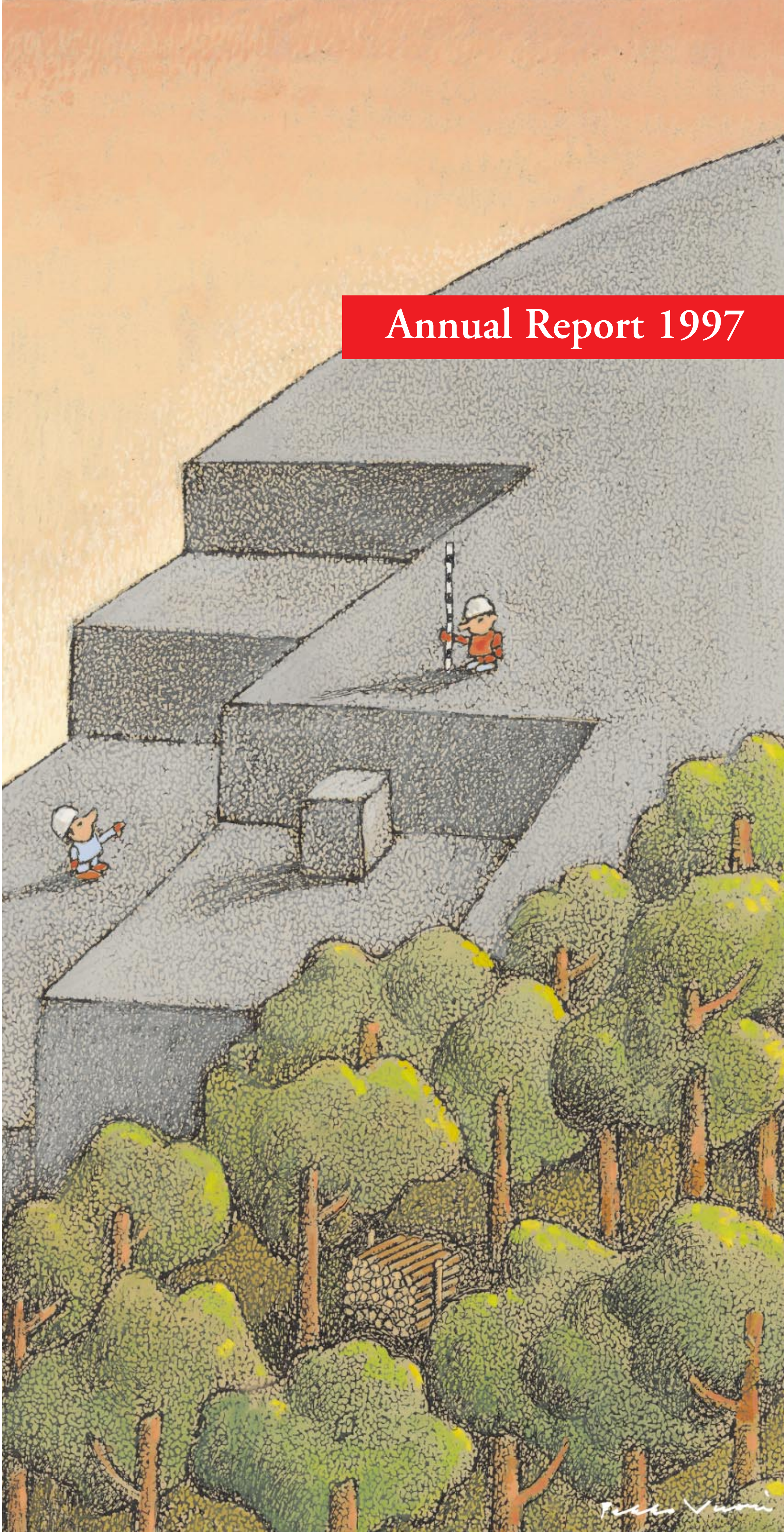


Annual Report 1997

TULIKIVI

Tulikivi Oy

Business Concept

The operation of Tulikivi Group is based on processing of soapstone; a material having unique heat-retaining and heat resistance abilities. The Group is a leading manufacturer of soapstone products in the western countries, measured in terms of turnover, and its parent company controls a major part of all known processable soapstone deposits. Above all, soapstone is used in the manufacture of heat-retaining fireplaces which are sold under the Tulikivi and Mittakivi brands. Soapstone is also used as building material and as stove liners.

Partial Annual Reports

Tulikivi Oy will publish two partial annual reports in 1998: report on the period January-April on June 8 and January-August on October 8.

Share Register

Tulikivi Oy's shares have been transferred to a book-entry securities system. The shareholders' ledger is kept at the Finnish Central Securities Depository Ltd.

This document is the English translation of the original Finnish annual report 1997 of Tulikivi Oy.

Contents

Annual General Meeting of Shareholders

Annual General Meeting of Shareholders of Tulikivi Oy will be held in the Kivikylä auditorium at Nunnanlahti, Juuka, on Thursday April 2, 1998, commencing at 9.00 a.m. The financial statement documents will be available for public inspection at the company's head office at Nunnanlahti as of March 23, 1998. Copies will be sent to shareholders upon request.

Any shareholder, who wishes to attend the Annual General Meeting of Shareholders, is requested to notify the company accordingly no later than 4 p.m. on Mach 30, 1998. Registration should be done by telephoning Ms Kaisa Toivanen or Ms Maija-Liisa Koivunen or by posting a written registration request to the company address 83900 Juuka. Any powers of attorney should be submitted at the time of advance registration.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting of Shareholders that dividend be paid for the fiscal year 1997 as follows:

on A–shares
FIM 5.00 per share
on K–shares
FIM 4.80 per share

Due to the transfer to a book-entry security system, dividend shall be paid to those shareholders who are, on the date of tallying, included in the shareholders' ledger kept at the Finnish Central Securities Depository Ltd. The Board has decided that tallying shall take place on April 7, 1998. The Board proposes to the Annual General Meeting of Shareholders that dividend be paid after the tallying period caused by the book–entry security system, i.e. on April 14, 1998.

Tulikivi Group
Organization December, 1997

Board of Directors
Reijo Vauhkonen
(Chairman)
Bishop Ambrosius
Markku Laakso
Teppo Taberman
Eliisa Vauhkonen
Matti Virtaala

Managing Director
Reijo Svanborg

Design Manager
Eliisa Vauhkonen
Executive Secretary
Kaisa Toivanen

Auditors
Price Waterhouse Oy
Hannele Selesvuo KHT

Raw Material
Timo Rossi

Production
Kyösti Nuutinen

Development Manager
Reijo Svanborg

Marketing
Domestic Sales
Juha Sivonen
Exports
Timo Vuorinen
Skandinavia
Micael Blomster
Technical Service
Erkki Järvinen

Administration
Arja Lehikoinen

Companies
Tulikivi Oy
Reijo Svanborg
Arja Lehikoinen
(Deputy managing director)
Mittakivi Oy
Kyösti Nuutinen
Suomussalmen
Vuolukivi Oy
Tulikivi US Inc.
The New Alberene
Stone Company Inc.
Tulipuu Oy

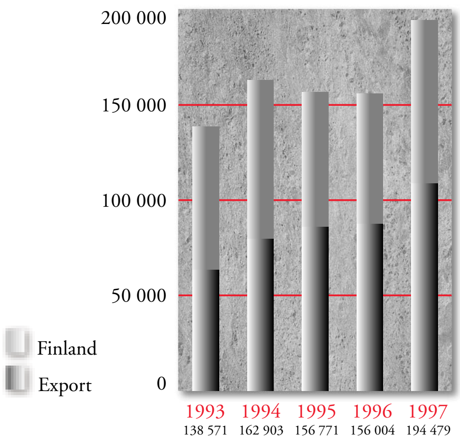
The Year 1997 in Brief

	1997 FIM million	% of net sales	1996 FIM million	% of net sales	Difference %
Net sales	194.5	156.0	24.7		
Profit from operations before depreciation	50.1	25.7	34.0	21.8	47.3
Profit before extraordinary items and income taxes	32.4	16.7	14.7	9.4	120.5
Earnings per share, FIM	13.19		6.94		90.2
Equity /share, FIM	54.56		43.19		26.3

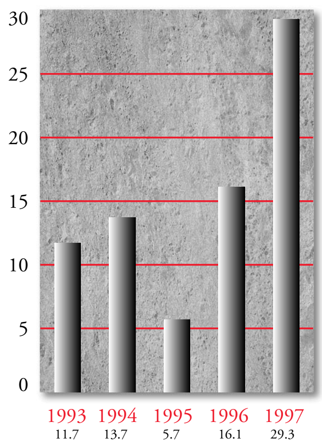
The companies included in Tulikivi Group: the parent company, Mittakivi Oy (as of Septemper 2, 1996), Suomussalmen Vuolukivi Oy, Tulipuu Oy, Tulikivi Vertriebs GmbH, Tulikivi U.S. Inc. and The New Alberene Stone Company Inc.

Calculation of key ratios, page 30.

