Annual Report 2003

TULIKIVI

Tulikivi Corporation

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The Year 2003 in Brief

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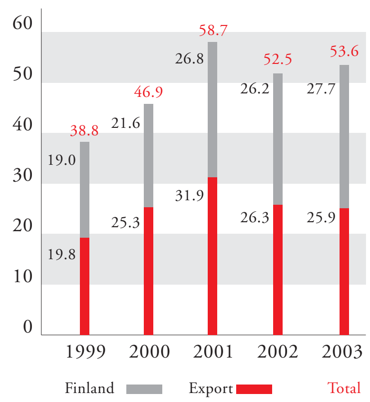

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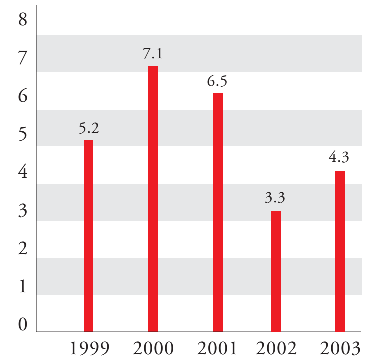

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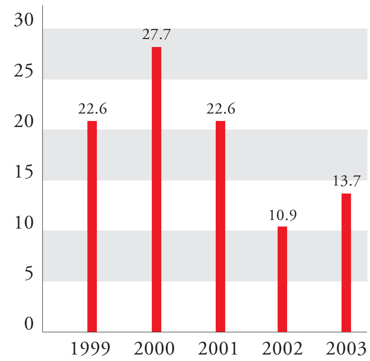

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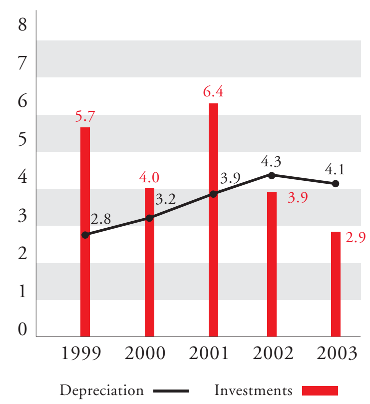

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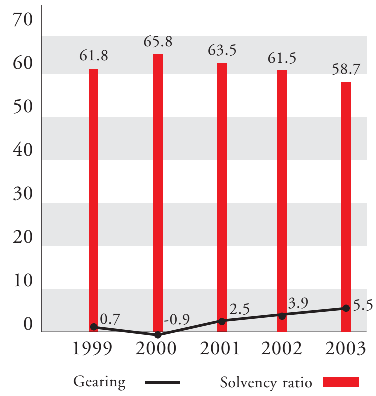

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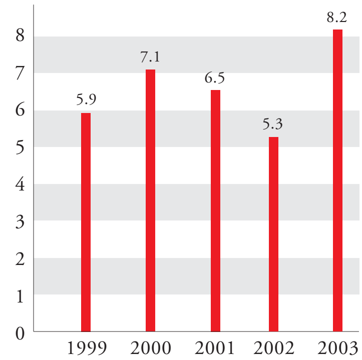

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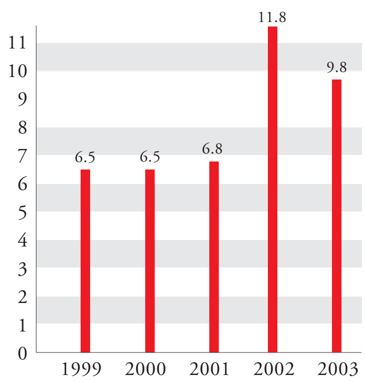

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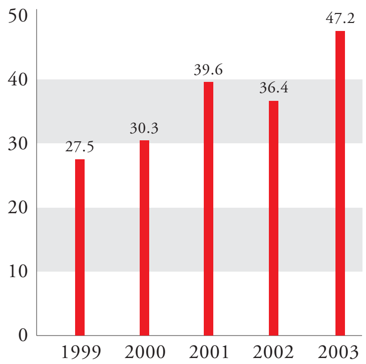


	2003	2002	Change, %
Net Sales, MEUR	53.6	52.5	2.2
Profit before extraordinary items, MEUR	4.3	3.3	29.3
Capital employed (at the end of the year), MEUR	32.3	34.2	-6.0
Return on capital employed, %	13.7	10.9	
Cash flow from operating activities, MEUR	8.2	5.3	56.2
Cash flow before financing, MEUR	5.6	1.4	315.0
Solvency ratio, %	58.7	61.5	
Earnings per share, EUR	0.34	0.27	25.9
Equity per share, EUR	2.68	2.85	-6.3
Payment of dividend on			
A-share, EUR	0.51	0.47	8.5
K-share, EUR	0.50	0.45	11.1

Calculation of key ratios, page 38

The Tulikivi Group includes the parent company Tulikivi Corporation as well as Kivia Oy, AWL-Marmori Oy and Tulikivi U.S. Inc. Other Group companies are Tulikivi Vertriebs GmbH and The New Alberene Stone Company Inc., which are no longer engaged in business operations.

