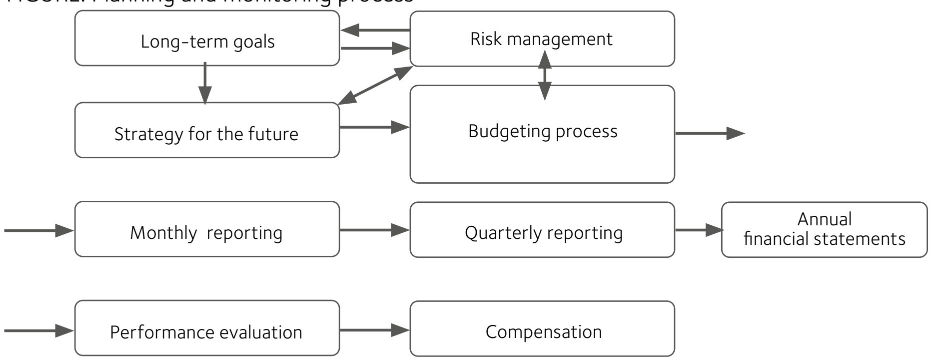
Control responsibilities

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 2020 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 Board of Directors, the Audit Committee, the Managing Director and the Management Group in accordance with the table below, using external experts when needed. 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.

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

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

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.

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

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.

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 eval-uates 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 relat-ed party transactions that are not the company's normal business operations or that are not conduct-ed on normal commercial terms. The company maintains a list of related parties.

On 6 August 2019, Tulikivi signed loan agreements on 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 did 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 were 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.

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 2020, the auditor was paid EUR 61,000 for the audit and EUR 6,000 for services not as-sociated with the audit.

Remuneration report 2020

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 service 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.

The table below shows the development in the fees paid to the Board of Directors and Managing Director compared with the development of the average remuneration of the Group's employees and the Group's financial performance over the previous five financial years.

Development of remuneration (EUR 1,000)

	2016	2017	2018	2019	2020
Annual fees of the Board of Directors	167	191	190	191	189
Annual fees of the Managing Director	220	221	226	230	235
Development of average remuneration /pp	50,2	49,4	50,0	49,2	50,9
Tulikivi's net sales	30 485	29 281	28 583	28 681	29 164
Tulikivi's operating profit	-1 361	-367	-1 025	-772	1 171
Tulikivi's comparable operating profit	-1 361	-367	-517	33	1 171

* The development of average remuneration has been calculated by dividing the salaries and fees by the average number of employees during the financial year.

2. Remuneration of the Board of Directors

The Annual General Meeting of Tulikivi Corporation decides on the fees paid to the members of the Board of Directors.

As of 16 June 2020, the annual fees of the Board members were EUR 19,000, which was paid in full 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 serving as the secretary of the Board of Directors was paid a monthly fee of EUR 1,400 (1,400). The members of the Board's Audit Committee and the Nomination Committee were paid a meeting attendance allowance of EUR 330 (330) per meeting. The travel expenses of the Board of Directors are reimbursed in accordance with the company's travel rules. In 2020, 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.

Annual fees paid to members of the Board of Directors in 2020 for their Board and committee work (EUR):

	Annual fees	Audit Committee	Total
Aspara Jaakko, member of the Board	19 000		19 000
Rönkkö Markku, member and secretary of the Board	35 800	1 650	37 450
Niemi Liudmila member	19 000	1 320	20 320
Svanborg Reijo, member	19 000	1 650	20 650
Tähtinen Jyrki, part-time Chairman of the Board	73 000		73 000
Vauhkonen Heikki, member	19 000		19 000
Total	184 800	4 620	189 420

3. Salaries of the Managing Director and other management

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 pay (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 190,670 (187,295) in 2020. The total salary includes the Managing Director's car and mobile phone benefits, and travel expenses are reimbursed in accordance with the company's travel rules. The Managing Director did not receive any annual incentive payments in 2020 and 2019. 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 Managing Director's pension cover is arranged through a statutory pension insurance (YEL). Pension payments totalled EUR 43,571 (42,697).

The fixed salaries of the other members of the Management Group and of the managing directors of foreign subsidiaries were EUR 546,497 (602,502) in 2020. No incentive payments were paid to the Management Group or the managing directors of foreign subsidiaries in 2020 and 2019.

Incentive pay scheme

To support the commitment of management and key personnel to the implementation of the performance improvement programme, the Board of Directors of Tulikivi Corporation decided on 17 September 2013 on a new stock option programme for the key personnel of Tulikivi Corporation on the basis of the authorisation granted by the Annual General Meeting on 16 April 2013. The purpose of the stock options is to provide an incentive to key personnel to commit to long-term work 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 14 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 for the 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 for the option to be granted. The number of 2013A stock options is 500,000, 2013B is 650,000 and 2013C is 650,000. The Board decided to extend the monitoring period to the 2019 financial year regarding option type 2013C. As the targets set for the subscription of options were not met, no stock options were issued for the 2014–2019 financial years. In 2020, the company did not have a stock option programme.

Incentive pay scheme

The principles of the incentive pay scheme have been defined for the entire personnel of Tulikivi Corporation, but the scheme was not in use in 2019 and 2020. The Board of Directors determines the scheme's 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 scheme payments 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.

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.

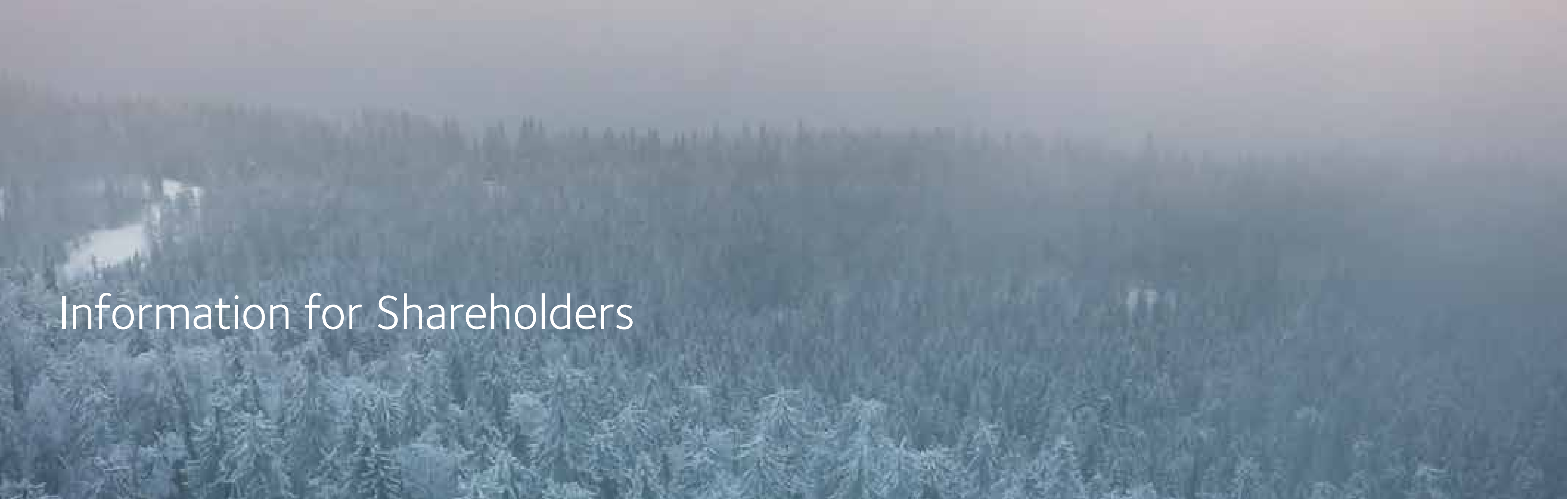
If the deviation from the remuneration policy is expected to continue other than on a temporary basis, the company shall draw up a new remuneration policy, which will be discussed at the next Annual General Meeting.

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

The Annual General Meeting of Tulikivi Corporation will be held on 28 April 2021 starting at 1:00 p.m. at the premises of Borenius Attorneys Ltd., Eteläesplanadi 2, 00130 Helsinki. The Board of Directors of the Company has resolved upon an exceptional General Meeting procedure pursuant to a so called temporary act No 677/2020. In order to limit the spread of COVID-19 pandemic, the General Meeting is held without the presence of the shareholders or their representatives at the meeting place. This is necessary so that the General Meeting can be held in a predictable manner considering the health and safety of the shareholders, personnel of the Company and other stakeholders.

The shareholders can participate in the meeting and exercise their rights only by voting in advance by using the proxy representative and by presenting their counterproposals and questions in advance in accordance with this invitation and other instructions given by the Company. The instructions for shareholders can be found in Section C “Instructions for persons participating in the meeting” of this invitation. It is not possible to participate in the meeting in person at the meeting place. The Chairman of the Board of Directors and the Managing Director will participate in the General Meeting. The other management of the Company will not participate in the meeting.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid for year 2020.

Share Register

We request shareholders to report any changes in their personal details, address and share, excluding ownership to the book-entry register in which the shareholder has a bookentry securities account.

Financial Reports

Tulikivi Corporation will publish the following financial reports in 2021:

- Financial Statements Release on 5 Marh 2021
- Interim Report for January–March 7 May 2021
- Half Year Financial Report for January–June 20 August 2021
- Interim Report for January–September 5 November 2021

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 2020

28.2.2020	Financial statements release, Jan–Dec 2019
28.2.2020	Tulikivi Corportion´s Corporate Governance Statement
20.3.2020	Notice to the general meeting of Tulikivi Corporation 2020
20.3.2020	Tulikivi Corporation's Remulation Policy
27.3.2020	Annual Report
27.3.2020	Tulikivi Corporation establishes Nordic Talc Oy
6.5.2020	Provit Warning: Tulikivi estimates Covid-19 pandemic will weaken the company's net sales
8.5.2020	Interim Report 1-3/2020:
22.5.2020	Notice to the general meeting of Tulikivi Corporation 2020
4.6.2020	Notification in accordance with Chapter 9
16.6.200	Resolutuons of the Annual General Meeting of Tulikivi Corporation
21.8.2020	Half year finacial report 1-6/2019, Net sales on the previous year's level, operating profit improves
29.9.2020	Managers' Transactions: Jaakko Aspara
6.11.2020	Interim report 1–9/2019: Net sales were at the previous year's level, profitability improves
27.11.2020	Tulikivi Corporation has concluded an agreement with its finance providers on the 2020–2021 repayment programme and its terms
18.12.2020	Tulikivi is revising its guidance for 2020 upward: Net sales are expected to be approximately EUR 29 million and comparable operating profit is expected to be approximately EUR 1.0 million
18.12.2020	Tulikivi Corporation financial reporting in 2021

Board of Directors' Report and Financial Statements of Tulikivi Corporation for year 2020

▪ Audited

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, 2020. 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 2020

Operating environment

In Finland, low-rise housing construction and the renovation of fireplaces have stabilised at a low level in recent years. However, in the review period the Covid-19 pandemic increased consum-ers’ interest in renovation, holiday homes and living in low-rise housing in both Finland and export countries, which increased 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 the Covid-19 pandemic, by coun-try-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 environmentally friendly heating solutions, including heat-retaining fireplaces, in the long term.