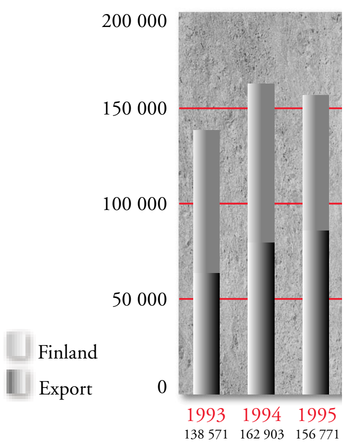
Development of Net Sales, FIM Thousands



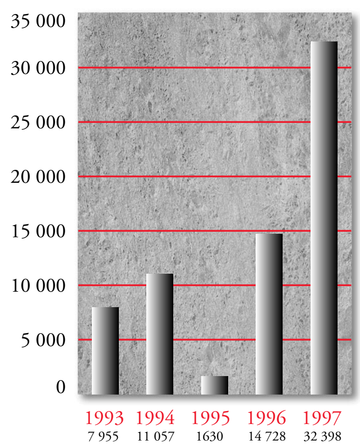
Return on Capital Employed,%



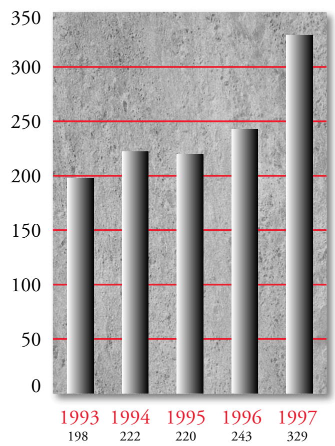
Solvency Ratio, %



Profit before Extraordinary Items and Income Taxes, FIM Thousands



Personnel



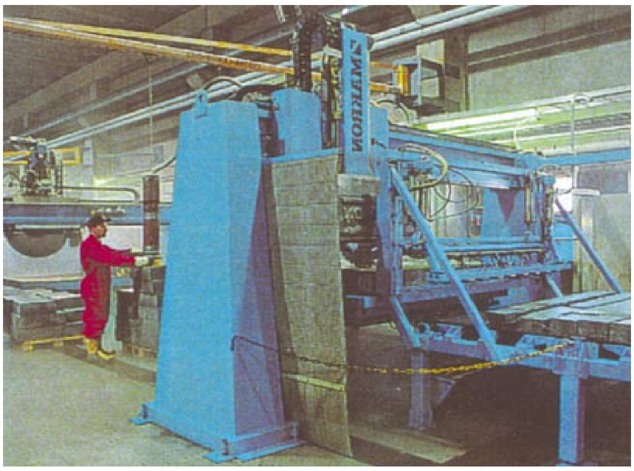
New Production Line Inaugurated

Spirits were high on 23 February, 1998, when Mittakivi Oy's new production line was inaugurated at the Stone Village in Juuka, Finland. The new line will specialize in building stone and tailor-made fireplaces.

The line was officially opened by Minister of Trade and Industry Antti Kalliomäki.

The new line was designed in cooperation with the main supplier, Makron Oy of Lahti, Finland.

The Tulikivi Group now has two different production plants. The total investment will include FIM 12 million for machinery and equipment and FIM 10 million for buildings.



Production capacity is 1,500 fireplaces and 1,100 cubic metres of building stone a year.

A patented joining line for small stones represents the latest technology.

The new line will produce building stone for demanding applications.

The new technology will allow Tulikivi to fulfil customers' wishes.

Hundreds of guests from Finland and Europe attended the inauguration.

These included builders, cooperation partners, decision-makers in government and the business world, shareholders, investors, media representatives, friends, musicians, singers and personnel.

Report by the Chairman of the Board to Shareholders:

Only 662 Days Left to Prepare for the Markets of the 21st Century

Humanity has already begun the countdown for the new millennium. Digital clocks have been installed in many world cities to tick off the seconds. As I write we have 57,196,800 seconds or 662 days left.

Our starting position leaves little to be desired.

The Finnish economy is booming. Finns are once again spending money on household purchases and building new homes. This has in turn stimulated sales of fireplaces.

The news in Europe is equally pleasing. The long process of forming a service network has started to produce steady growth.

Our company recorded the best result in its history, doubling its profit compared with the previous year. Net sales rose by nearly one-fourth.

An Investment in the Future

The effects of the current boom were reflected first of all in our production, which operated in three and sometimes even four shifts throughout the year, under hard pressure.

With signals from Europe and Finland indicating further growth in the fireplace market, we invested FIM 20 million in new production technology for Mittakivi.

Mittakivi's highly automated multifunction line is the only one of its kind in the world. It was designed to produce components for tailor-made fireplaces as well as subcontracting products for the building and fireplace industries.

The new line is an investment in the 21st century and is expected to generate around FIM 30 million a year in new sales.

Tulikivi Institute

Education experts say that the more unified training personnel receive, the better an enterprise can succeed.

We have devised a more goal-directed and comprehensive training programme in close cooperation with the regional training authority of North Karelia.

The new training programme has been christened the Tulikivi Institute. Subjects include business finance, production, quarrying, stone processing, installation, customer service, marketing, quality and customer information. The training programme is based on the techology strategy which we worked out in 1997.

In-house and outside experts serve as instructors.

The goal of the Tulikivi Institute is life-long learning. In practice this means that every employee, along with independent entrepreneurs in our service chain and their key personnel, will be invited to take part in training. This invitation extends to over a thousand fireplace and stone professionals in Finland and abroad.

Board of Directors

The Board of Directors consists mainly of outside experts who have their own special fields of expertise.

The Board's procedures have been made clearer and more goal-directed. This includes a written agenda with timetables together with a self-evaluation based on the effect of each member's work on the company's development and result.

Energy Sources of the Future

All the authorities on the future whom I respect say that the new millennium will bring changes in values, with people rejecting the old and welcoming innovations.

There is no fear, however, that the high-tech 21st century will relegate the wood-burning fireplace to a museum. This was made clear by the European Commission's White Paper which sets out the EU's strategic energy-policy goals. I especially enjoyed reading the chapter on energy in the future, which deals with renewable sources of energy: wind, solar and water power as well as biomass.

The EU's goal is to double the consumption of renewable energy sources by 2010. The focus is on energy produced from biomass, which is expected to triple. This strategy is intended to reduce the Union's dependence on fossil fuels, cut energy costs and reduce CO_2 emissions according to the Kyoto agreement. Another goal is to increase employment.

The EU's biomass organization has estimated that growth in the bioenergy field will create over a million new jobs by 2010.

This type of talk is pleasing to a Finn's ears. Growth in the production of fuelwood will have an enormous significance for Finland. It will increase sorely needed thinning work, which will in turn improve the growth and quality of Finland's commercial forests. Rising demand for fuelwood will provide employment in rural areas, where new jobs are extremely scarce. A new spirit of enterprise will develop in the field and the cost of energy will decline.

The first signs are already visible. It has already become cheaper to produce energy with wood than with peat or coal.

As a producer of fireplaces, which use renewable bioenergy as fuel, I can only come to one conclusion: We are operating in a field with a great future.

Stone Village March 9th, 1998

Reijo Vauhkonen
Chairman of the Board

Report by the Managing Director:

Technology and Finance in Top Condition

In 1997 the Tulikivi Group carried out a strategic technological project which began with an analysis of the future fireplace market, the competition situation and our own position in the competition field.

On the basis of this analysis a new operational plan aimed at controlled and profitable growth was drawn up for the Group.

Operations Consolidated

Mittakivi Oy, which was acquired in August 1996, was consolidated with the Tulikivi Group by combining the companies' operational functions. Mittakivi's reputable name was preserved, so we still have two strong brands on the market. The sales and marketing departments of both companies were combined. The distribution strategy was revised at the same time. In Finland Tulikivi and Mittakivi products are distributed through major hardware chains. On export markets only the Tulikivi brand is used, and sales take place through specialty shops.

New Production Technology

Steps were taken to meet anticipated growth in demand by investing in an expansion and new production technology.

A new production line was inaugurated in February 1998. The Group now has two different types of production line. Large-series fireplace production will be concentrated in the main plant.
The new line will specialize in small series, tailor-made fireplaces, building stone and subcontracting products.

In 1997 product development work focused on improving combustion chambers and the flow of flue gases in fireplaces. The goal was to ensure the maximum recovery of the heat energy contained in firewood and the cleanest possible combustion. Emphasis was also placed on supporting and testing new component technology.

The fireplace range was renewed according to feedback from the domestic and European markets.

Big Increase in Net Sales

Construction, developed favourably and created a strong foundation for profitable growth on Tulikivi Group's main market areas.

The Group had net sales of FIM 194.5 million, up 24.7% over the previous year.

Domestic sales totalled FIM 85.7 million.

The quality of domestic fireplace sales and customer service was improved by training over a hundred authorized Tulikivi fireplace masons and key regional sales staff.

The building stone sector enjoyed excellent success. More and more architects chose soapstone or serpentinite for building exteriors, interior decorating and floors. The head offices of Nokia Corporation and the new VIP facilities at the Helsinki airport were the most significant projects for which interior decorating materials were delivered.

Exports up Sharply

Exports accounted for 55.9% of net sales and totalled FIM 108.8 million, up 24.3% over the previous year. The most important export markets were Germany, Sweden, Switzerland, Austria, Belgium, Italy, France, the Netherlands and the USA.