Tulikivi Group: What, Why and How

Our Mission

The Tulikivi Group uses natural stone to manufacture useful products and services that meet the needs of the company's clientele, generate added value for their users and enhance their customers' quality of life. Our business areas are the fireplace and architectural stone businesses. In order to accomplish its mission, the Group must continue to produce a good financial result, thereby ensuring that investors are able to enjoy a competitive dividend yield and an increased share value. For the Group's employees, this translates to a secure working environment and a result-based source of income.

Our Objective

The objective and vision of the Tulikivi Group is to be the leading stone processor in Europe in the near future. We want to maintain our position as the market leader in the heat-retaining fireplace market. We also want to be involved in increasing the use of stone materials in home decoration and to act as a pioneer in the sale of interior decoration stones for homes.

As a leading stone processing company, we will work to ensure that we always have sufficient raw material reserves to last us for the next fifty years. We will continue investing in the Tulikivi brand and in Tulikivi products.

Our Operating Methods

We believe that by implementing Tulikivi's values in practice, the company's objectives will become a reality.

Tulikivi's basic values are founded on the history of natural stone and on traditional Finnish values. We believe in honesty, openness and fairness. As a consequence, the company has always divided responsibility among all those willing to assume it. This responsibility is most visible in the Tulikivi way of working in teams.

The value most characteristic of Tulikivi is entrepreneurship. We want to emphasise the importance of co-operative networks and the enterprising spirit that lies within every individual. Without this strong foundation, we would probably not have grown from a small family enterprise to become an international success story. Our enterprising spirit is also evident in our wish to increase the prestige of the entire natural stone sector in Finland. We wish to continuously develop both ourselves and our working environment in a determined and persevering manner, but without losing sight of the importance of supporting and listening to others.

Customer satisfaction is a core value for Tulikivi. We want to offer our customers a long-term, personal and responsible range of services. We listen to our customers and use the feedback we receive to develop our products and services accordingly. For us, customer service is a comprehensive service.

Our Business Concept

The Tulikivi Group focuses on stone processing as well as on the development and customer-oriented manufacture of natural stone products and services. We also focus on the comprehensive management of our soapstone reserves. Tulikivi's business areas are its fireplace business and its architectural stone business. In both business areas, we focus on the Tulikivi brand. We handle the marketing and distribution of our products in selected market areas.

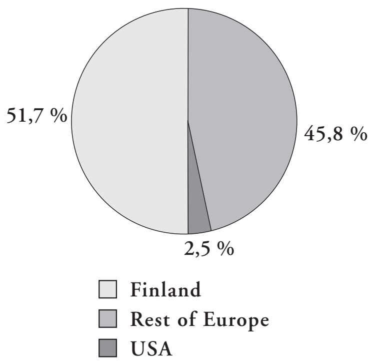
The Tulikivi Group fireplace business comprises heat-retaining fireplaces, fireplace accessories and heater lining stones. The design and technology of our soapstone-based products is unrivalled within the sector, and we continuously develop our products

and services to meet our customers' needs. Our activities are focused on the long-term development of a comprehensive service concept and distribution channels. We are continuously engaged in research and development projects in the fields of product development and production, which are aimed at increasing the efficiency of use of our soapstone reserves. The main market areas of our fireplace business are Europe and North America.

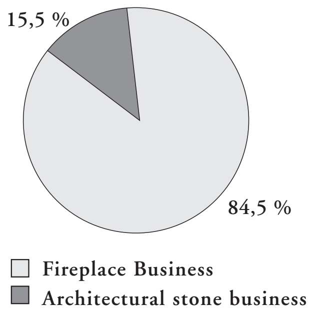
The Tulikivi Group architectural stone business includes the manufacture of construction stones and interior decoration stones made from soapstone, granite, marble and other natural stones. The focus of the Group's architectural stone business is on interior decoration stone products and construction project stone deliveries. Construction site deliveries include material deliveries to contractors and constructors. Tulikivi's interior decoration stone operations comprise stone product sales to consumers. In our architectural stone business, we are continuing to focus on the further development of our interior decoration stone products, service concept and distribution channels. The main market areas of our architectural stone business are Finland and its neighbouring areas.