The EU Construction Products Regulation entered into force on 1 January 2022, as a result of which emission regulations for fireplaces will be harmonised and become stricter in the European Union. This change is beneficial to Tulikivi because its technology already meets the new requirements for fireplaces. In conjunction with the change, Finland’s emissions requirements for ready-made fireplaces will also become stricter to match the Central European level.

Net sales and result

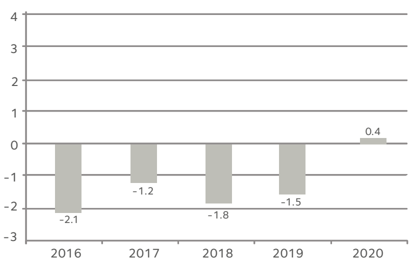
The Tulikivi Group’s fourth-quarter net sales totalled EUR 9.1 million (EUR 8.8 million in 10–12/2019). Net sales increased in the fourth quarter as the Covid-19 pandemic increased consumers’ interest in renovation, holiday homes and low-rise housing in both Finland and export countries. The Tulikivi Group’s fourth-quarter operating profit was EUR 0.6 (-0.5) million and the profit before taxes was EUR 0.4 (-0.7) million. An impairment loss of EUR 0.8 million was recog-nised in Kermansavi’s goodwill in the fourth quarter of 2019. The comparable fourth-quarter operating profit was EUR 0.6 (0.4) million. In the fourth quarter, profitability improved thanks to price increases, productivity measures and savings in fixed costs.

In the fourth quarter, the company’s order intake was EUR 9.1 (8.6) million. Demand growth was greatest for sauna and interior decoration stone products. Central European and Russian exports also developed favourably during the fourth quarter. Order intake increased year-on-year for fireplaces, saunas and interior stone products. Sales of self-build house kits increased in Finland in the second half of the year. Typically, a sale will increase deliveries of Tulikivi products around half a year later. The company’s order books amounted to EUR 3.2 (2.9) million at the end of the financial year.

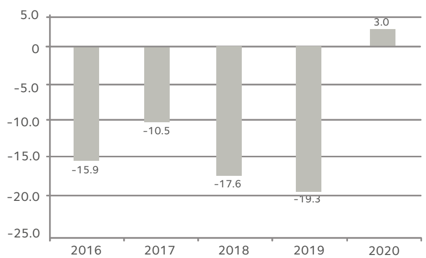
The Tulikivi Group’s net sales in 2020 were EUR 29.2 million (EUR 28.7 million 1–12/2019), the operating profit was EUR 1.2 (-0.8) million, the comparable operating profit was EUR 1.2 (0.0) and the result before taxes was EUR 0.4 (-1.5) million. Net sales in Finland in the financial year were EUR 12.9 (12.5) million, or 44.3 per cent (43.4) of total net sales. Finnish net sales of fireplaces were at the previous year’s level in 2020. Net sales from fireplaces grew in Finland as a result of higher renovation sales and redesigned product ranges. 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 further increase renovation sales. The sales of saunas and interior decoration stone products have developed favourably in the financial year.

Net sales in exports in the financial year were EUR 16.3 (16.2) million, or 55.7 per cent (56.6) of total net sales. The principal export countries were Germany, Russia, Sweden, France and Denmark.

Result Before Income Tax, MEUR



Return on Equity, %



Development of the Sales, MEUR

Total net sales from fireplace exports decreased slightly in the financial year. However, considering the circumstances, net sales and market share continued to develop favourably in the largest export countries, Germany and Russia. In Russia, our revamped collections enabled a stronger focus in sales on the premium market. The Karelia and Pielinen fireplace collections con-tinued to increase dealers’ and consumers’ interest in Tulikivi products significantly in Central Eu-rope. 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 mar-kets where there is no expertise in installing heat-re-taining fireplaces. The highly successful de-velopment work on the Karelia and Pielinen fireplace collections provides us with an opportunity to increase our market share in euros and our profitability in both Finland and exports in 2021.

The Covid-19 pandemic has so far had a positive effect on demand for Tulikivi products, but it has also caused some disruption to the supply of subcontracted parts. The worsening pandemic may lead to restrictive measures that may hamper business.

Financing

Net cash flow from operating activities was EUR 1.1 (1.1) million in the fourth quarter, and EUR 2.6 (1.6) million during the financial year. Working capital increased by EUR 0.4 (-0.6) million during the financial year. Working capital stood at EUR 1.1 (0.7) million at the end of 2020.

Loan repayments totalled EUR 0.9 (-0.2) million in the financial year. At the end of the financial year, MFI loans and working capital loans totalled EUR 14.7 (15.6) million, and net financial expenses were EUR 0.8 (0.8) million. The equity ratio at the end of the financial year was 24.6 per cent (23.0). The ratio of interest-bearing net debt to equity, or gearing, was 175.3 per cent (200.1). The current ratio was 1.1 (1.1), and equity per share was EUR 0.13 (0.13). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 1.3 (1.2) million.

On 27 November 2020, Tulikivi Corporation signed a financing agreement with its finance pro-viders concerning the 2020–2021 repayment programme in ratio to the finance providers' ex-posures. The agreement also includes loan covenants given to the finance providers. In other respects, loans will expire in full on 30 April 2022 in accordance with the financing agreement. The company is in compliance with the covenants of the financing agreement according to the situa-tion on 31 December 2020. The company's management estimates that the company will fulfil the 2021 financial covenants. The company has also agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2022 and subsequent years and its terms no later than 30 September 2021 and complete the negotiations by 31 December 2021.

The parent company's equity was EUR 0.5 million (consolidated equity EUR 7.9 million) at the end of the review period, while share capital was EUR 6.3 million (consolidated share capital EUR 6.3 million). An external expert has prepared an appraisal of the fair value of the machinery in Suo-mussalmi, according to which the difference between the probable current price and the book value of the machinery and equipment at the Suomussalmi factory is EUR 1.3 million. This has been accounted for as an addition to equity, as referred to in Chapter 20, section 23(2), of the Limited Liability Companies Act.

Investments and product development

The Group's investments for the financial year totalled EUR 0.8 (0.9) million. The Karelia collection, which is popular with customers, was complemented with a Petro model that has an L door, and the Pielinen collection was expanded with a compact convection fireplace with a vertically opening door. During 2021, the product range will be supplemented with a ceramic model that meets the new emission standards.

Research and development expenditure in was EUR 0.7 (0.9) million in the financial year, or 2.5 per cent (3.2) of net sales. EUR 0.2 (0.3) million of this was capitalised on the balance sheet.

Suomussalmi talc reserves

The JORC-compliant mineral deposit estimate completed in autumn 2019 confirmed that the talc deposit in the Suomussalmi mining district is significant on a European scale. Based on surveys performed, it is estimated that the deposit can be utilised profitably.

The Tulikivi Corporation subsidiary Nordic Talc Oy, founded in April 2020 by Tulikivi Corporation, is planning a feasibility study of the Suomussalmi talc project, the purpose of which is to further specify the project's profitability, environmental and mining plans for industrial operations. As part of the survey, an environmental impact assessment procedure for the talc project was launched in Suomussalmi.

It is too early to evaluate whether the project will be carried out or to estimate its financial impacts.

Personnel

The Group had an average of 192 (205) employees during the financial year. Salaries and bonus-es during the financial year totalled EUR 8.5 (8.7) million. Operations have been adjusted to de-mand by laying off production and office staff.

Annual General Meeting

The Annual General Meeting of Tulikivi Corporation held on 16 June 2020 resolved not to dis-tribute a dividend for the 2019 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 Accountants, with Kirsi Jantunen, APA, as principal auditor.

The Annual General Meeting authorised the Board of Directors to decide on issuing new shares and on assigning Tulikivi Corporation shares held by the company in accordance with the proposals of the Board. Tulikivi can issue new shares or assign treasury shares as follows: a maximum of 15,656,622 Series A shares and a maximum of 2,304,750 Series K shares.

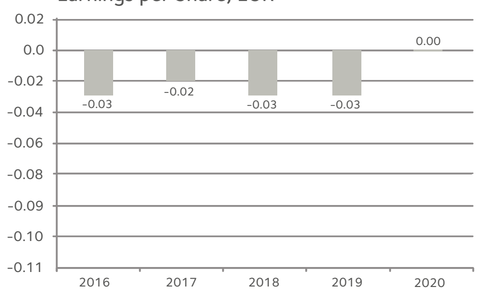
The authorisation includes the right to decide on a directed rights issue, deviating from the share-holders' right of pre-emption, provided that there is a compelling financial reason for the compa-ny. The authorisation also includes the right to decide on a bonus issue to the company itself, where the number of shares issued to the company is no more than one tenth of the total num-ber 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 rewards. The Board is authorised to decide on other matters concerning share issues. The authorisation is valid until the 2021 Annual General Meeting.

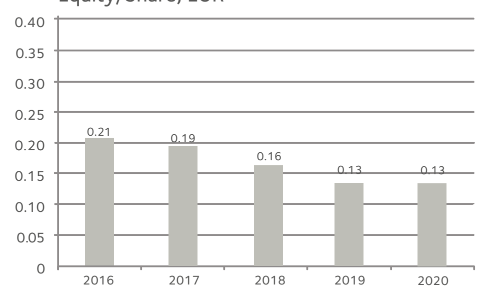
Treasury shares

The company did not purchase or assign any treasury shares during the reporting period. At the

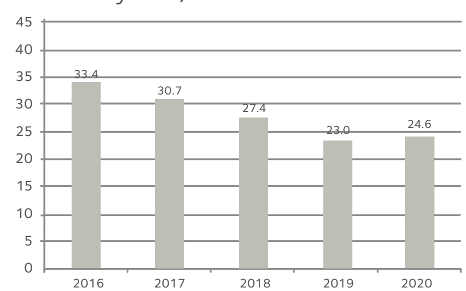
Earnings per Share, EUR



Equity/Share, EUR



Solvency Ratio, %



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 2020.