In Germany, which is our biggest export market, we replaced our sales company with a sales office. The number of regional importers was also revised. The German distribution channel now consists of a group of enterprising and financially solid regional importers with their own strong distributors.

The Tulikivi brand's recognition and appeal have been strengthened in our most important export markets.

Result Objective Achieved

The Group recorded a splendid result. The operating margin improved by 47.3%. The result before extraordinary items, appropriations and taxes showed a profit of FIM 32.4 million (FIM 14.7 million).

This strong performance was due to a chain of factors. Demand for products increased, net sales rose, production capacity was in full use, synergies were found, the distribution channel was streamlined and the cost structure was kept at the previous year's level.

The strongest links in this chain were highly motivated people and cooperation partners. Warm thanks are also deserved by our own personnel, who displayed flexibility, commitment and resilience.

Trial Marketing in the East

Market research focused on new areas: Russia, Poland, the Czech Republic and Hungary. The goal is to expand exports and to balance the cyclic trends which are typical in the construction field. Further analyses were conducted in Russia and Poland. Trial marketing will begin in Russia in 1998.

Towards the Future

Our main goals for the future are to improve productivity and profitability. The Group is also investigating the expansion of operations to Suomussalmi, where we control large soapstone resources.

New development projects have been started inside the company. The most important of these concern the more efficient use of soapstone and ways to increase the degree of processing. A number of design projects are also under way. These will form the basis for our range in the 21st century.

Most of the latest predictions concerning economic growth, consumer behaviour and energy policy support the solutions we have chosen. Experts in architecture and interior decorating expect natural materials to make a strong come-back. The European Commission has called renewable bioenergy the energy source of the future. Heat-retaining, wood-burning stone fireplaces thus have a bright outlook in Europe.

In our opinion now is the time to invest in the future. Our products contain soft, green and ecological values. The megatrends which are in sight are encouraging. The best thing is that we manufacture human-centred products which constantly invite new friends to the magic circle of living fire.

Juuka, 23 March 1998

Reijo Svanborg
Managing Director

Financial Statements
Directors' Report for 1997

General
In terms of sales and profits 1997 was the best year in Tulikivi Group's history. Activities expanded and production operated at full capacity in three shifts. The operating environment was favourable in every respect.

In Finland both housing starts and repair construction increased substantially.

Strong growth was recorded in exports of both Tulikivi fireplaces and soapstone subcontracting products. Exports grew in all our markets.

Changes in the Group structure
Since last spring a representative office in Frankfurt has taken care of marketing in Central Europe. This task was previously performed by a subsidiary. The acquisition of Mittakivi Oy in 1996 influences the figures for that year, since Mittakivi's figures are included in the consolidated accounts as of 2 September 1996.

Net sales
Net sales for the Group totalled FIM 194.5 million (FIM 156.0 million in 1996). This signified an increase of 24.7% (comparable 5.4%). The comparable increase in net sales taking into account the change in the Group structure was 15.1%.

Most of the growth in net sales came from exports, which rose by 24.3% (2.0%). Exports totalled FIM 108.8 million (FIM 87.5 million) and accounted for 55.9% of net sales (56.1%). The biggest export markets are still Germany and Switzerland. Nearly half of the Group's sales now go to Central Europe. Exports showed the fastest growth in Sweden, partly due to the government's efforts to increase utilization of bioenergy. Net sales of operations in the USA grew by about 30% in FIM.

Domestic sales totalled FIM 85.7 million (FIM 68.5 million). This rise was due to increased demand as well as the change in the Group structure.

Fireplaces accounted for FIM 162.8 million (FIM 132.3 million) or 83.7% (84.8%) of the Group's net sales. Sales of building stone and subcontracting products rose to FIM 31.7 million (FIM 23.7 million) or 16.3% (15.2%) of the total.

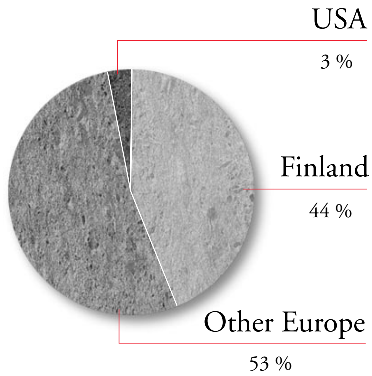
Result
The Group's profit before extraordinary items and taxes more than doubled and amounted to FIM 32.4 million (FIM 14.7 million). The return on invested capital was 29.3% (16.1%). The result should be considered extremely good.

The Group's profit from operations before depreciation amounted to FIM 50.1 million (FIM 34.0 million) or 25.7% (21.8%) of net sales. Personnel costs rose as a result of the expansion of building stone and subcontracting operations, the use of additional shifts and investment projects. Growth in external charges was due mainly to an increase in subcontracting operations and the opening of new quarries. A total of FIM 32.3 million (FIM 33.8 million) was spent on marketing and development, including personnel costs.

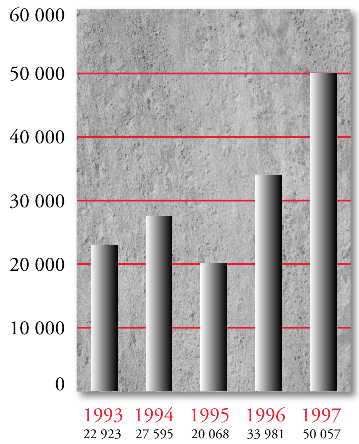
The Group's net financial expenses totalled FIM 1.1 million (FIM 2.4 million). Extraordinary income amounting to FIM 1.2 million came from the sale of A- and K-shares in Tulikivi Oy owned by Mittakivi Oy.

The profit and loss account shows a profit of FIM 24.6 million (FIM 9.0 million). Profit per share amounted to FIM 13,19 (FIM 6,94).

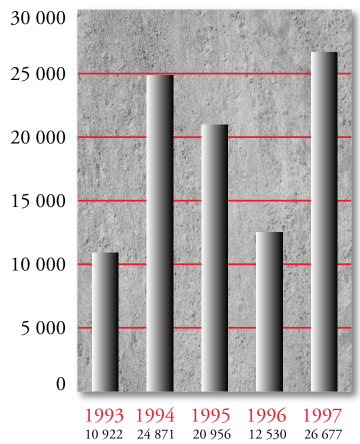
Breakdown of Net Sales by Market Area



Profit Before Extraordinary Items and Taxes, FIM 1,000



Investments, FIM 1,000



Personnel
During the year the Group had an average of 329 (243) employees and the parent company 236 (208) employees. At the end of the year the Group had 351 (303) employees and the parent company 251 (211) employees. Personnel increased mainly in production.

The members of the Board of Directors and the managing director were paid salaries and fees amounting to FIM 1,681,282 (FIM 1,718,992) in the Group and FIM 1,261,372 (FIM 1,078,560) in the parent company. These figures include bonuses amounting to FIM 123,500 in the Group and FIM 33,500 in the parent company.

Other personnel were paid FIM 40,522,142 (FIM 31,144,115) in the Group, including FIM 665,315 (FIM 123,720) in bonuses, and FIM 29,422,309 (FIM 25,732,825) in the parent company, including FIM 313,900 in bonuses.

The General Meeting of Shareholders decides on the fees to be paid to the members of the Board of Directors. Bonuses are not paid to Board members. The Board of Directors decides on the managing director's salary. The basis for bonuses is the achievement of annual result objectives. The Board of Directors approves the principles of bonus payments each year for both the management and other personnel.

Development and Investments
The Strategy 2000 programme was brought to completion during the year. The goal of Strategy 2000 is to seek growth on current and new export markets as well as the domestic market. During the spring preliminary market surveys concerning eastern Europe were completed. Research and operational analyses for the Russian, Estonian and Polish markets are still under way.

During the year a large-scale training project known as the Tulikivi Institute was started together with soapstone enterprises. The goal of this programme is to increase the capabilities of personnel and cooperation partners to meet the challenges of expanding business.

During the year the changes in computer systems which will be required by the year 2000 and the introduction of the euro were determined in the Group. System changes will be made by the end of 1998.

Raw material resources were also studied in view of expanding operations. In addition technology was developed to ensure a more efficient use of raw materials. Development also focused on designing new products and combustion research.

The Group's investments in fixed assets amounted to FIM 26.7 million (FIM 12.5 million). Production investments focused on an expansion of Mittakivi Oy. FIM 15.7 million was spent on this expansion during the year. The total investment will amount to FIM 22 million. The investment will provide additional capacity for custom-made fireplaces and small series production as well as building stone and subcontracting products. The investment was completed in February 1998. Other investments were mainly for quarries.

During the year further plans were made for investments in Suomussalmi. Plans are also being made for an expansion of the Tulikivi plant. After feasibility studies have been completed, a decision will be made on the order of investments.

Financing
The Group's financial position remained sound. Net cash received from operations amounted to FIM 41.1 million (FIM 28.1 million) and the net cash from operating activities was FIM 39.8 million (FIM 37.4 million). The Group's net indebtedness ratio was 2.3% (19.9%) and the equity ratio was 61.3% (56.1%).