1. *Tulikivi's fireplace range makes use of the Group's different soapstone types and different surface treatments, which bring life and variety to the stone surfaces. The Melica Rigata fireplace featured in the picture has a light, grooved Rigata surface.*

Net Sales per Geographical Area, %



Net Sales per Business Area, %



The Year of Stone and a Stone Company

Tulikivi is known throughout Europe. Heat-retaining soapstone fireplaces are becoming an increasingly recognised product. Thanks to Tulikivi's activities, and for many other reasons, the stone sector is becoming a growth sector. This growth is the result of several factors, including current home decoration trends, the price of energy and the renaissance of stone as a basic Finnish construction and interior decoration material. From this perspective, the market for stone materials is huge.

Focus on Stone Sector Development

The Finnish Stone Centre, inaugurated last summer and located right next to Tulikivi's offices in Juuka, represents one step towards the increased use of stone and a higher level of technical expertise in stone processing. The Finnish Stone Centre has four main functions: to increase awareness about stone as a material, stone research, training in stone construction and the promotion of stone industry entrepreneurship. Finland still has a long way to go in developing uses for stone materials, and the Stone Centre's main functions support the growth and development of the stone sector. The Stone Centre is a project involving the entire Finnish stone processing industry, and it serves all the companies in the sector. It possesses specialised expertise in stone testing and laboratory research.

Tulikivi has organised its operations so that it is prepared to meet the growth and structural changes facing the stone sector. One important philosophical change is the re-organisation of the Group's architectural stone business so that it is able to keep up with stone construction component deliveries. The company can also meet the challenges posed by increasing growth by continuing to search for stone reserves and by ensuring their adequate supply. Raw materials are the foundation of Tulikivi's business operations, and the company's current stone reserves are clearly sufficient for more than 50 years. This is a solid foundation on which to build Tulikivi's future.

2004: The Year of Stone

The Finnish Natural Stone Association has named the year 2004 the Year of Stone. The Finnish Ministry of Trade and Industry supports this project in several ways. The ongoing year is an important one for the stone sector. It has been said that we Finns have only two paths to follow. One path consists of basing our business on the country's basic raw materials, stone or wood. The other path consists of doing something so difficult that no-one else could do the same. Tulikivi represents a combination of these elements, high-tech stone technology and domestic raw materials.

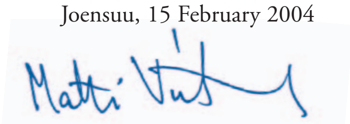
Controlled Growth

Tulikivi has also affected its growth through corporate acquisitions. The purchase of Kivia Oy in the fall of 2003 is a clear indication of the company's willingness to increase its share of the market for heat-retaining fireplaces. Future corporate acquisitions will be targeted carefully at Tulikivi's area of expertise, fireplaces and architectural stone. We are looking for concepts which would allow us to better respond to the structural changes taking place in the Finnish construction sector and elsewhere. The increase in renovation construction and the opportunities associated with it will be reflected in Tulikivi's product range and operating methods in the near future.

Tulikivi represents an exciting combination of a listed company and a family enterprise. For a long time, our operating strategy has involved controlled growth and good profitability. With respect to both these arguments, the future and especially the year 2004 appear excellent. I know that this outlook also meets with the satisfaction of Tulikivi's shareholders.

It is easy to fall in love with stone.
And that love lasts a lifetime.

Joensuu, 15 February 2004



Matti Virtaala
Chairman of the Board

On the Brink of New Growth

The year 2003 was characterised by cautiously positive signals from the market. The autumn brought an improvement especially in the Nordic countries, and there was growing optimism in Central Europe. The year was also favourable for the Tulikivi Group. The company's revenue grew during the second half of the year after experiencing almost two years of economic downturn. At the same time, Tulikivi's profitability showed clear improvement. The improved efficiency of the Group's internal operating methods was behind the positive direction taken by our financial result.

A Strong Year for the Fireplace Business

The profitability of the Group's fireplace business improved by 50 per cent. In terms of the economy, Central Europe remained sluggish, but in Germany the worst of the recession was over. The Ifo index, which measures companies' optimism in the future, was evidence of this, exhibiting strong gains since the summer. The German fireplace market also displayed signs of growth towards the end of the year. In Scandinavia, the rise in the price of electricity greatly bolstered fireplace sales. In addition, low interest rates especially in Finland encouraged consumers to invest in home improvement and new small-scale housing construction.