Near-term risks and uncertainties

The Covid-19 pandemic could have an impact on the company's market environment, employees and business. The overall financial impact on Tulikivi's operations depends on the scale and duration of the Covid-19 pandemic, which cannot be estimated precisely at this stage. A prolonged Covid-19 pandemic may lead to decreased consumer demand and postponed investment decisions. The Board of Directors and management are closely monitoring the progress of the pandemic and will update their assessment of its impact as the situation progresses. The company has drawn up a Covid-19 preparedness plan and implemented it responsibly in accordance with the Government's recommendations.

The Group's most significant risk is a decline in net sales in the principal market areas. New construction and renovation projects affect the sales of Tulikivi products in Finland. Political and economic uncertainty in the principal market areas also impacts 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 the risk that loan covenants will be breached or the talc project will be delayed. A further risk is that the company will not succeed in negotiating a sufficient repayment programme and terms with its financiers. If the profitability of the business does not improve as planned, there is also a risk of the company being forced to recognise impairment on its goodwill 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 Rus-sian rouble and the US dollar. About 90 per cent of the company's cash flow is in euros, meaning that the company's exposure to foreign currency risks is low. A weakening of currencies may have an adverse effect on the sales margin.

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

Future outlook

Net sales are expected to increase in 2021, and the comparable operating profit is expected to improve.

Monitoring of strategy implementation

The Group's strategy covers all key operating and financial targets until 2023. Under the strate-gy, the company's annual organic growth target will be over 5 per cent once the economy im-proves. The aim is also that the EBITDA will be 20 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 decreased by around EUR 13 million since 2013, and it has invested around EUR 5 million in reorganisation 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 2021. 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 2021 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.

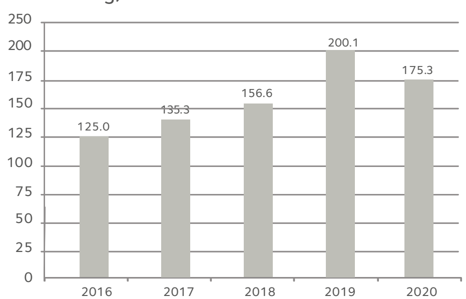
Corporate Governance Statement

Tulikivi Corporation will issue its Corporate Governance Statement for 2020 separately from the Annual Report. The Corporate Governance Statement has been prepared in accordance with Finnish 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.*

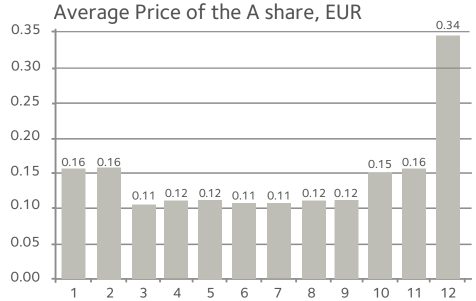
Group structure

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

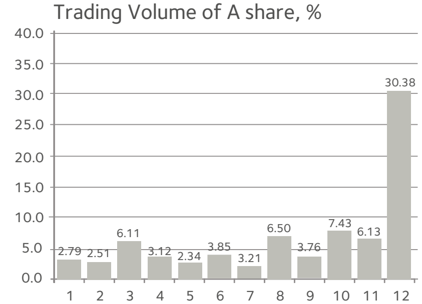
Gearing, %



Monthly Development of the Average Price of the A share, EUR



Monthly Development of the Trading Volume of A share, %



Consolidated Statement of Comprehensive Income

Thousand euros	Note	1.1. - 31.12.2020	1.1. - 31.12.2019
Sales	3	**29 164**	28 681
Other operating income	4	231	236
Increase/decrease in inventories of finished goods and in work in progress		86	-237
Production for own use		343	411
Raw materials and consumables		-6 901	-6 913
External services		-3 886	-3 656
Personnel expenses	5	-10 374	-10 498
Depreciation and amortisation	6	-2 455	-2 452
Impairment		0	-805
Other operating expenses	7	-5 035	-5 539
Operating profit		**1 171**	-772
Financial income	8	86	53
Financial expenses	9	-893	-829
Result before income tax		**364**	-1 548
Income taxes expense	11	-127	-95
Result for the year		**237**	-1 643
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	10	0	0
Translation differences	10	-53	50
Other comprehensive income, net of tax		-53	50
Total comprehensive result for the year		**184**	-1 593
Calculated from result attributable to the equity holders of the parent company earnings per share, EUR basic/diluted	12	**0,00**	-0,03

Consolidated Statement of Financial Position

Thousand euros	liitetieto	31.12.2020	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment	13	6 747	7 452
Goodwill	15	2 849	2 849
Other intangible assets	15	9 341	9 759
Investment properties	14	92	92
Other financial assets	17	26	26
Deferred tax assets	18	2 986	3 073
Other receivables		83	83
Total non-current assets		**22 124**	23 334
Current assets			
Inventories	19	6 683	6 553
Trade and other receivables	20	2 482	2 981
Cash and cash equivalents	21	1 310	1 158
Total current assets		**10 475**	10 692
Total assets		**32 599**	34 026
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	34	86
Retained earnings		-12 746	-12 982
Total equity		**7 901**	7 717
Non-current liabilities			
Deferred income tax liabilities	18	652	657
Provisions	24	264	260
Non-current liabilities	25	12 877	13 878
Other non-current liabilities	26	1 484	1 449
Total non-current liabilities		**15 277**	16 244
Current liabilities			
Trade and other payables	26	8 115	8 859
Current tax liabilities		0	0
Provisions	24	6	6
Short-term interest-bearing liabilities	25	1 300	1 200
Total current liabilities		**9 421**	10 065
Total liabilities		**24 698**	26 309
Total equity and liabilities		**32 599**	34 026

Consolidated Statement of Cash Flows

Thousand euros	Note	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Cash flows from operating activities			
Result for the year		237	-1 643
Adjustments:			
Non-cash transactions	29	2 403	3 343
Interest expense and finance costs		893	829
Interest income		-82	-49
Dividend income		-4	-4
Income taxes	11	127	95
Changes in working capital:			
Change in trade and other receivables		516	110
Change in inventories		-130	373
Change in trade and other payables		-620	-692
Interest paid		-787	-659
Interest received		82	18
Dividends received		4	4
Income tax paid		-56	-107
Net cash flow from operating activities		**2 583**	1 618
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-167	-160
Grants for tangible assets		0	178
Purchases of intangible assets		-699	-862
Grants for intangible assets		0	112
Proceeds from sale of tangible assets		5	13
Investments in other investments		0	-6
Net cash flow from investing activities		**-861**	-725
Cash flows from financing activities			
Proceeds from borrowings		0	500
Repayments of borrowings		-900	-300
IFRS 16 lease liabilities paid		-629	-764
Net cash flow from financing activities		**-1 529**	-564
Net decrease (-) / increase (+) in cash and cash equivalents		193	329
Cash and cash equivalents at the beginning of the year		1 158	798
Exchange gains (+) / losses (-)		-41	31
Cash and cash equivalents at the end of the year	21	**1 310**	1 158

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
Thousand euros								
Equity at January 1, 2019		6 314	14 407	0	-108	37	-11 340	9 310
Total comprehensive result for the year						50	-1 643	-1 593
Equity at December 31, 2019		6 314	14 407	0	-108	87	-12 983	7 717
Equity at January 1, 2020		6 314	14 407	0	-108	87	-12 983	7 717
Total comprehensive result for the year						-53	237	184
Equity at December 31, 2020	22, 27.5	**6 314**	**14 407**	**0**	**-108**	**34**	**-12 746**	**7 901**

Basic Information of the Group

The Group's parent company is Tulikivi Corporation (Business ID 0350080-1). The parent company is domiciled in Juuka and its registered address is 83900 Juuka.

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 4 March 2021. 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 2020. 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 carried at fair value through profit or loss. The consolidated financial statements are presented in thousands of euros.

The Group has reviewed the interpretations of IFRS standards and their amendments, valid at 1 January 2020. The interpretations of and amendments to the existing standards had no effect on the consolidated financial statements.

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.

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, which are valued at fair values, are translated into functional currency using the exchange rates prevailing at the fair value reporting date. Non-monetary items are otherwise translated using the exchange rate at the transaction date.

Exchange differences of transactions in foreign currencies and translation of monetary items are recognised through profit or loss. Exchange differences resulting from business operations are recognised 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 recognised 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 2019–2020.
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.

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
Others	3 to 5 years
Equipment	3 to 5 years
investment property	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 2019 and 2020. 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 through 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 through profit or loss during 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 include buildings and land that are not used by Tulikivi itself. The buildings that belong to investment property are measured at cost less accumulated depreciation and the land-areas are measured at cost.

Leases

– Group as lessee

The Group applies the IFRS 16 standard, under which the lease liability and the corresponding right-of-use asset at the inception of the lease have been recognised in the balance sheet as the lessee. 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. The Group has only a small number of operational leases in which leases received during the lease period are recognised as revenue on a straight-line basis. There are no finance leases.

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. This group includes stone reserves measured at the original acquisition cost of unused quarries, the value testing of which is based on an examination of the profit-making capacity of the soapstone business.

Amortisation periods of other intangible assets are as follows:

Patents and trademarks	5 to 20 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

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.

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

The Group did not have any share-based payments in 2019 or 2020.

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. In accordance with the IFRS 15 Revenue from Contracts with Customers 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.

- Construction contracts

The Group did not have any construction contract revenues in 2019 or 2020.

- Interest income and dividends

Interest income is recognised according to the effective interest rate method and dividend income when the right to the dividend has 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 2019 or 2020.

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 2019 and 2020 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 2019 or

2020. 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 28 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 2019 or 2020.

– 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. No hedging instruments are currently in use.

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.

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

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.

2. Segments

In connection with the performance improvement programme, the organisation has been streamlined and the Fireplace and Interior Stone businesses have been integrated from 2014 onwards.

3. Sales

3.1. Net sales per goods and services, thousand euros	2020	2019
Sales of goods	27 361	26 983
Rendering of services	1 803	1 698
Sales, total	**29 164**	28 681

3.2. Geographical information, thousand euros 2019	Sales	2020 Assets	Sales	2019 Assets
Finland	12 914	22 089	12 448	23 286
Rest of Europe	15 364	35	15 480	48
USA and Canada	886	0	753	0
Group total	**29 164**	**22 124**	**28 681**	**23 334**

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 2020 (2019).