Trading of A-shares on the Helsinki Stock Exchange
Trading in Tulikivi Oy's A-shares on the Helsinki Stock Exchange amounted to FIM 93.9 million. A total of 1,149,099 shares or 88.7% of listed A-shares were traded. At the end of the year shares registered in the name of a nominee accounted for 18.9% of total A-shares. The highest share price was FIM 110 and the lowest price FIM 48. The share price at 31 December 1997 was FIM 95.

Option loan
The Annual General Meeting of Shareholders which was held on 8 April 1997 decided to issue an option loan directed at certain persons belonging to the management of Group companies. If all the loan options are converted into shares, share capital will be increased by FIM 980,000 and the number of A-shares by 49,000.

Board of Directors
The Annual General Meeting of Shareholders of Tulikivi Oy elected Bishop Ambrosius, Markku Laakso, Teppo Taberman, Eliisa Vauhkonen, Reijo Vauhkonen and Matti Virtaala to the Board of Directors. The Board elected Reijo Vauhkonen as chairman and Bishop Ambrosius as vice chairman. The members of the parent company's Board of Directors also serve on the boards of subsidiaries.

The Board of Directors appoints the managing director of the company and Group. Reijo Svanborg was elected managing director as of 1 July 1997.

Outlook for the future
According to forecasts economic growth will continue in our most important export markets at the past year's level at least. This together with the Group's investments is expected to have a positive effect on the development of exports. Efforts to open new markets will continue. Domestic demand is expected to rise slightly.

The favourable effects of new investments and the training of the personnel on profitability will be visible particularly over the longer term.

The Board of Directors looks for profits to remain good in 1998 as well.

Capital stock, shares and management ownership

The company's capital stock entered in the Trade Register amounted to FIM 35,453,040.00 on December 31, 1997, and was broken down as follows:

Type	Number of Shares	Nominal Value FIM	Proportion, % of Shares	% of Votes	Capital Stock
K-shares (10 votes)	477,000	20	26.91	78.64	9,540,000
A-shares (1 vote)	1,295,277	20	73.09	21.36	25,905,540
Total	1,772,277		100.00	100.00	35,453,040 *)

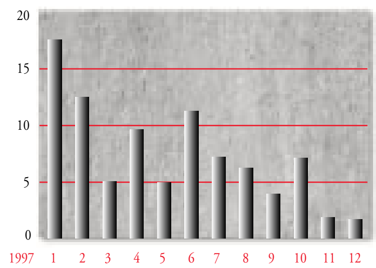
*) The company has purchased a share with the nominal value of FIM 7,500 at the moment of purchase.

According to the articles of association, the dividend paid on A–shares must be at least one percentage point higher than the dividend paid on K–shares. A-share is quoted at Helsinki Exchanges. The Board of Directors has no outstanding authorizations to issue new shares or a debenture loan or option loan.

10 Major shareholders according to number of shares

	K-shares	A-shares	Proportion (%)
1. Vauhkonen Reijo	282,625	226,223	28.71
2. Merita Bank Oy /nominee registered	3,000	228,864	13.08
3. Vauhkonen Heikki	44,875	4,518	2.79
4. Vauhkonen Mikko	19,875	20,260	2.26
5. Mutanen Susanna	39,875		2.25
6. Investment Fund Fim Forte		32,800	1.85
7. Royal Skandia Life Assurance Limited		32,420	1.83
8. Placeringsfonden Gyllenberg Small Firm		32,100	1.81
9. Insurance Co. Nova	8,000	22,100	1.70
10. Nuutinen Kyösti	19,875	5,300	1.42

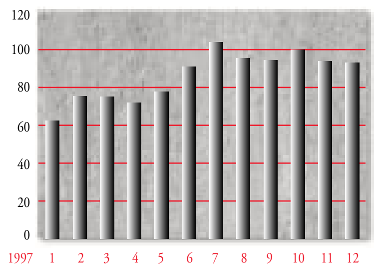
Monthly Development of the Exchange of A-shares (%)



10 Major shareholders according to number of votes

	K-shares	A-shares	Proportion (%)
1. Vauhkonen Reijo	282,625	226,223	50.33
2. Vauhkonen Heikki	44,875	4,518	7.47
3. Mutanen Susanna	39,875		6.57
4. Merita Bank Oy /nominee registered	3,000	228,864	4.27
5. Vauhkonen Mikko	19,875	20,260	3.61
6. Nuutinen Kyösti	19,875	5,300	3.36
7. Vauhkonen Eliisa	19,875	3,976	3.34
8. Insurance Co Nova	8,000	22,100	1.68
9. Muuttomiehet K Niskanen Oy	10,000		1.65
10. Svanborg Reijo	10,000		1.65

Monthly Development of the Average Price of A-shares (FIM)



The members of the Board, the managing director and the vice president together control 322,500 K-shares and 231,415 A-shares or 57.0 % of votes. On the basis of the issued bonds with warrants management can subscribe for 35,000 A-shares, corresponding to 1.9% of total shares and 0.6% of votes.

Breakdown of share ownership

Number of Shares	Shareholders psc	Proportion %	Shares pcs	Proportion %
1 -100	1,085	59.39	60,524	3.42
101 -1000	622	34.04	239,684	13.52
1001 - 5000	87	4.76	193,806	10.94
5001 - 10000	17	0.93	129,719	7.32
10001 -	16	0.88	1,142,497	64.46
Total	1,827	100.00	1,766,230*)	99.66

*) As per the company's list of shareholders December 31, 1997. A total of 5,647 shares had not been transferred to the book entry register. In addition 400 shares were on the waiting list.

On 31 December, 1997 the company's shareholders were broken down by sector as follow:

Sector	Holding, %	Votes, %
Enterprises	7.42	4.10
Financial and insurance institutions	24.06	8.66
Public organizations	0.30	0.09
Non-profit organizations	1.90	1.30
Households	64.43	85.15
Foreign	1.56	0.46
On waiting list	0.02	0.01
In joint accounts	0.32	0.24
Total	100.00	100.00

Shares registered in the name of a nominee are included in the category Finance and insurance institutions.

Consolidated Income Statement

	Jan. 1 - Dec. 31, 1997	Jan.1 - Dec. 31, 1996
Net sales	**194,479,406.42**	156,003,659.15
Increase (+) or decrease (-) in inventories of finished goods	-147,430.55	-1,561,019.38
Manufacture for own use (+)	3,601,852.23	1,937,206.11
Other operating income	1,474,417.47	1,015,513.05
Expenses		
Materials, supplies and goods		
Purchases during the fiscal year	28,953,358.96	32,921,844.00
Increase (-) or decrease (+) in inventories	631,043.99	-1,328,678.14
External charges	19,989,475.62	13,708,913.34
Personnel expenses	59,467,063.74	42,756,056.49
Rents	1,646,735.26	1,765,616.82
Other expenses	38,663,256.17	33,590,613.03
Expenses total	149,350,933.74	123,414,365.54
Profit from operations before depreciation	**50,057,311.83**	33,980,993.39
Depreciation		
Depreciation on fixed assets and other long-term expenses	16,557,596.88	16,801,567.39
Depreciation on goodwill	22,683.99	22,683.99
Operating profit	**33,477,030.96**	17,156,742.01
Financial income and expenses		
Dividends	184,960.57	97,627.11
Interest income on short-term investments	259,952.83	485,989.30
Exchange rate differences	-35,179.09	-104,927.09
Interest expenses	-1,288,883.26	-2,734,979.72
Other financial expenses	-199,489.11	-172,806.60
Total financial income and expenses	-1,078,638.06	-2,429,097.00
Profit before extraordinary items and income taxes	**32,398,392.90**	14,727,645.01
Extraordinary income and expenses		
Extraordinary income	1,173,265.00	858,568.00
Extraordinary expenses		-3,250,730.00
Profit before income taxes	**33,571,657.90**	12,335,483.01
Income taxes		
From the current year	-9,061,329.10	-2,875,930.65
From previous years	386,851.86	-33,148.90
Change in deferred tax liability	-353,352.08	-450,847.25
Profit before minority interest	**24,543,828.58**	8,975,556.21
Minority interest of profit/loss of the year	6,645.77	-3,432.42
Profit for the year	**24,550,474.35**	8,972,123.79

Consolidated Balance Sheet

	Dec. 31, 1997	Dec. 31, 1996
Assets		
Fixed assets and other non-current investments		
Intangible assets		
Intangible rights	990,096.05	1,698,714.10
Goodwill	10,185.77	32,869.76
Other long-term expenditure	11,389,970.74	11,202,721.74
	12,390,252.56	12,934,305.60
Tangible assets		
Land and water areas	5,945,621.17	5,342,082.71
Buildings and constructions	41,200,611.17	36,833,288.98
Machinery and equipment	29,100,826.96	30,461,780.65
Other tangible assets	666,713.48	742,014.95
Advance payments and construction in progress	3,448,140.20	
	80,361,912.98	73,379,167.29
Financial assets		
Bonds and shares	339,123.20	631,001.19
Other investments	39,300.00	29,300.00
	378,423.20	660,301.19
Fixed assets and other non-current investments total	**93,130,588.74**	86,973,774.08
Valuation items	**82,701.80**	103,377.25
Current assets		
Inventories		
Rawmaterials and consumables	8,145,108.31	8,769,189.37
Finished products/goods	5,355,636.48	5,447,426.87
Total inventories	**13,500,744.79**	14,216,616.24
Receivables		
Trade receivables	20,091,370.47	15,355,391.74
Loan receivables	8,705.27	14,183.87
Other receivables	8,362,713.50	1,752,514.53
	28,462,789.24	17,122,090.14
Cash in hand and at banks	22,530,406.45	18,035,533.93
Total financial assets	**50,993,195.69**	**35,157,624.07**
	157,707,231.02	**136,451,391.64**

Consolidated Balance Sheet

	Dec. 31, 1997	Dec. 31, 1996
Liabilities		
Shareholders' equity		
Restricted equity		
Capital stock	35,453,040.00	35,453,040.00
Share premium fund	29,474,645.00	29,474,645.00
Revaluation reserve	225,000.00	225,000.00
	65,152,685.00	65,152,685.00
Unrestricted equity		
Retained earnings	6,994,332.10	2,414,800.41
Net profit for the year	24,550,474.35	8,972,123.79
	31,544,806.45	11,386,924.20
Total shareholders' equity	**96,697,491.45**	76,539,609.20
Minority interest		6,645.76
Creditors		
Non-current liabilities		
Loans from credit institutions	14,968,313.00	17,801,787.00
Pension loans	114,351.00	139,500.00
Deferred tax liability	2,980,106.07	2,646,065.09
Other non-current liabilities	1,491,152.00	2,826,760.00
	19,553,922.07	23,414,112.09
Current liabilities		
Loans from credit institutions	7,833,474.00	11,769,864.00
Pension loans	8,610.00	10,500.00
Trade payables	6,749,884.59	6,668,424.50
Accrued liabilities	26,510,816.91	17,285,23049
Other current liabilities	353,032.00	757,005.60
	41,455,817.50	36,491,024.59
Total creditors	**61,009,739.57**	59,905,136.68
	157,707,231.02	136,451,391.64

Consolidated Cash Flow Statement

	1997	1996
Operating activities		
Cash from operations		
Profit from operations before depreciation excluding sales of fixed assets	50,034	33,934
Financial income and expenses	-1,079	-2,429
Extraordinary items	1,173	
Income taxes	-9,028	-3,360
Net cash from operations	41,100	28,145
Change in net working capital		
Inventories, increase (-) / decrease (+)	716	237
Current receivables, increase (-)/ decrease (+)	-11,341	14,476
Current liabilities, increase (+)/ decrease (-)	9,307	-5,409
Total change in net working capital	-1,318	9,304
Net cash from operating activities	**39,782**	37,449
Investing activities		
Capital expenditures	-26,677	-12,530
Return of investment	292	300
Proceeds from sale of fixed assets	202	128
Grants	4,039	
Total investing activities	-22,144	-12,102
Cash flow before financing activities	**17,638**	25,347
Cash flow from financing activities		
Increase in non-current liabilities (+)	5,049	3,451
Increase in minority share (+)/decrease (-)	-7	-204
Decrease in non-currant liabilities (-)	-8,909	-22,950
Increase (+)/ decrease (-) in current liabilities	-4,342	-3,866
Dividends	-4,906	-1,477
Share issue		4,000
Share premium		3,010
Total financing activities	-13,115	-18,036
Increase (+)/ decrease (-) in cash and cash equivalents from above	4,523	7,311
Adjustments (including change in valuation items)	-28	-137
Increase (+)/ decrease (-) in cash and cash equivalents as per balance sheet	**4,495**	7,174

Figures in FIM thousands.

Parent Company Income Statement

	Jan. 1 - Dec. 31, 1997	Jan. 1. - Dec. 31, 1996
Net sales	**169,354,700.97**	147,517,978.85
Increase (+) or decrease (-) in inventories of finished goods	-345,678.04	-1,391,609.85
Manufacture for own use (+)	2,777,467.00	1,909,471.31
Other operating income	1,999,160.27	1,064,441.77
Expenses		
Materials, supplies and goods		
Purchases during the fiscal year	42,053,003.21	37,666,648.38
Increase (-) or decrease (+) in inventories	839,071.10	-1,230,827.87
External charges	17,924,384.64	19,947,757.38
Personnel expenses	42,273,234.87	34,987,335.33
Rents	1,436,035.94	1,485,778.88
Other expenses	30,133,308.66	24,699,306.21
Expenses total	134,659,038.42	117,555,998.31
Profit from operations before depreciation	**39,126,611.78**	31,544,283.77
Depreciation on fixed assets and other long-term expenses	14,251,934.97	14,739,136.33
Operating profit	**24,874,676.81**	16,805,147.44
Financial income and expenses		
Dividends	684,960.57	97,627.11
Interest income on short-term investments	368,637.77	463,213.95
Exchange rate differences	-12,124.94	26,755.13
Interest expenses	-978,861.20	-2,322,390.93
Other financial expenses	-44,166.27	-127,304.17
Total financial income and expenses	18,445.93	-1,862,098.91
Profit before extraordinary items, voluntary reserves and income taxes	**24,893,122.74**	14,943,048.53
Extraordinary income and expenses		
Extraordinary expenses		-7,495,448.40
Profit before voluntary reserves and income taxes	**24,893,122.74**	7,447,600.13
Decrease (+) in accelerated depreciation	2,083,146.44	268.99
Income taxes		
For the current year	-7,606,619.63	-2,163,997.83
For previous years	387,589.63	-33,000.90
Profit for the year	**19,757,239.18**	5,250,870.39

Parent Company Balance Sheet

	Dec. 31, 1997	Dec. 31, 1996
Assets		
Fixed assets and other non-current investments		
Intangible assets		
Intangible rights	958,881.06	1,651,608.60
Other long-term expenditure	10,032,583.66	10,077,858.52
	10,991,464.72	11,729,467.12
Tangible assets		
Land and water areas	4,526,686.25	4,039,436.25
Buildings and constructions	27,005,033.12	28,120,655.83
Machinery and equipment	19,780,210.36	22,144,618.44
Other tangible assets	195,255.17	222,453.53
	51,507,184.90	54,527,164.05
Financial assets		
Bonds and shares	8,162,740.74	8,454,621.08
Other investments	189,300.00	29,300.00
	8,352,040.74	8,483,921.08
Fixed assets and other non-current investments total	**70,850,690.36**	74,740,552.25
Current assets		
Inventories		
Rawmaterials and consumables	5,933,323.46	6,816,938.56
Finished products/goods	4,596,263.06	4,897,397.10
Total inventories	**10,529,586.52**	11,714,335.66
Receivables		
Trade receivables	18,564,341.68	14,141,348.26
Loan receivables	4,178,867.44	2,348,773.13
Other receivables	3,949,798.08	1,115,690.41
	26,693,007.20	17,605,811.80
Cash in hand and at banks	20,246,334.87	14,200,179.60
Total financial assets	**46,939,342.07**	31,805,991.40
	128,319,618.95	118,260,879.31

Parent Company Balance Sheet

	Dec. 31, 1997	Dec. 31, 1996
Liabilities		
Shareholders' equity		
Restricted equity		
Capital stock	35,453,040.00	35,453,040.00
Share premium fund	29,474,645.00	29,474,645.00
Revaluation reserve	225,000.00	225,000.00
	65,152,685.00	65,152,685.00
Unrestricted equity		
Retained earnings	1,412,237.85	1,082,798.46
Net profit for the year	19,757,239.18	5,250,870.39
	21,169,477.03	6,333,668.85
Total shareholders' equity	**86,322,162.03**	71,486,353.85
Voluntary reserves		
Accelerated depreciation	**1,725,763.99**	3,167,891.44
Creditors		
Non-current liabilities		
Loans from credit institutions	8,358,313.00	15,118,467.00
Pension loans	86,490.00	93,000.00
Other non-current liabilities	111,600.00	391,400.00
	8,556,403.00	15,602,867.00
Current liabilities		
Loans from credit institutions	6,760,154.00	10,313,194.00
Pension loans	6,510.00	7,000.00
Trade payables	3,755,923.70	5,004,750.96
Accrued liabilities	20,863,902.23	11,981,576.46
Other current liabilities	328,800.00	697,245.60
	31,715,289.93	28,003,767.02
Total creditors	**40,271,692.93**	43,606,634.02
	128,319,618.95	118,260,879.31

Cash Flow Statement of the Parent Company

	1997	1996
Operating activities		
Cash from operations		
Profit from operations before depreciation excluding sales of fixed assets	39,062	31,503
Financial income and expenses	18	-1,862
Extraordinary items		-1,080
Income taxes	-7,219	-2,197
Net cash from operations	31,861	26,364
Change in net working capital		
Inventories, increase (-) / decrease (+)	1,185	161
Current receivables, increase (-) / decrease (+)	-9,087	12,134
Current liabilities, increase (+) / decrease (-)	7,633	-4,849
Total change in net working capital	-269	7,446
Net cash from operating activities	**31,592**	33,810
Investing activities		
Capital expenditure	-10,062	-19,814
Return of investment	292	300
Proceeds from sale of fixed assets	113	108
Total investing activities	-9,657	-19,406
Cash flow before financing activities	**21,935**	14,404
Cash flow from financing activities		
Increase (+) in non-current liabilities	49	3,000
Decrease in non-current liabilities (-)	-7,095	-14,556
Increase (+) / decrease (-) in current liabilities	-3,922	-4,123
Dividends	-4,921	-1,477
Share issue		4,000
Share premium		3,010
Total financing activities	-15,889	-10,146
Increase (+) / decrease (-) in cash and cash equivalents from above	6,046	4,258
Adjustments		1,076
Increase (+) / decrease (-) in cash and cash equivalents as per balance sheet	**6,046**	5,334

Figures in FIM thousands.