3.4. Timing of satisfying performance obligations, thousand euros	2020	2019
At a point in time	29 164	28 681
Over time	0	0
Sales, total	**29 164**	28 681

4. Other operating income, thousand euros

Proceeds from sale of PPE	5	13
Other income	226	223
Other operating income, total	**231**	236

5. Employee benefit expense, thousand euros

Wages and salaries	-8 475	-8 711
Pension costs - defined contribution plans	-1 294	-1 373
Other social security expenses	-508	-414
Share-based compensation	0	0
Employee benefit expense, total	**-10 277**	-10 498

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, thousand euros

Group's average number of personnel for the financial period, total	**192**	205
Group's personnel at 31 December.	**238**	235

6. Depreciation, amortisation and impairment, thousand euros

	2020	2019
Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	-84	-7
Capitalised development costs	-426	-386
Other intangible assets	-260	-189
Amortisation on quarries based on the unit of production method *)	-237	-174
Right-of-use assets	-3	-5
Amortisation of intangible assets, total	**-1 010**	-761
Tangible assets		
Buildings	-413	-425
Machinery and equipment	-417	-499
Motor vehicles	-3	-22
Depdeciation on land areas based on the unit of production method *)	-15	-15
Other tangible assets	0	0
Right-of-use assets	-597	-730
Depreciation of tangible assets, total	**-1 445**	-1 691
Investment property		
Buildings	0	0
Impairments	0	0
Impairments from Goodwill	0	-805
Total depreciation, amortisation and impairment	**-2 455**	-3 257

*) 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, thousand euros

Losses on sales of tangible assets	0	-62
Expense - leases of low-value assets (<5000 USD)	-81	-66
Expense - short-term leases (<12 months)	-109	-58
Real estates costs	-314	-318
Marketing expenses	-854	-1 113
Other variable production costs	-2 079	-2 013
Other expenses	-1 598	-1 909
Other operating expenses, total	**-5 035**	-5 539

7.1. Research expenditure

Research costs expensed totalled EUR 518 thousand (601 thousand in 2019).

7.2. Auditors' fees

KPMG Oy AB		
Audit fees	61	85
Other fees	6	2
Audit fees, total	**67**	87

8. Finance income, thousand euros

	2020	2019
Dividend income on available for sale financial assets	4	4
Foreign exchange transaction gains	79	37
Interest income on trade receivables	1	6
Other interest income	2	6
Finance income, total	**86**	53

9. Finance expense, thousand euros

9.1. Items recognised in profit or loss

Interest expenses on financial liabilities at amortised cost and other liabilities	-560	-629
Interest expense related to lease contracts	-38	-44
Foreign exchange transactions losses	-173	-37
Other finance expense	-121	-119
Finance expense, total	**-892**	-829

10. Other comprehensive income, thousand euros

Financial items recognised in other comprehensive income:

	2020			2019		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	0		0	0		0
Translation differences	-53		-53	50		50
Other comprehensive income, total	**-53**	**0**	**-53**	50	0	50

11. Income taxes, thousand euros

	2020	2019
Current tax	127	95
Income taxes, total	**127**	95

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).

Profit before tax	365	-1 548
Tax calculated at domestic tax rates 20 per cent	-73	310
Effect of foreign subsidiaries different tax bases	-2	-1
Income not subject to tax	1	1
Unrecognized deferred taxes on provisions	-24	-26
Unrecognised taxes of previous losses	-10	-183
Unrecognized deferred taxes on provisions	-1	0
Impairment of goodwill	0	-161
Other	-18	-35
Income statement tax expense	**-127**	-95

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.	**2020**	2019
Profit attributable to equity holders of the parent company (EUR 1 000)	237	-1 643
Weighted average number of shares for the financial period	59 747 043	59 747 043
Basic/diluted earnings per share (EUR)	0,00	-0,03

13. Property, plant and equipment

2020	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 284	15 095	15 735	1 415	1 807	27	35 363
Additions	0	0	159	40	0		199
Disposals	0	0	-13	0	0	-27	-40
Translation differences and other adjustments	0	0	-9	0	0	0	-9
Cost December 31	1 284	15 095	15 872	1 455	1 807	0	35 513
Accumulated depreciation and impairment January 1	-522	-12 106	-14 510	-1 405	-871	0	-29 414
Depreciation	-14	-413	-410	-10	0	0	-847
Depreciation related to the disposals	0	0	13	0	0	0	13
Accumulated depreciation and impairment December 31	-536	-12 519	-14 907	-1 415	-871	0	-30 248
Property, plant and equipment, Net book amount January 1	762	2 989	1 225	10	936	27	5 949
Property, plant and equipment, Net book amount December 31, 2020	**748**	**2 576**	**965**	**40**	**936**	**0**	**5 265**
IFRS 16							
Right-of-use assets January 1	0	1 376	127	0	0	0	1 503
Additions	0	459	176	0	0	0	635
Depreciation	0	-474	-123	0	0	0	-597
Disposals	0	-50	-9	0	0	0	-59
Right-of-use assets December 31	0	1 311	171	0	0	0	1 482
Property, plant and equipment, Net book amount January 1	762	4 365	1 352	10	936	27	7 452
Property, plant and equipment, Net book amount December 31, 2020	**748**	**3 887**	**1 136**	**40**	**936**	**0**	**6 747**

The Group's production machinery within property, plant and equipment has carrying amount of EUR 894 (1 167) thousand

The reductions in machinery and equipment did not include scraps in 2020 or 2019. There were no construction under Machinery and equipment in 2020 or 2019.

The Group did not obtain government grants to acquisitions of plant and equipment in 2020 or 2019.

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 weighted average discount rate for lease liabilities under IFRS 16 was 3.0 per cent.

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
Property, plant and equipment, Net book amount January 1	2 032	3 414	1 136	40	936	0	7 558
Property, plant and equipment, Net book amount December 31, 2019	**762**	**2 989**	**1 216**	**43**	**936**	**20**	**5 966**
IFRS 16							
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	4 684	1 900	24	936	20	8 341
Property, plant and equipment, Net book amount December 31, 2019	**762**	**4 365**	**1 352**	**10**	**936**	**27**	**7 452**

14. Investment property, thousand euros

Buildings	**2020**	2019
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		
Acquisition cost January 1	92	92
Cost December 31	92	92
Investment property, total	**92**	92

Buildings in investment properties are valued at acquisition cost less accumulated depreciation and land is valued at acquisition cost.

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.

15. Intangible assets, thousand euros

15.1. Goodwill and other intangible assets 2020	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	2 849	3 388	5 808	6 346	123	3 410	5 087	27 011
Additions	0	0	0	177	0	5	193	375
Capitalised development costs	0	0	216	0	0	0	0	216
Disposals	0	0	0	0	0	0		0
Impairments								
Cost December 31	2 849	3 388	6 024	6 523	123	3 415	5 280	27 602
Accumulated amortisation and impairment January 1	0	-740	-4 929	-3659	-103	-1 180	-3 795	-14 406
Depreciation	0	-84	-426	-109	-10	-148	-230	-1 007
Depreciation related to the disposals	0	0	0	0	0	0		0
Accumulated amortisation and impairment December 31	0	-824	-5 355	-3 768	-113	-1 328	-4 025	-15 413
Goodwill and other intangible assets, Net book amount January 1	2 849	2 648	879	2 687	20	2 230	1 292	12 605
Goodwill and other intangible assets, Net book amount December 31, 2020	**2 849**	**2 564**	**669**	**2 755**	**10**	**2 087**	**1 255**	**12 189**
IFRS 16								
Right-of-use assets January 1	0	0	0	0	0	0	3	3
Depreciation	0	0	0	0	0	0	-3	-3
Right-of-use assets December 31	0	0	0	0	0	0		0
Goodwill and other intangible assets, Net book amount January 1	2 849	2 648	879	2 687	20	2 230	1 295	12 608
Goodwill and other intangible assets, Net book amount December 31, 2020	**2 849**	**2 564**	**669**	**2 755**	**10**	**2 087**	**1 255**	**12 189**

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 4 766 (4 845) 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 2020 or 2019.

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 2020 or 2019.

At the end of the current financial year, there were no any deductions / accumulated depreciation (EUR 62 thousand in 2019).

15. Intangible assets, thousand euros

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	-3502	-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
Goodwill and other intangible assets, Net book amount January 1	3 654	2 655	946	2 682	20	2 262	1 143	13 362
Goodwill and other intangible assets, Net book amount December 31, 2019	**2 849**	**2 648**	**879**	**2 687**	**20**	**2 230**	**1 292**	**12 605**
IFRS 16								
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**

16. 16. Goodwill and trademark, thousand euros

16.1. Goodwill allocation

In spring 2020, Tulikivi combined the soapstone fireplaces and ceramic fireplaces businesses into the Fireplaces business and also streamlined processes and result reporting at the same time. The goodwill of Kermansavi was allocated to the Fireplaces business. The financial, administrative, IT and product development functions, as well as the sales and marketing functions of the businesses, had already been combined earlier. The combination of production and sourcing was straightforward as the shared processes and cash flows meant that the two businesses were easily integrated into a single business.

The goodwill of the Kermansavi trademark that was acquired in conjunction with the acquisition of Kermansavi Oy was EUR 2.6 million on the reporting date and it is allocated in its entirety to the Fireplaces business. As a result of the changes described above, it is no longer possible to test the Kermansavi fireplaces business as a separate cash-generating unit because it is now included in the Fireplaces business. The useful life of the Fireplaces trademark has also been reassessed and will be written off in 20 years.

The carrying amounts of goodwill and trade mark were allocated as follows:	Interior stone products	Fireplaces	Kermansavi fireplaces
2020			
Goodwill	632	2 229	
Trademark	-	2 633	
Total	632	4 862	
2019	Interior stone products	Fireplaces	Kermansavi fireplaces
Goodwill	632		2 229
Trademark	-		2 712
Total	632		4 941

16.2. Recognition and allocation of impairment losses

Tulikivi's profit performance improved in 2020, and no impairment was found in impairment testing. As a result of impairment testing conducted in conjunction with the preparation of its financial statements for 2019, Tulikivi recognised an EUR 0.8 million impairment loss on the goodwill in the Group's balance sheet.

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 calculations used in testing long-term forecasts are approved by the government's strategic objectives clearly lower. Assumptions about the level of profitability are based on management's views, which are affected by the actual development, the competitive situation in the market, the development of the competitive position of the cash-generating unit and Tulikivi's development and savings measures.

The pre-tax discount rate used in impairment testing was 10.5 per cent for fireplaces (10.5 per cent for Kermansavi fireplaces) and 10.6 per cent for interior stones (10.5), which correspond to the weighted average cost of capital, taking into account the risk premium. In Fireplaces, the net-sales improvement of 1.9 per cent is based on a better outlook in new construction and renovation, contracts made with self-build house kit manufacturers and the 5 per cent price increase made in spring 2020. Cost savings are based on savings from premises, lower locking rates for electricity for the 2021–2024 period and the cost saving programme implemented in the Group. In November 2020, premises covering approximately 4,800 m2 were exchanged with the municipality of Heinävesi with one month's notice, with the savings fully realised as of 1 January 2021. Previously, notice had been given on leases on 3,500 m2 of production facilities. Reduced production facilities' 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 the price increases made in the spring of 2020, as well as through enhanced production and purchasing efficiency. In Interior Stones, the 2 per cent increase in net sales is based on improved outlook for new construction and renovation in the interior stone products market and on price increases. For Fireplaces and Interior Stones the average figures for the 2021–2025 forecast period have been used 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.