Consolidation

The consolidated financial statements include Tulikivi Oy and all the companies in which it owns directly or indirectly over 50% of the voting rights at the end of the year. Share holdings between consolidated companies have been eliminated by using the purchase method. Subsidiaries' voluntary reserves and accelerated depreciation at the time of acquisition, net of deferred tax liability, have been included in shareholders' equity at the time of acquisition. Goodwill created through eliminations is amortized on straight-line method over the estimated economic life, which does not exceed 10 years. Business transactions between consolidated companies, intercompany receivables and liabilities have been eliminated.

Translation Differences

The financial statements of foreign subsidiaries have been translated into Finnish marks at the Bank of Finland's average rate ruling at the year end. Translation differences arising from the elimination of the shareholders' equity of foreign subsidiaries have been treated as an adjustment to the Group's unrestricted equity in contrast with practice in previous years, when the translation difference relating to restricted equity at the time of the acquisition was treated as an adjustment to restricted equity. Figures for previous years have been adjusted to comply with 1997 practice.

Foreign Currency Transactions

Transactions in foreign currencies have been recorded at the rate of exchange prevailing at the date of the transactions. Receivables in foreign currencies have been translated into Finnish marks at the rate, which does not exceed the average rate quoted by the Bank of Finland at the year end, or the applicable forward contract rate. All payables in foreign currencies have been translated into Finnish marks by using the above mentioned exchange rates. Foreign exchange differences relating to current receivables and liabilities have been credited/ charged to income. The unrealized foreign exchange differences relating to non-current receivables have not been credited to income.

Research and Development Expenditure

All expenditure caused by research and development are expensed in the financial period during which they are incurred with the exception of certain machine design costs which have been capitalized.

Inventories

Direct and indirect costs related to the purchase and production of goods have been included in the acquisition cost of inventories.

Depreciation

Depreciation of fixed assets has been calculated according to depreciation plan. Depreciation time for buildings in the USA is 40 years, and in Finland 30 years, for processing machinery 3–10 years and data-prosessing equipment 6 years. Depreciation of equipment, intangible assets and other long–term expenditure correspond the maximum depreciation allowed by the Finnish tax legislation.

Voluntary Reserves and Accelerated Depreciation

In the consolidated financial statements the voluntary reserves and accelerated depreciation of Group companies have been included in the balance sheet as part of shareholders' equity and deferred tax liability. The change in voluntary reserves and accelerated depreciation during the year has been included in the income statement as part of profit for the year and change in deferred tax liability. According to the Companies' Act the accelerated depreciation included in unrestricted equity at December 31, 1997 is not available for dividend distribution.

Taxes

Taxes include estimated taxes corresponding to the results for the year of the Group companies as well as adjustments for 1996, real-estate tax and deferred taxes. The deferred tax liability or receivable has been calculated on voluntary reserves and the accelerated depreciation.

Pensions

The staff pension scheme in Finland is provided by TEL (employee pension) and LEL (short–term employee pension) insurance. Pension arrangements for employees of foreign subsidiaries have been made according to local practice.

Notes to the Financial Statements

(Figures in FIM thousands)

1. Net sales per marketing area

	Group		Parent company	
	1997	1996	**1997**	1996
Finland	85,705	68,587	63,292	62,776
Rest of Europe	103,058	83,019	102,869	82,666
USA	5,716	4,398	3,194	2,076
Total net sales	**194,479**	156,004	**169,355**	147,518

In calculating net sales, discounts, indirect taxes and exchange differences for trade receivables have been deducted.

2. Personnel expenses

	Group		Parent company	
	1997	1996	**1997**	1996
Salaries and wages	46,285	33,906	32,843	27,665
Perquisites	188	250	184	225
Pension costs	6,722	4,853	4,801	4,138
Social costs	6,460	3,997	4,629	3,184
Total personnel expenses	**59,655**	43,006	**42,457**	35,212

3. Depreciation according to plan

	Group		Parent company	
	1997	1996	**1997**	1996
Intangible assets	756	1,890	736	1,890
Other long-term expenditure	3,436	3,938	3,257	3,775
Buildings and constructions	1,847	1,695	1,384	1,375
Machinery and equipment	10,410	9,063	8,847	7,672
Other tangible assets	87	49	27	27
Valuation items	21	166		
Goodwill	23	23		
Total depreciation according to plan	**16,580**	16,824	**14,251**	14,739

4. Change in accelerated depreciation

	Group		Parent company	
	1997	1996	**1997**	1996
Intangible assets	+500		+500	
Other long-term expenditure	+12		+12	
Buildings and constructions	-2,595	+83	+446	+369
Machinery and equipment	-424	-1,132	+1,125	-369
Increase (-) / decrease (+) of accelerated depreciation	**-2,507**	-1,049	**+2,083**	+0

5. Share holdings of the Group and the parent company

Subsidiaries of parent company	Ownership % Group	Ownership % Parent company	Parent company owned shares pcs	Nominal value FIM thous.	Book value FIM thous.	Profit/loss according to 1997 Financial statement FIM thous.	Subsidiarys shareholders' equity FIM thous.
Suomussalmen Vuolukivi Oy, Juuka	91	91	91	91	91	-133	91
The New Alberene Stone Company Inc., USA	100	89.9	5,895	26,979	0.1	-286	-330
Tulikivi U.S. Inc., USA	100	100	8,001	3,716	1.0	-708	-2,118
Tulikivi Vertriebs GmbH, D	100	100		161	161	292	774
Tulipuu Oy, Juuka	100	100	150	15	32	-33	46
Mittakivi Oy, Juuka	100	100	200	200	7,539	3,543	9,495

Other shares	Ownership %	pcs	Nominal value FIM thous.	Book value FIM thous.
Kesla Oy, Kesälahti		10	0.2	2
HEX, Helsinki Exchanges		24,400	200	150
OKR Issuers' Cooperative			70	70
Kontiolahti Golf Oy, Kontiolahti		1	5	60
Susiraja Oy International, Tuupovaara	10	15	15	50
Others			7	7
Total				**339**

6. Changes in fixed assets acquisition costs and other long-term expenses

	Group	Parent company
Intangible assets		
Acquisition cost January 1	7,943	7,896
Increase in acquisition cost during the fiscal year (incl. exchange rate differences)	46	43
Acquisition cost December 31	7,989	7,939
Accrued depreciation according to plan at the end of the fiscal year	6,999	6,980
Balance sheet value December 31	990	959
Accelerated depreciation January 1	500	500
Decrease	-500	-500
Accelerated depreciation December 31	0	0

	Group	Parent company
Goodwill		
Acquisition cost January 1	147	
Accrued depreciation according to plan at the end of the fiscal year	137	
Balance sheet value December 31	10	
Other long-term expenses		
Acquisition cost January 1	24,643	23,045
Increase during the fiscal year (incl. exchange rate differences)	3,625	3,212
Decrease during the fiscal year (incl. exchange rate differences)	1	
Acquisition cost December 31	28,267	26,257
Accrued depreciation according to plan at the end of the year	16,877	16,224
Balance sheet value December 31	11,390	10,033
Accelerated depreciation January 1	414	414
Decrease	-12	-12
Accelerated depreciation December 31	402	402
Land areas		
Acquisition cost January 1	5,342	4,039
Increase during the fiscal year (incl. exchange rate differences)	604	488
Balance sheet value December 31	5,946	4,527
Buildings and constructions		
Acquisition cost January 1	43,049	32,979
Revaluations made in prior years	9,585	9,585
Increase during the fiscal year (incl. exchange rate differences)	6,233	268
Acquisition cost January 31	58,867	42,832
Adjustment to prior years' accelerated depreciation	18	
Accrued depreciation according to plan at the end of the fiscal year	17,648	15,827
Balance sheet value December 31	41,201	27,005
Investment grants amounting to FIM 8,170 thousands have been deducted from the acquisition cost of buildings		
Accelerated depreciation January 1	3,051	550
Change January 1 - December 31	2,577	-446
Accelerated depreciation December 31	5,628	104

	Group	Parent company
Machinery and equipment		
Acquisition cost January 1	91,307	75,571
Increase during the fiscal year (incl. exchange rate differences)	8,966	5,891
Decrease during the fiscal year (incl. exchange rate differences)	-188	-76
Acquisition cost December 31	100,085	81,386
Adjustment to prior years' accelerated depreciation	+271	+668
Accrued depreciation according to plan at the end of the fiscal year	71,255	62,274
Balance sheet value December 31	29,101	19,780

Investment grants amounting to FIM 10,061 thousands have been deducted from the acquisition costs of machinery and equipment

	Group	Parent company
Accelerated depreciation January 1	4,038	1,703
Change January 1 - December 31	575	-483
Accelerated depreciation December 31	4,613	1,220
Value of machinery and equipment included in balance sheet value	21,385	14,510

	Group	Parent company
Other tangible assets		
Acquisition cost January 1	813	272
Increase during the fiscal year	12	
Accrued depreciation according to plan at the end of the fiscal year	158	77
Balance sheet value December 31	667	195

7. Taxation values of fixed assets

	Group		Parent Company	
	1997	1996	**1997**	1996
Land areas	1,239	702	946	452
Buildings	24,675	19,914	12,656	13,160
Subsidiary shares			4,317	2,171
Other shares	456	575	456	575

If taxation value is unavailable, book value has been included.