The discount rate and growth rate	Interior stone		Fireplaces		Kermansavi fireplaces	
	2020	2019	2020	2019	2020	2019
Discount rate	10,6	10,5	10,5			10,5
Growth rate (average for the forecast period)	2,0	2,0	1,9			2,0

The cash amount recoverable with the assumptions made less book value is presented in the following table.	2020	2019
Interior stone	387	252
Fireplaces	858	-
Kermansavi fireplaces	-	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.

1. 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	
	2020	2019	2020	2019
Interior stone	-	-	-	-
Fireplaces	-904		-2 465	
Kermansavi fireplaces		-748		-1 427

In Fireplaces an interest rate increase of 0.6 percentage points and in Interior Stones an increase of 3.5 (2.7) percentage points would result in an impairment loss. A decline of 0.4 percentage points in Fireplaces and 1.5 (1.1) percentage points in Interior Stones in the operating margin would result in an impairment loss.

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 11 (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 equity instruments recognised in comprehensive income, thousand euros	2020	2019
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.

18. Deferred tax assets and liabilities, thousand euros

18.1. Changes in deferred taxes during year 2020:	Jan. 1, 2020	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2020
Deferred tax assets:						
Provisions	0	0	0	0	0	0
Unused tax losses	819	-218	0	0	-1	599
Accumulated depreciation / amortisation not yet deducted in taxation	2 045	120	0	0	0	2 165
Change in the revaluation reserve	0	0	0	0	0	0
Other items	209	14	0	0	-1	222
Deferred tax assets, total	3 073	-84	0	0	-2	2 986
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	-115	4	0	0	1	-110
Deferred tax liabilities, total	**-657**	**4**	**0**	**0**	**1**	**-652**

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

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.

Thanks to the performance improvement programme carried out in the company in 2013–2016 and the rigorous cost control that we have observed since then, the company's cost structure has improved significantly, making the company's structure much more competitive. The difficult market situation and the major changes led to a substantial decline in net sales, but the company successfully turned its net sales around already in 2019, achieving minor growth and a positive operating profit. The good performance in net sales and operating profit continued in 2020. The highly successful development work on the Karelia and Pielinen collections offers an opportunity to increase net sales and profitability in 2021 in both Finland and exports. The company believes that it will be able to deliver a positive result during the strategy period 2021–2023. The company also has tax planning opportunities for deferred tax assets. These losses will gradually expire between 2021 and 2025.

The Group has EUR 13 311 (13 145) thousand tax losses carried forward and EUR 9 261 (9 095) thousand 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. With profit recorded for the 2020 financial year and taxable profit at EUR 1,058,000, EUR 224,000 in confirmed losses from 2010 and EUR 834,000 from 2011 will be utilised in the tax year. Of non-recognised losses, EUR 1637 thousand will expire 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, EUR 524 thousand in 2028 and EUR 166 thousand in 2029.

19. Inventories, thousand euros	2020	2019
Raw materials and consumables	2 957	2 912
Work in progress	1 854	1 653
Finished goods	1 872	1 987
Inventories, total	**6 683**	6 552

In 2020 raw materials, consumables and changes in finished goods and in work in progress recognized as an expense amounted to EUR 17 618 (17 233) thousand. Furthermore, a write-down of inventories to net realisable value was made, amounting to EUR 134 (189) thousand.

20. Trade and other receivables, thousand euros	2020	2019
20.1. Current trade and other receivables		
Trade receivables	2 049	2 583
Accrued incomes	121	324
Tax assets	4	-5
Other receivables	309	79
Current receivables, total	**2 483**	2 981

20.2. Aging analysis of trade receivables and impairment losses at balance sheet date

The company uses the impairment matrix for expected credit losses for impairment losses on trade receivables. The matrix is based on historical credit losses and the amount is calculated as a simplified present value of trade receivables.

2020	Gross	Impairment (%)	Impairment	Net
Not past due	1 151	0	3	1 148
past due				
Past due 1-30 days	437	2	7	430
Past due 31-60 days	215	4	8	207
Past due 61-90 days	151	7	10	141
Past due over 90 days	138	11	15	123
Total	**2 092**		**43**	**2 049**
2019	Gross	Impairment (%)	Impairment	Net
Not past due	1 812	0	5	1 807
past due				
Past due 1-30 days	314	2	5	309
Past due 31-60 days	125	4	4	121
Past due 61-90 days	88	7	6	82
Past due over 90 days	295	11	31	264
Total	2 634		51	2 583

20.3. Trade receivables by risk categories, thousand euros			
2020	Gross	Impairment	Net
Largest customers by customer groups	**Gross**	**Impairment**	**Net**
Stove producers	73	3	70
Distributors of fireplaces in foreign countries	861	7	854
Construction companies	466	8	458
Distributors in home country	377	10	367
End users	315	15	300
Trade receivables, total	**2 092**	**43**	**2 049**
2019			
Largest customers by customer groups	Gross	Impairment	Net
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
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, thousand euros

	2020	2019
Cash in hand and at bank	1 310	1 158

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 31,2020	7 682 500	12,8	59,5	810 255
A-shares (1 vote) total at December 31, 2020	52 188 743	87,2	40,5	5 504 220
Shares total at December 31, 2020	59 871 243	100,0	100,0	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			0
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			
Shares total at December 31, 2014 and December 31, 2020	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 2020 and 2019.

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.

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 company no longer had an option program for the 2020 financial year.

24. Provisions , thousand euros

	Environmental provision		Warranty provision		Restructuring provision	
	2020	2019	2020	2019	2020	2019
Provisions January 1	180	182	85	75	0	0
Increase in provisions	0	0	92	96	0	0
Effect of discounting, change	5	4	0	0	0	0
Used provisions	-6	-6	-87	-86	0	0
Discharge on recerves	0	0	0	0	0	0
Provisions December 31	**179**	180	**90**	85	**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 390 (395) 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.

		2020	2019
Non-current provisions		264	260
Current provisions		5	5
Proviosions, total		**269**	265

25. Interest-bearing liabilities

		2020	2019
Bank borrowings		11 268	11 983
TyEL pension loans		2 910	3 095
Balance sheet value		14 178	15 078
25.1. Non-Current			
Bank borrowings		10 234	11 029
TyEL pension loans		2 643	2 849
Non-Current Total		12 877	13 878
Interest bearing loans expire as follows:			
2020		0	0
2021		1 300	1 200
2022		12 878	13 878
Interest bearing loans total		**14 178**	15 078
25.2. Current			
Repayments of long-term bank loans in 2021		1 033	954
Repayments of long-term TyEL loans in 2021		267	246
Interest-bearing liabilities total		**1 300**	1 200

25.3. The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

On 27 November 2020, the company signed a new financing agreement with its finance providers, which replaced the earlier agreement, including its amendments, signed on 20 December 2019. The financing agreement in-cludes a repayment programme for 2020–2021 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 is that Tulikivi's financing is secured and the company meets the financial covenants in finance agreement in 2021, 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 2022 and subsequent years and its terms no later than 30 September 2021 and that it will complete the negotiations by 31 December 2021. The weighted average of the effective interest rates of non-current financial liabilities was 3.1 per cent (3.5) on 31 December 2020. Of the Group's debt financing, EUR 14.2 (15.1) 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 fi-nance provider and the provision of additional collateral for the loans.

26. Trade and other payables, thousand euros	2020	2019
26.1. Non-current		
Other non-current liabilities	1 483	1449

Other non-current liabilities comprise IFRS 16 lease liabilities EUR 983 thousand and working capital loan EUR 500 thousand.

26.2. Current	2020	2019
Trade payable	2 500	3 276
Advances received	481	469
Accrued expenses		
Wages and social security expenses	3 347	3 445
Discounts and marketing expenses	195	213
External services	25	17
Interest liabilities	147	123
Other accrued expenses	120	168
Accrued expenses, total	3 834	3 966
Other liabilities	1 300	1 148
Current trade and other payables, total	**8 115**	8 859

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 523 (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 2020. 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:

	2020		2019	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets	0	35	0	48
Current assets	207	701	352	492
Non-current liabilities	0	1	0	6
Current liabilities	17	362	14	243
Position	190	373	338	291
Net position	190	373	338	291

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2020 and 2019. 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.

	2020		2019	
	Income	Share capital	Income	Share capital
+/- 10 per cent change in EUR/USD exchange rate, before income taxes	+/-19	+/-0	+/- 34	+/- 0
+/- 10 per cent change in EUR/RUB exchange rate, before income taxes	+/-38	+/-0	+/- 29	+/- 0

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 14.2 (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		2020		2019
+/- 1 %-point change in market rates		+/- 200		+/- 214
Interest rate risk				
		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		0		0
Floating rate instruments				
Financial liabilities		14 178		15 078
Accrued interest costs payable		0		0

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 74 (loss 77) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 16.8 (11.0) 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.

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 2020 at the balance sheet date.

For 2021–2023, the aim is to improve net sales and operating profit with the Karelia and Pielinen collections, which were launched in 2017 and for which new models and surface designs have been published annually, by increasing B-to-B sales of sauna and interior stone products, by improving the profitability of lining stones and by cutting the costs of real estate, development and support functions and administration.

On 27 November 2020, the company signed a new financing agreement with its finance providers, which replaced the earlier agreement, including its amendments, signed on 20 December 2019. The financing agreement in-cludes a repayment programme for 2020–2021 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 is that Tulikivi's financing is secured and the company meets the financial covenants in finance agreement in 2021. The company has agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2022 and subsequent years and its terms no later than 30 September 2021 and that it will complete the negotiations by 31 December 2021. The weighted average of the effective interest rates of non-current financial liabilities was 3.1 per cent (3.5) on 31 December 2020. Of the Group's debt financing, EUR 14.2 (15.1) 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 fi-nance provider and the provision of additional collateral for the loans.

The company has reduced its debt by approximately EUR 13 million since 2013 and it expects that it can achieve a result in the financing negotiations at the end of 2021 that will be sufficient for 2022. 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.