8. Valuation items

	Group
Capitalization of interest paid during commencement of business January 1	104
Decrease during the fiscal year	-21
Balance sheet value December 31	83

9. Parent company's receivables from subsidiaries

	Parent company	
	1997	1996
Trade receivables	3,001	1,836
Loan receivables	4,170	2,335
Capital loan receivable	150	

10. Parent company's liabilities to subsidiaries

Trade payables	642	1,012

11. Non-current liabilities

	Group		Parent company	
	1997	1996	**1997**	1996
Share that is due after five or more years	2,065	422	65	422

12. Changes in shareholders' equity (FIM)

Restricted equity	Group	Parent company
Capital stock January 1 and December 31	35,453,040	35,453,040
Share premium fund at January 1 and December 31	29,474,645	29,474,645
Revaluation reserve January 1 and December 31	225,000	225,000
Total	65,152,685	65,152,685
Unrestricted equity		
Retained earnings January 1	11,386,924	6,333,669
Dividends paid	-4,905,759	-4,921,431
Change in translation differences	513,167	
Net profit for the year	24,550,474	19,757,239
Total December 31	31,544,806	21,169,477
Distributable funds		
Unrestricted equity	31,544,806	
Translation difference	-985,364	
Accelerated depreciation included in shareholders' equity December 31	-4,186,125	
	26,373,317	21,169,477
Accelerated depreciation December 31	5,814,062	
Deferred tax liability on accelerated depreciation	-1,627,937	
Accelerated depreciation in shareholders' equity December 31	4,186,125	
Total shareholders' equity	**96,697,491**	**86,322,162**

13. Option loan

The annual General Meeting of Shareholders which was held on 8 April, 1997 decided to issue an option loan directed at certain persons belonging to the management of Group companies. Board members were not given subscription rights. Each FIM 1,000 bond includes 1,000 warrants, each of which can be used to subscribe for one Tulikivi A-share at a subscription price of FIM 71.50 per share. Loan subscriptions amounted to FIM 49,000. No interest will be paid on the loan. If all the loan options are converted into shares, share capital will increase by FIM 980,000. As a result of the subscription, subscribers' holding can rise from about 2% to about 5% of share capital and from about 5% to about 6% of votes. The subscription period is March 1-15, 2000 and March 1-15, 2001.
Shares will be entitled to a dividend for the year in which they are subscribed.

14. Pledges and contingent liabilities

	Group		Parent company	
	1997	1996	**1997**	1996
a) For own debts				
Pledges	2,666	5,388	271	1,681
Mortgages on land areas and buildings	9,349	10,174	5,318	7,824
Company mortgages	3,776	8,056	93	6,500
b) Leasing commitments	732	1,298	653	973

The significance of off-balance sheet financial instruments is minor.

Tulikivi Oy in 1993–1997
Key Ratios

Income statement (FIM thousands)	1993	1994	1995	1996	**1997**
Net sales	138,571	162,903	156,771	156,004	**194,479**
Change %	19.4	17.6	-3.8	-0.5	**24.7**
Profit from operations before depreciation	22,923	27,595	20,068	33,981	**50,057**
% of net sales	16.5	16.9	12.8	21.8	**25.7**
Operating profit	12,658	15,710	6,108	17,157	**33,477**
% of net sales	10.0	10.5	3.9	11.0	**17.2**
Dividend and interest income	2,504	744	731	584	**445**
Exchange rate differences	-1,870	-1,309	-746	-105	**-35**
Interest and other financial expenses	-5,337	-4,087	-4,463	-2,908	**1,489**
Profit before extraordinary items and income taxes	7,955	11,057	1,630	14,728	**32,398**
% of net sales	5.7	6.8	1.0	9.4	**16.7**
Profit before income taxes	5,402	-8,798	1,630	12,335	**33,571**
% of net sales	3.9	-5.4	1.0	7.9	**17.3**
Income taxes	1,347	-1,321	433	3,360	**9,028**
Minority interest	-6	-230	330	-3	**7**
Profit for the year	4,049	-7,707	1,527	8,972	**24,550**

Balance sheet (FIM thousand)					
Assets					
Fixed assets	66,897	78,262	83,978	86,940	**93,121**
Inventories	9,546	14,616	12,560	14,217	**13,501**
Financial assets	50,478	40,059	35,786	35,158	**50,992**
Valuation items	21,062	1,025	270	103	**83**
Goodwill	101	78	56	33	**10**
Liabilities					
Shareholders' equity + reserves	74,019	64,207	62,346	76,539	**96,697**
Minority interest	10	53	210	7	
Valuation items	62	46			
Interest bearing liabilities	42,569	40,362	46,256	33,306	**24,769**
Non-interest bearing liabilities	31,424	29,371	23,837	26,599	**36,241**
Total assets	148,084	134,039	132,650	136,451	**157,707**

Ratios	1993	1994	1995	1996	**1997**
Return on equity, %	9.8	10.4	1.9	12.9	**27.0**
Return on capital employed, %	11.7	13.7	5.7	16.1	**29.3**
Net indebtness ratio, %	23.3	37.8	58.4	19.9	**2.3**
Solvency ratio, %	50.1	47.9	47.2	56.1	**61.3**
Current ratio	1.5	1.2	1.3	1.4	**1.6**
Investments, FIM thousands	10,922	24,871	20,956	12,530	**26,677**
Investments/net sales, %	7.9	15.3	13.4	8.0	**13.7**
Own capital investment ratio	1.5	0.8	0.8	2.2	**1.9**
Research and Development expenditures, FIM thousands	5,308	5,998	5,637	4,281	**4,016**
Research and Development/ net sales, %	3.8	3.7	3.6	2.7	**2.1**
Personnel, on average	198	222	220	243	**329**

Key indicators per share

Earnings per share, FIM	4.70	4.42	0.97	6.94	**13.19**
Equity/share, FIM without soapstone resources	47.08	40.84	39.65	43.19	**54.56**
Nominal dividend/share, FIM					
A-share	2.00	2.00	1.00	3.00	**5.00*)**
K-share	1.80	1.80	0.80	2.80	**4.80*)**
Dividend/earnings, %	40.9	43.9	96.7	43.3	**37.5**
Efective dividend yield, %					
A-serie	2.3	2.5	3.2	6.2	**5.3**
P/E ratio	18.2	17.9	32.0	7.0	**7.2**
Issue-adjusted share prices of the A-share, FIM					
- average	62.05	89.15	48.15	41.12	**81.74**
- lowest	41.00	76.50	28.60	31.00	**48.00**
- highest	87.00	99.00	77.00	53.00	**110.00**
- issue-adjusted share price December 31	85.50	79.00	31.10	48.55	**95.00**
Market capitalization, thousand FIM (Supposing that the market price of the K-share is the same as that of the A-share)	134,429	124,210	48,898	86,044	**168,366**
Number of A-shares traded (1000 pcs)	471.2	274.5	148.7	505.2	**1149.1**
- % of the total amount	30.0	25.1	13.6	46.1	**88.7**
The average issue-adjusted number of all the shares	1,350,610	1,572,277	1,572,277	1,638,578	**1,772,277**
The issue-adjusted number of all the shares at the end of the year	1,572,277	1,572,277	1,572,277	1,772,277	**1,772,277**

*)According to the proposal of the Board of Directors.

Calculation of Key Ratios

Ratios

$$\text{Return on equity (ROE)} = 100 \times \frac{\text{profit before extraordinary items, reserves and taxes - taxes}}{\text{equity + minority share + voluntary reserves and accelerated depreciation minus deferred tax liability (average during the fiscal year)}}$$

$$\text{Return on capital employed (ROI)} = 100 \times \frac{\text{profit before extraordinary items, reserves and taxes + interest expenses and other financial costs}}{\text{balance sheet total - non-interest bearing liabilities (average during the fiscal year)}}$$

$$\text{Equity ratio \%} = 100 \times \frac{\text{equity + minority share + voluntary reserves and accelerated depreciation less deferred tax liability}}{\text{balance sheet total - advances received}}$$

$$\text{Net indebtness ratio, \%} = 100 \times \frac{\text{interest-bearing net debt}}{\text{shareholders' equity + minority interest}}$$

$$\text{Current ratio} = \frac{\text{financial assets + inventories}}{\text{current liabilities}}$$

$$\text{Own capital investment ratio} = \frac{\text{total funds from operations as per cash flow statement}}{\text{net investments}}$$

Key Ratios Per Share

$$\text{Earnings/share} = \frac{\text{profit before extraordinary items, reserves and taxes - taxes for the fiscal year +/- minority share of profit for the fiscal year}}{\text{average issue-adjusted number of shares for the fiscal year}}$$

$$\text{Equity/share} = \frac{\text{shareholders' equity + voluntary reserves and accelerated depreciation less deferred tax liability and minority interest}}{\text{issue-adjusted number of shares December 31}}$$

$$\text{Dividend/share, \%} = \frac{\text{dividend paid for the year}}{\text{the issue-adjusted number of all the shares at the end of the year}}$$

$$\text{Dividend/earnings, \%} = 100 \times \frac{\text{dividend/share}}{\text{earnings/share}}$$

$$\text{Effective dividend yield} = 100 \times \frac{\text{issue-adjusted dividend/share}}{\text{issue-adjusted share price December 31}}$$

$$\text{P/E} = \frac{\text{issue-adjusted share price December 31}}{\text{earnings/share}}$$

Mittakivi Oy, Juuka

Tulikivi Oy has a 100 % holding in this company. Mittakivi Oy manufactures tailor-made fireplaces and the Mittakivi rage from soapstone quarried by Tulikivi Oy as well as small tile made from different types of stone. After the completion of the current expansion, the production programme will also include building stone and subcontracting products. Tulikivi Oy markets Mittakivi's export products. In 1997 the company had net sales of FIM 51.5 million (FIM 42.2 million) and profit before extraordinary items, reserves and taxes FIM 8.3 million (FIM 5.8 million).