Maturity analysis, thousand euros

December 31, 2020							
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	14 178	14 630	475	1 172	12 983	0	0
Lease liabilities	1 506	1 569	282	277	998	12	0
Trade and other payables	4 258	4 258	3 758	0	500	0	0
Total	**19 942**	**20 457**	**4 515**	**1 449**	**14 481**	**12**	**0**

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
Cash flow from derivatives	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

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 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 November, 2020 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 (thousand euros)

100*Equity / (Balance sheet total - Advances received)	2020	2019
Equity	7 901	7 717
Balance sheet total	32 599	34 026
Advances received	482	469
Solvency ratio, %	24,6	23,0
Solvency ratio, %	23.0	27.4

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

Balance sheet, 2020	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
Short-term assets							
Trade and other receivables	0	2 169	0	0	2 169	2 169	
Cash and cash equivalents	0	1 310	0	0	1 310	1 310	
Carrying amounts of financial assets by categories	**0**	**3 480**	**26**	**0**	**3 505**	**3 505**	
Long-term liabilities							
Financial liabilities	0	0	0	12877	12 877	12 877	2
Non-current lease liabilities	0	0	0	983	983	983	
Other non-current liabilities				500	500	500	
Short-term liabilities							
Interest-bearing liabilities	0	0	0	1 300	1 300	1 300	
Current lease liabilities	0	0	0	523	523	523	
Trade and other payables	0	0	0	3 277	3 277	3 277	
Carrying amounts of financial liabilities by categories	**0**	**0**	**0**	**19 460**	**19 460**	**19 460**	

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.

During the financial year ended and the previous financial year, there were no transfers between the levels of the fair value hierarchy.

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

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 receivables	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	13878	13 878	13 878	2
Non-current lease liabilities				949	949	949	
Other non-current liabilities				500	500	500	
Short-term liabilities							
Interest-bearing liabilities	0	0	0	1 200	1 200	1 200	
Current lease liabilities				571	571	571	
Trade and other payables	0	0	0	3 853	3 853	3 853	
Carrying amounts of financial liabilities by categories	**0**	**0**	**0**	**20 951**	**20 951**	**20 951**	

28.1. Reconciliation of financial liabilities with cash flow from financing, thousand euros

		Cash flows	Not influenced by cash flow			
2020			Changes in exchange rates	Changes in fair values	Other changes	
Long-term financial liabilities	13 878	0	0	0	1 000	12 878
Short-term financial liabilities	1 200	-900	0	0	- 1 000	1 300
Total	**15 078**	**-900**	**0**	**0**	**0**	**14 178**
2019						
Long-term financial liabilities	0	0	0	0	13 878	13 878
Short-term financial liabilities	15 378	-300	0	0	- 13 878	1 200
Total	**15 378**	**-300**	**0**	**0**	**0**	**15 078**

29. Adjustments of cash generated from operations, thousand euros

Non-cash transactions:	2020	2019
Depreciation and amortisation	2 455	2 452
Change in provisions	4	8
Impairment	0	805
Exchange differences	-52	29
Other	-4	49
Non-cash transactions, total	**2 403**	3 343

30. Leases

30.1. Group as lessee

IFRS 16 lease liabilities on balance sheet	**2020**	2019
Carrying amount on January 1	1520	1483
Additions, new additional options	417	898
Additions, new lease contracts	218	28
Repayments	-590	-718
Disposals (Unused add-options due to termination of leases)	-59	-171
Carrying amount on December 31	**1506**	**1520**
Lease liabilities, non-current	983	949
Lease liabilities, current	523	571
Total 31.12.	**1506**	**1520**
IFRS 16 Amounts recognised in statement of income	**1-12/2020**	**1-12/2019**
Lease expense cancellations in other operationg expenses	629	764
Depreciation of right-of-use assets	-599	-736
Impact on operating result	30	29
Interest expense related to lease contracts	-39	-44
Impact on result before income tax	-9	-15
	1-12/2020	**1-12/2019**
Expense - leases of low-value assets (<5000 USD)	-81	-66
Expense - short-term leases (<12 months)	-109	-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

	2020	2019
Not later than 1 year	31	35
Later than 1 year and not later than 5 years	9	8
Later than 5 years	17	18
Total	**57**	61

31. Commitments, thousand euros

	2 020	2 019
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	14 178	15 078
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	39	49

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 quarantees to the effect of EUR 630 thousand in total. For other environmental obligations.

33. Indicators relating to environmental obligation, thousand euros	2020	2019	2018
Use of energy, electricity MWh	7 577	8 460	13 320
Use of oil, m^3	139	164	147
District and wood chips heating, MWh	293	232	660
Liquid gas, tonne	76	115	105
Fuel for vehicles, tonne.	126	148	100
Exsplosives, tonne	24	19	20
Stone material extracted in quarrying, 1 000 fixed-m^3	100	91	130
Quarrying of soap stone, 1 000 fixed-m3 gross	66	62	80
Stacked soil material, 1 000 net-m^3	145	117	264
The lubricant used for saw chains, for soap stone extraction sawing, is rapeseed oil which binds permanently with fine soap stone powder.	62	67	43

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 2020, 3 452m^3 (3 600 m^3) 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.

34. Related-party transactions, thousand euros

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
Nordic Talc Ltd		100		100

34.2. Related party transactions 2020	Sales	Purchases	Receivables	Liabilities
Transactions with key management				
Sales to related parties	5			0
Loans to related parties				200
Interest paid				16

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.

34.3. Key management compensation, thousand euros	2020	2019
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director."	380	378
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	44	43
Share-based payments	0	0
Total	**424**	421
Managing Director		
Salaries and fees		
Vauhkonen Heikki		
Salaries	191	187
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	44	43
Share-based payments	0	0
Total	**235**	230

Members of the Board of Directors	**2020**	2019
Aspara Jaakko	19	19
Rönkkö Markku	37	38
Niemi Liudmila	20	20
Svanborg Reijo	21	21
Tähtinen Jyrki	73	73
Vauhkonen Heikki	19	20
Total	**189**	191

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	**2020**	2019
Salaries and fees	737	790
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	120	132
Share-based payments	0	0
Total	**857**	922

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.

Risks related to managing soapstone raw materials

Soapstone is a natural material whose integrity, texture and yield percentage varies 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. We seek and explore new deposits as needed. The adequacy of the stone is increased by using the raw material as precisely as possible, improving quarrying technology and 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, 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 exercises an influence on them both directly and through regional fireplace associations. The combustion 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. The Group's products have long life cycles and carbon emissions of fireplace production are extremely low.

Business portfolio

The management of Tulikivi's business operations accounts for development opportunities, new products and customer groups and new technological solutions. New business opportunities, new markets and new product groups involve risks that may affect not only profitability, but also the Tulikivi brand. Strong fluctuations in exchange rates may hinder the achievement of market-specific gross margin targets.

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 functions smoothly and proficiently by providing training for retailers and installers and by 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 minimised by means such as compliance with the company's operating manual, by developing occupational safety consistently and with systematic development efforts. The manufacturing and introduction of new products involve risks. Careful planning and training of personnel are used as protection against these risks.

Dependence on key suppliers may increase the Group's material costs, the cost of machinery and spare parts, or have a significant impact on production. Failures in the distribution network can affect the Group's ability to deliver products in a timely manner 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 come under operational risks. The Group's business relies on functional and reliable information systems. The utilisation of the ERP system involves risks if new practices are not adopted in business processes or the potential provided by the new system utilised promptly. The Group aims to manage the risks related to data applicability by setting up backups for critical information systems and telecom connections, selecting cooperation partners carefully and by standardising the workstation configurations and software used in the Group and its 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 operations.

The Group's core expertise involves its core business processes, including sales, installation, product development, quarrying, manufacture, procurement 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 the personnel's development ability or disadvantageous development in the population structure in current operation locations would pose risks. Core competence conservation and availability are secured by planning the need for personnel and knowledge and encouraging the commitment of personnel to constant change and growth. The Group continuously seeks to increase 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. The turnover of key personnel has been moderate.

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 various financial risks. The objective of the Group's financial risk management is to minimise the unfavourable effects of the changes in the finance market on its profit for the period. 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 27 to the consolidated financial statements.

A potential recession in the euro area could weaken demand for the company's products, 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. Meeting the covenant terms of the Group's loans requires an improvement in the company's profitability and the realisation of the talc project. On 27 November 2020, Tulikivi Corporation signed a financing agreement with its finance providers concerning the 2020–2021 repayment programme in ratio to the finance providers' exposures. The agreement also includes loan covenants given to the finance providers. In other respects, loans will expire in full on 30 April 2022 in accordance with the financing agreement. The company is in compliance with the covenants of the financing agreement according to the situation on 31 December 2020. The company's management estimates that the company will fulfil the 2021 financial covenants. The company has also agreed with its finance providers that it will commence financing negotiations on the repayment programme for 2022 and subsequent years and its terms no later than 30 September 2021 and complete the negotiations by 31 December 2021.

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.

Key Financial Indicators

Development of the Group by Quartal and Business Area

MEUR	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Sales	9,1	6,9	7,4	5,7	8,8	6,6	7,5	5,8
Operating profit	0,6	0,6	0,5	-0,5	-0,5	0,1	0,3	-0,7

Key Figures, thousand euros unless stated otherwise

Income statement	2016	2017	2018	2019	**2020**
Sales	30485	29281	28583	28681	29164
Change, %	-4,6	-3,9	-2,4	0,3	1,7
Operating profit	-1361	-367	-1025	-772	1171
% of turnover	-4,5	-1,3	-3,6	-2,7	4
Finance incomes and expenses	-756	-800	-734	-776	-806
Result before income tax	-2132	-1167	-1759	-1548	365
% of turnover	-7	-3,9	-6,2	-5,4	1,3
Income taxes	-14	-74	-38	-95	-128
Result for the year	-2037	-1252	-1805	-1641	237
Balance sheet					
Assets					
Non current assets	25582	25089	23491	23334	22124
Inventories	7863	8122	6925	6553	6683
Cash and cash equivalents	894	567	798	1158	1310
Other current assets	3083	2852	3376	2981	2482
Equity and liabilities					
Equity	12397	11160	9310	7717	7901
Interest bearing liabilities	16393	15666	15378	15078	14178
Non-interest bearing liabilities	7208	8762	8977	10308	10520
Balance sheet total	37422	36630	34590	34026	32599

Key Figures	2016	2017	2018	2019	**2020**
Return on equity, %	-15,9	-10,5	-17,6	-19,3	3
Return on investments, %	-4,3	-1,2	-3,8	-3	5,6
Solvency ratio, %	33,4	30,7	27,4	23	24,6
Net indebtness ratio, %	125	135,3	156,6	200,1	175,3
Current ratio	1,1	0,5	0,5	1,1	1,1
Gross investments, EUR 1 000	1282	1502	1135	906	763
% of turnover	4,2	5,1	4	3,2	2,6
Research and development costs, EUR 1 000	484	497	516	601	734
% of turnover	1,6	3,6	1,8	2,1	2,5
Development costs (net), capitalised, EUR 1 000	538	536	383	319	216
Order book, EUR million	3,2	2,9	3	2,9	3,2
Average personnel	209	208	200	205	192

Key indicators per share

Key figures, IFRS					
Earnings per share, EUR	-0,03	-0,02	-0,03	-0,03	0
Dividends					
Nominal dividend per share, EUR					
A share	-	-	-	-	-
K share	-	-	-	-	-
Key indicators per share					
Equity per share, EUR	0,21	0,19	0,16	0,13	0,13
Osinko tuloksesta, %	-	-	-	-	-
Effective dividend yield, %/A shares	-	-	-	-	-
Price/earnings ratio, EUR	-6,2	-9,3	-3,2	-5,3	125
Highest share price, EUR	0,29	0,26	0,21	0,19	0,54
Lowest share price, EUR	0,15	0,18	0,08	0,1	0,08
Average share price, EUR	0,2	0,22	0,16	0,14	0,21
Closing price, December 31, EUR	0,21	0,19	0,1	0,17	0,39
Market capitalization, EUR 1 000	12547	11591	5795	10038	23003
(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)	13847	28244	10528	8263	40771
% of the total amount	26,7	54,5	20,3	16	78,7
The average issue-adjusted number of shares for the financial year (1 000 pcs)	59747	59747	59747	59747	59747
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	59747	59747	59747	59747	59747

Calculations of Key Ratios

Key figures describing financial development

$$\text{Return on equity (ROE), \%} = 100 \times \frac{\text{Result for the year}}{\text{Average shareholders' equity during the year}}$$

$$\text{Return on investments (ROI), \%} = 100 \times \frac{\text{Result before income tax + interest and other finance expenses}}{\text{Shareholders' equity + financial loans with interest, average during the year}}$$

$$\text{Solvency ratio, \%} = 100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advance payments}}$$

$$\text{Net indebtness ratio, \%} = 100 \times \frac{\text{Net interest-bearing financial liabilities}}{\text{Shareholders' equity}}$$

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Key figures, IFRS

$$\text{Earnings per share} = \frac{\text{Profit/loss attributable to owners of the parent company}}{\text{Average issue-adjusted number of shares for the financial year *)}}$$

$$\text{Dividend per share} = \frac{\text{Dividend paid for the year}}{\text{Issue-adjusted number of shares at balance sheet date *)}}$$

Key figures per share

$$\text{Equity per share} = \frac{\text{Shareholders' equity}}{\text{Issue-adjusted number of shares at balance sheet date *)}}$$

$$\text{Dividend per earnings, \%} = 100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$$

$$\text{Effective dividend yield, \%} = 100 \times \frac{\text{Issue-adjusted dividend per share}}{\text{The closing price of A- share at balance sheet date}}$$

$$\text{Price/ Earnings ratio (P/E)} = \frac{\text{The closing price of A-share at balance sheet date}}{\text{Earnings per share}}$$

*) own shares held by the company excluded

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2020	Jan. 1 - Dec. 31, 2019
Net Sales	1.1.	**27 539**	26 937
Increase (+) / decrease (-) in inventories			
in finished goods and in work in progress		126	-234
Production for own use		343	411
Other operating income	1.2.	370	374
Materials and services			
Purchases during the fiscal year		-6 549	-6 306
Change in inventories, increase (-) / decrease (+)		45	-136
External charges		-3 831	-3 594
Materials and services, total		-10 335	-10 036
Personnel expenses			
Salaries and wages		-8 084	-8 383
Pension expenses		-1 231	-1 318
Other social security expenses		-486	-313
Personnel expenses, total	1.3.	-9 801	-10 014
Depreciation, amortisation and value adjustments	1.4.	-2 061	-1 997
Other operating expenses	1.5.	-5 342	-5 905
Operating profit		**839**	-464
Financial income and expenses	1.6.	-637	28
Result before untaxed reserves and income taxes		**202**	-436
Untaxed reserves			
Change in accelerated depreciation		-4	7
Untaxed reserves, total		**-4**	7
Income taxes		-14	-38
Income taxes in total		-14	-38
Result for the year		**184**	-467

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2020**	Dec. 31, 2019
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		669	879
Intangible rights		5	10
Goodwill		0	292
Other long term expenditures		7 474	7 596
Intangible assets, total	2.1.	**8 148**	8 777
Tangible assets			
Land		840	855
Buildings and constructions		2 576	2 989
Machinery and equipment		981	1 196
Other tangible assets		38	38
Advance payments		0	27
Tangible assets, total	2.2.	**4 435**	5 105
Investments			
Shares in group companies	2.3.	15	15
Group receivables	2.4.	45	75
Other investments	2.5.	26	26
Investments, total		**86**	116
Fixed assets and other non-current investments, total		**12 669**	13 998

Continues on next page.

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2020**	Dec. 31, 2019
Current assets			
Inventories			
Raw material and consumables		2 957	2 912
Work in progress		1 854	1 653
Finished products/goods		1 600	1 675
Inventories, total	2.6.	**6 411**	6 240
Non-current receivables			
Loan receivables	2.5.	407	445
Accrued incomes		83	83
Non-current receivables, total		**490**	528
Current receivables			
Trade receivables		1 967	2 453
Receivables form group companies		290	142
Other receivables		37	15
Prepayments and accrued income		277	278
Current receivables, total	2.9.	2 571	2 888
Cash in hand and at banks		883	929
Total current assets		**10 355**	10 585
Total assets		**23 024**	24 583

Balance Sheet

EUR 1 000	Note	'Dec. 31, 2020	Dec. 31, 2019
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		-20 734	-20 267
Result for the year		184	-467
Total shareholders' equity	2.10.	**490**	306
Untaxed reserves			
Accelerated depreciation		77	73
Provisions	2.13.	269	265
Liabilities			
Non-current liabilities			
Libilities to group companies		0	46
Bank borrowings		10 234	11 029
Pension loand		2 644	2 849
Other liabilities		500	500
Non-current liabilities, total	2.14.	**13 378**	14 424
Current liabilities			
Bank borrowings		1 033	954
Pension loans		267	246
Advances received		200	261
Trade payable		2 480	3 253
Liabilities to associates		304	290
Other liabilities		772	576
Accrued expenses		3 754	3 935
Current liabilities, total	2.15.	**8 810**	9 515
Total liabilities		**22 188**	23 939
Total liabilities and shareholders' equity		**23 024**	24 583

Cash Flow Statement

EUR 1 000	**Jan. 1 - Dec. 31, 2020**	Jan. 1 - Dec. 31, 2019
Cash flow from operating activities		
Reuslt before extraordinary items	202	-436
Adjustments for:		
Depreciation	2 061	1 997
Unrealised exchange rate gains and losses	-9	-15
Other non-payment-related expenses	4	9
Financial income and expenses	637	-28
Other adjustments	-4	49
Cash flow before working capital changes	**2 891**	**1 576**
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	324	-9
Increase (-) / decrease (+) in inventories	-170	370
Increase (+) / decrease (-) in current non-interest bearing liabilities	-729	-572
Cash generated from operations before financial items and income taxes	**2 316**	**1 365**
Interest paid and payments on other financial expenses from operations	-702	-628
Dividends received	120	764
Interest received	16	9
Income tax paid	-14	-38
Cash flow before extraordinary items	**1 736**	1 472
Net cash flow from operating activities	**1 736**	**1 472**
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-864	-1 020
Grant for investments	0	290
Proceeds from sale of tangible and intangible assets	4	13
Loans granted to subsidiaries	-15	-470
Other investments	0	-6
Repayment of loan receivables	38	0
Interest received	0	0
Net cash used in investing activities	**-837**	**-1 193**
Repayment of short-term loans	-900	0
Long-term borrowing	0	500
Repayment of long-term loans	-41	-300
Net cash flow from financing activities	**-941**	**200**
Net increase (+) / decrease (-) in cash and cash equivalents	-42	479
Cash and cash equivalents at the beginning of the financial year	929	450
Effect of changes in exchange rates	-4	0
Cash and cash equivalents at the end of the financial year	**883**	**929**

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 2020 or 2019.

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.

	2020	2019
1.1. Net sales, thousand euros		
1.1.1. Net sales per geographical area		
Finland	12 860	12 405
Rest of Europe	14 129	13 990
USA and Canada	550	542
Total net sales per geographical area	**27 539**	26 937
1.1.2. Net sales per goods and services		
Sales of goods	25 736	25 239
Rendering of services	1 803	1 698
Total net sales per goods and services	**27 539**	26 937
1.2. Other operating income		
Rental income	71	70
Charges for intergroup services	147	148
Proceeds from sale of fixed and other non-current investments	5	13
Other income	147	143
Total other operating income	**370**	374

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	380	378
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	44	43
Share-based payments	0	0
Total	**424**	421

	2020	2019
Managing Director		
Salaries and fees, thousand euros		
Vauhkonen Heikki		
Salaries	191	187
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	44	43
Share-based payments	0	0
Total	**235**	230
Members of Board		
Jaakko Aspara	19	19
Rönkkö Markku	37	38
Niemi Liudmila	20	20
Svanborg Reijo	21	21
Tähtinen Jyrki	73	73
Vauhkonen Heikki	19	20
Total	**189**	191

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	737	678
Post-employment benefits (pension benefits)		
Post-employment benefits	120	114
Share-based payments	0	0
Total	**857**	792

EUR 1 000	2020	2019
1.3.2. Average number of empoyees durung the fiscal year		
Clerical employees	54	73
Workers	126	132
Total number of employees	**180**	205
1.4. Depreciation according to plan		
Development expenditure	426	386
Intangible rights	5	7
Other long-term expenditure	259	189
Amortisation on quarries based on the unit of production method *)	237	174
Buildings and constructions	413	424
Machinery and equipment	413	510
Other tangible assets	0	0
Depreciation on land areas based on unit of production method	15	15
Goodwill	292	292
Depreciation according to plan in total	**2 060**	1 997

*) 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	2020	2019
1.5. Other operating expenses		
Rental expenses	767	836
Maintenance of real estates	314	318
Marketing expenses	790	1 060
Other variable costs	2 079	2 013
Other expenses	1 392	1 677
Total	**5 342**	5 904
1.5.1. Auditors' fees		
KPMG Oy Ab		
Audit fees	61	85
Other fees	6	2
Audit fees, total	**67**	87
1.6. Financial income and expenses		
Divedend received from Group	117	760
Income from non-current investments		
Didivends received from others	4	4
Other financial income		
Interest income from Group companies	13	10
Interest income from others	2	9
Financial income, total	136	783
Reduction in value of investments held as non-current assets		
Interest expenses and other financial expenses to Group companies	-46	-2
Interest expenses to others	-559	-628
Other finalcial expenses to others	-168	-125
Interest expenses and other financial expenses, total	-773	-755
Financial income and expenses, total	-637	28