Tulikivi U.S., Inc., Charlottesville, Virginia, USA

Tulikivi Oy has a 100 % holding in this company, which takes care of the marketing of Tulikivi fireplaces in North America. Fireplaces are imported from Finland. In 1997 the company had net sales of USD 0.9 (0.7) million. The result improved in 1997 but was still slightly negative.

Tulikivi Oy Niederlassung, Frankfurt a.M., Germany

This representative office was established on April 1, 1997 to take care of marketing in Germany. It replaced the subsidiary Tulikivi Vertriebs GmbH, which ceased operations.

Suomussalmen Vuolukivi Oy, Juuka

Tulikivi Oy has a 91 % holding in this company, which was established in 1988 to exploit soapstone deposits in Suomussalmi. The company has not yet started production activities. During the present year a decision will be made on the timetable for possible investments.

Tulipuu Oy, Juuka

Tulikivi Oy has a 100% holding in this company, whose task is to create a production and distribution system for firewood in Finland and thus support the growth of fireplace heating. It engages in cooperation with firewood entrepreneurs. Tulipuu products are sold in large lots direct from supplier to customer and in smaller lots via hardware stores and service stations. The company's business volume is of minor significance for the Group.

The New Alberene Stone Company Inc., Schuyler, Virginia, USA

The Group has an 100 % holding in this company, which manufactures and sells building-stone products on the North American market. The company's business volume is of minor significance for the Group.

Authentication of the Financial Statement

After adding the previous years' profits to the profit of the financial year, the total unrestricted equity amounts to FIM 21,169,477.03.

The Board proposes to the Annual General Meeting of Shareholders that

- the following dividends be paid	
on A-shares (FIM 5.00/share)	FIM 6,476,385.00
on K-shares (FIM 4.80/share)	FIM 2,289,600.00
Total	FIM 8,765,985.00
- amount to be held in retained earnings	FIM 12,403,492.03
	FIM 21,169,477.03

Nunnanlahti, February 23, 1998

Reijo Vauhkonen　　Eliisa Vauhkonen　　Bishop Ambrosius

Markku Laakso　　Teppo Taberman　　Matti Virtaala

Reijo Svanborg

Members of the Board of Directors

Reijo Vauhkonen (58), building engineer, industrial counsellor. Founder of the company. Member of the Supervisory Board of Yrittäjäin Fennia Mutual Assurance Company. President of the company 1980-1988, chairman of the Board since 1990. Special areas visions and corporate culture, finance and stock exchange matters, material resources.

Bishop Ambrosius (52), bishop of the Orthodox Diocese of Oulu. Member of the Board since 1992. Vice chairman since 1995. Special areas international affairs, business ethics and culture.

Markku Laakso (49), M.Sc. President of Oy Paletti Ltd. Member of the Board since 1996. Special areas marketing strategy, trends and distribution channels.

Teppo Taberman (53), M.Sc., economic advisor. Vice president of Kansallis-Osake-Pankki 1990-1994, member of various boards of directors since 1982. Member of the Board since 1996. Special areas new business operations, finance and stock exchange matters.

Eliisa Vauhkonen (53), design manager. With the company since 1980. Member of the Board since 1991. Special areas corporate image and design policy.

Matti Virtaala (46), M.Sc. President of Abloy Oy, ASSA ABLOY AB Group Vice President. Member of the Board since 1994. Special areas internationalization, product policy, economics and administration.

Salli Hara-Haikkala has served as Board secretary since 1996.

Auditors' Report

We have audited the accounting records, the financial statements and the corporate governance of Tulikivi Oy for the financial period January 1-December 31, 1997. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheet and notes to the financial statements, have been prepared by the Boad of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the corporate governance.

We have conducted our audit in accordance with the Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Boad of Directors and the Managing Director have legally complied with the rules of the Companies' Act.

In our opinion the financial statements, which show a profit for the period of FIM 24,550,474.35 for the group, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the result of operations as well as the financial position of the group and the parent company. The financial statements including the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies' Act.

We have examined the interim reports published during the financial period. In our opinion the interim reports have been prepared in accordance with the regulations in force.

Juuka,
February 26, 1998

Price Waterhouse Oy
Authorized Accounting Firm

Hannele Selesvuo

Hannele Selesvuo
Authorized Public Accountant

Soapstone has been used abundantly in the new President building at the Helsinki airport. The facilities were designed by Reino Huhtiniemi of the Huhtiniemi & Söderholm architectural agency.

Tulikivi on the European Market

Neuhauser-Speckstein-Öfen, an Austrian Success Story

It Started in Germany

Tulikivi's German exports have radiated demand to Austria, which is an interesting fireplace market. Austria has its own tile fireplace industry and a splendid tradition of fireplace masters.

Wood heating is also an important part of Austria's energy policy. The country has strict standards for fireplace emissions and efficiency. Attitudes favour renewable bioenergy.

Tulikivi has conducted a market survey which showed that heat-retaining soapstone fireplaces have just as good possibilities in Austria as in Germany. The first export agreement was concluded in 1987, but this cooperation did not lead to success.

Kurt Neuhauser established his own firm and named it Neuhauser-Speckstein-Öfen. He began import operations in 1993 with a single half-day assistant. Support was provided by Tulikivi's export personnel. During his first year Neuhauser sold 140 fireplaces.

In 1994 Neuhauser built a 250-square-metre fireplace studio in Gmunden and put 15 Tulikivi fireplaces on display. Consequently sales rose to 200 fireplaces.

In 1996 Neuhauser leased an old ski factory as a warehouse and built a 400-square-metre fireplace studio, which he decorated to look like a cosy home.

In 1997 Neuhauser built his own training facilities. By this time his staff had risen to five and sales totalled 450 fireplaces. Kurt's son Stefan also joined the team.

Neuhauser's success is based above all on the man's personal characteristics. It required courage to become an entrepreneur. Kurt also knew a lot about the fireplace business and had good connections.

Success likewise required determination and hard work to build, organize and train a distributor network.

According to Neuhauser the total market for fireplaces in Austria is shrinking, but Tulikivi's market is growing.

"The most important thing now is that I feel like a member of the Tulikivi family. This feeling has been strengthened by my visits to North Karelia and the plant," Neuhauser says.

Products are designed for different cultures and purposes.

New design and traditional values go hand in hand in homes around the world.

Innovative stoneworking technology opens new possibilities.

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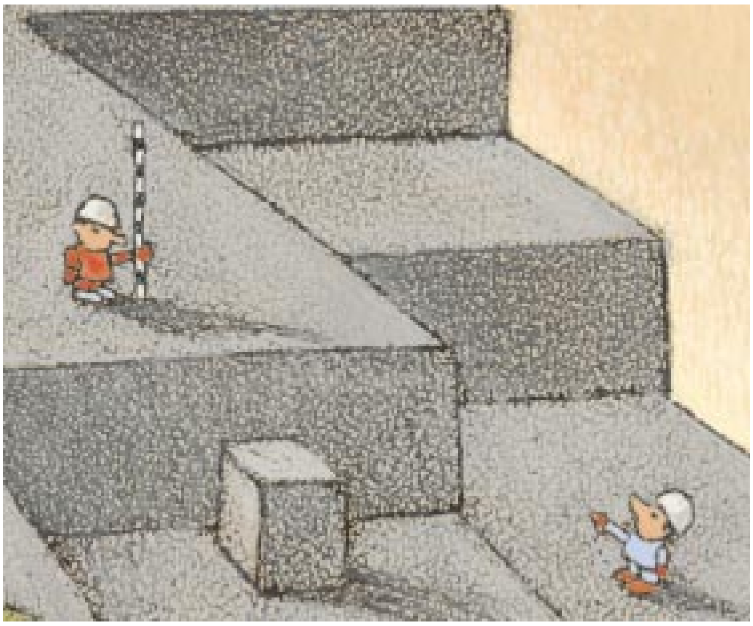

TULIKIVI

Tulikivi Oy