Notes to the Balance Sheet

	2020	2019
2.1. Intangible assets, thousand euros		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	3 379	3 060
Additions	216	319
Acquisition cost December 31	3 595	3 379
Accumulated depreciation according to plan January 1	-2 500	-2 114
Depreciation for the financial year	-426	-386
Accumulated depreciation December 31	-2 926	-2 500
Balance sheet value of capitalised development expenditure December 31	**669**	879
2.1.2. Intangible rights		
Acquisition cost January 1 and December 31	194	194
Accumulated depreciation according to plan January 1	-184	-177
Depreciation for the financial year	-5	-7
Accumulated depreciation December 31	-189	-184
Balance sheet value of intangible rights, December 31	**5**	10
2.1.3. Goodwill		
Acquisition cost January 1 and December 31	8 713	8 713
Accumulated depreciation according to plan January 1	-8 421	-8 129
Depreciation for the financial year	-292	-292
Accumulated depreciation December 31	-8 713	-8 421
Balance sheet value of goodwill, December 31	**0**	292

	2020	2019
2.1.4. Other long term expenditures, thousand euros		
Acquisition cost January 1	14 230	14 367
Additions	374	547
Disposals	0	-684
Acquisition cost December 31	14 604	14 230
Accumulated depreciation according to plan January 1	-6 633	-6 894
Accumulated depreciation on disposals	0	623
Depreciation for the financial year	-497	-363
Accumulated depreciation December 31	-7 130	-6 634
Balance sheet value of long term expenditure, December 31	**7 474**	7 596
Total intangible assets	**8 148**	8 777

The parent company's goodwill comprises merger losses.

The balance sheet value of other long term expenditure includes EUR 4 761 (4 845) 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 61 thousand in 2019, any deductins in 2020.

	2020	2019
2.2. Tangible assets, thousand euros		
2.2.1. Land		
Acquisition cost January 1	1 377	1 377
Acquisition cost December 31	1 377	1 377
Accumulated depreciation January 1	-522	-507
Depreciation based on the unit of production method for the financial year	-15	-15
Accumulated depreciation December 31	-537	-522
Balance sheet value of land, December 31	**840**	855
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	-12 627	-12 203
Depreciation for the financial year	-413	-424
Accumulated depreciation December 31	-13 040	-12 627
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	**2 576**	2 989

	2020	2019
2.2.3. Machinery and equipment, thousand euros		
Acquisition cost January 1	17 956	17 988
Additions	198	30
Disposals	-13	-62
Acquisition cost December 31	18 141	17 956
Accumulated depreciation according to plan January 1	-16 759	-16 311
Depreciation for the financial year	-414	-510
Accumulated depreciation on disposals	13	62
Accumulated depreciation December 31	-17 160	-16 759
Balance sheet value of machinery and equipment, December 31	**981**	1 197

Disposals of Machinery and equipment / Accumulated depreciation on disposals don’t include scrapped items in 2020 or 2019.

	2020	2019
Amount of machinery and equipment included in balance sheet value	894	1 167
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.	27	20
Additions	0	7
Disposals	-27	0
Advance payments, total	0	27
Total tangible assets	**4 435**	5 106

Scrapping loss of the tangible assets have not been recognized in 2020 and 2019.

	2020	2019
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
Nordic Talc Ltd	100	
2.4. Receivables from Group companies, thousand euros		
Capital loan, Tulikivi GmbH	45	75
Receivables from Group companies, total	**45**	75
2.5. Other investments		
Other	26	26
Total other investments	**26**	26
2.6. Inventories		
Raw material and consumables	2 957	2 912
Work in grogress	1 854	1 653
Finished products/goods	1 600	1 675
Total inventories	**6 411**	6 240
2.7. Non-current receivables		
Receivables from Group companies		
Loan receivables	407	445
Receivables from Group companies, total	407	445
Receivables from others		
Accrued income	83	83
Total Non-Current receivables	**490**	528

	2020	2019
2.8. Current receivables, thousand euros		
Receivables form group companies		
Trade receivables	290	142
Receivables form group companies, total	290	142
Receivables from others		
Trade receivables	1 967	2 453
Other receivables	37	15
Accrued income		
Other accrued income	91	79
Prepayments	186	199
Interest receivables	0	0
Accrued income, total	277	278
Receivables from other, total	2 281	2 746
Total current receivables	**2 571**	2 888
2.9. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
Revaluation reserve January 1	0	0
Change	0	0
Revaluation reserve December 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	-20 267	-18 618
Retained earnings December 31	-20 734	-20 267
Result for the year	184	-467
Equity	-5 716	-5 900
Total shareholders' equity	**490**	306
2.10. Statement of distributable earnings December 31		
Profit for the previous years	-20 734	-20 267
The invested unrestricted equity fund	14 834	14 834
Result for the year	184	-467
Capitalised development costs	-669	-879
Total distributable earnings	**-6 385**	-6 779

Parent company's equity has decreased to half of the share capital because of the unprofitable result. Parent company's equity is EUR 0,5 million (Group 7,9 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.

An external expert has prepared an appraisal of the fair value of the machinery in Suomussalmi, according to which the difference between the probable current price and the book value of the machinery and equipment at the Suomussalmi factory is EUR 1.3 million. This has been accounted for as an addition to equity, as referred to in Chapter 20, section 23(2), of the Limited Liability Companies Act.

Option rights

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 2020.
The company no longer had an option program for the 2020 financial year.

2.11. Treasury shares

During the financial year 2020 (2019), 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.

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.

	2020	2019
2.12. Provisions, thousand euros		
Warranty provision	90	85
Environmental provision (Present value)	174	175
Environmental provision, current	5	5
Total	**269**	265
2.13. Non-current liabilities		
Loans from credit institutions	10 234	11 029
Pension loans	2 644	2 849
Liabilities to Group companies	0	46
Other long-term liabilities		
Liabilities from others	500	500
Other non-current liabilities, total	500	500
Total non-current liabilities	**13 378**	14 424
2.14. Current liabilities		
Liabilities to Group companies		
Trade payables	304	290
Liabilities to others		
Loans from credit institutions	1 033	954
Pension loans	267	246
Advances received	200	261
Trade payables	2 480	3 253
Other current liabilities	772	576
Accrued liabilities		
Salaries, wages and social costs	3 278	3 423
Discounts and marketing expenses	191	213
External charges	23	15
Interest liabilities	147	123
Other accrued liabilities	115	161
Accrued liabilities, total	3 754	3 935
Liabilities to others, total	8 506	9 225
Total current liabilities	**8 810**	9 515

2.15 Given guarantees, contingent liabilities and other commitments, thousand euros	2020	2019
Loans and credit limit accounts with related mortgages and pledges		
Loans from financial institutions and loan guarantees	14 178	15 078
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		
Real estate mortgages given	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	290	273
Rental obligations payable later	7	12
Rental commitments due, total	297	285
Leasing commitments		
Due not later than 1 year	126	127
Due later	121	53
Leasing commitments, total	247	180

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

Obligation to repay VAT deductions made in earlier periods	39	53

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, 2020

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. Toivanen Jouko	100 000	2 431 259	4,23
6. Finnish Cultural Foundation	100 000	2 158 181	3,77
7. Mutanen Susanna	797 300	846 300	2,75
8. Fennia Mutual Insurance Company		1 515 151	2,53
9. Nikkola Jarkko		1 458 000	2,44
10. Vauhkonen Mikko	397 500	343 810	1,24

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	100 000	2 158 181	2,45
9. Fennia Mutual Insurance Company		1 515 151	1,17
10. Nikkola Jarkko		1 458 000	1,13

The members of the Board and Managing Director control 5 810 000 K shares and 1 777 056 A shares representing 46.41 % of votes.

Breakdown of share ownership of December 31, 2019 Number of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	885	14,70	49 382	0,08
101 - 1000	2 530	41,85	1 375 796	2,30
1001 - 5000	1 685	27,98	4 424 494	7,39
5001 - 10000	439	7,29	3 470 288	5,80
10001 - 100000	434	7,21	11 389 493	19,02
100001 -	58	0,97	39 161 790	65,41
Total	6 031	100,00	59 871 243	100,00

The Company's shareholders were broken down by sector as follows Sector	Holding %	Votes %
Enterprises	4,41	2,05
Financial and insurance institutions	4,68	2,17
Public organisations	13,31	6,18
Non-profit organisations	4,43	2,75
Households	72,55	86,56
Foreign	0,62	0,29
Total	100,00	100,00

Nominee-registered shares, 1 366 624 in total (2.283 per cent of the capital stock, 1.059 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 March 4, 2021

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, 2020. 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, 25 and 27 to the consolidated financial statements)	
The Group's financial position is still tight, as described in the note 27.4. The parent company concluded new financing agreement with creditors November 21, 2020. 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 2021 and approved by the Board of Directors, 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 next 12 months from the end of the financial year in case the company meets it's financial targets.	We obtained an understanding of the financial forecasting process of the company. 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 and whether effective implementation of management plans is reasonable. We evaluated the sensitivity calculations prepared by the management to test the headroom, especially in relation to the covenant terms. In addition, we assessed the appropriateness of the classification of the financial liabilities and the disclosures provided on the 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 5.4 million in the consolidated financial statements representing 69% of the consolidated equity. Streamlining of the Kermansavi fireplace and soapstone fireplace production continued and their financial reporting was combined. Following the redefinition of Kermansavi cash generating unit, soapstone fireplace and Kermansavi fireplace business areas compose Fireplaces cash generating unit. At the same time the remaining useful life of the Kermansavi trademark was reconsidered and changed from indefinite to twenty years. Tangible and intangible assets are allocated to cash generating units and tested for impairment annually or more frequently should there be an indication of impairment. 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 assessed the determination of the cash generating units and appropriateness of the redefinition. 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. Furthermore, we evaluated the valuation and useful life of the trademark. We involved KPMG 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, 2020, the carrying value of deferred tax assets is EUR 3.0 million (EUR 3.1 million), of which EUR 0.6 million (EUR 0.8 million) relates to the tax loss carryforwards. 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 significance of carrying amounts.	We obtained an understanding of the financial forecasting process of the company. 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 prepared 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.

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 26 March 2021

KPMG OY AB

Kirsi Jantunen
Authorised Public Accountant

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