During the year under review, the volume of fireplace orders showed an increase of 15 per cent on the previous year. This was reflected in an increased revenue figure, but also as a clearly busier order book looking towards the year 2004. We achieved a growth of 12 per cent in domestic fireplace sales. Thanks to good demand levels, competition remained stable. Fireplace exports grew by two per cent. The most growth in exports came from Germany, Sweden, Norway, Estonia and Belgium. In Germany, we achieved a growth of 11 per cent despite a difficult market situation. The organisational and operational changes effected there were behind this positive outcome. The popularity of soapstone as a lining material remained strong.

More Focused Operating Model for the Architectural Stone Business

The profitability level of Tulikivi's architectural stone business was low. In order to improve its profitability, the Group's architectural stone installation services were outsourced, the installation of ceramic tiles and mosaic concrete was terminated and Tulikivi's Turku-based office was closed. In October, Tulikivi Rakennuskivet Oy was merged into the parent company. In addition, the architectural stone business operating model was modified. In future, we will focus on increasing the profitability of our interior decoration stone operations, construction site stone deliveries and stone processing operations. These changes will form the foundation for a profitable architectural stone business.

On Stone's Terms

The economical use of stone is one of the Tulikivi Group's key strategic goals. We will improve the use of stone and increase the efficiency of our manufacturing processes by developing our products and methods through the ”Kiven ehdoilla” (On Stone's Terms) project initiated in 2002. The project's first concrete achievement came in the autumn of 2003 with the successful implementation of a pioneering computer vision application for stone selection in Tulikivi's standardised fireplace factory.

A Bright Future

Our more efficient operations and lighter expense structure form a solid foundation for positive profit development. Economic conditions are expected to improve, bringing faster growth levels by the end of 2004. The increase in energy prices will be mirrored in increased fireplace sales. The use of stone materials is solidly grounded in increasing construction project volumes and an appreciation of natural materials.

I would like to take this opportunity to thank our customers, partners and personnel for the past year.

Juuka, 28 February 2004

Juha Sivonen
Managing Director

Clear Emphasis on Achieving Market Leadership

Financial Objective – 5-year Period

Organic growth 5 %/year	over 20 % return on capital
Improvement in result level 2 %/year – Group synergy advantages – Efficiency of production technology and quarrying – Cost-effectiveness and product policy	
Capital management – Increasing stock turnover rates – Maintaining current investment levels	

Step by Step Development Strategy

1. Current situation	– Excellent raw material reserves – Tulikivi becoming a recognised concept
2. Capitalisation	– Corporate image – Leading technology in heat-retaining fireplaces – Focus on processing value – Innovations and new concepts
3. Value	Market growth – Energy prices – Renovation construction – Fireplaces equal interior decoration – Trends

The goal of the Tulikivi Group is to be the leading stone processing company in Europe. We place special emphasis on the organic growth of our business operations and on our position as the leading company in the fireplace market. We focus on continuously improving our profitability and ensuring that we have sufficient stone reserves.

Sufficient Stone Reserves

Sufficient stone reserves are the basis of all our operations. We measure the availability of these stone reserves in operating years based on current volumes. Our objective is to ensure that our company is constantly in possession of sufficient soapstone reserves to last us more than 50 years. The availability of our raw materials depends on the economical use of stone, stone-related development projects and the continuous exploration of new stone deposits. The company currently has sufficient soapstone reserves to last it approximately 65 years.

Profitability and Growth

The primary indicator of our profitability is our financial result's relative share of our revenue. Our goal is to double our current financial result in the coming years. We have carried out measures to improve our operating efficiency and cost management functions, which have improved our relative profitability.

We measure growth based on the development of our revenue, and we emphasise organic growth. We engage in corporate acquisitions in the company's main areas of expertise. The sources of our organic growth are our new market areas as well as new products and improved distribution in our current market areas.

Our Market Position

We divide our market areas into the domestic market area, established export areas and new export areas. In order to achieve market leadership in our selected areas and with our products, we need a strong presence, we need to capitalise on our strengths and provide added value. We recognise our customers' real needs and invest in product development.

Products








Fireplaces and fireplace accessories – Tulikivi, Mittakivi and Kivia fireplaces

Soapstone lining stones

Interior decoration stones for homes

Architectural stones – Construction site stone deliveries

Firewood – Firewood in consumer-size packages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Fireplace Business

Tulikivi's fireplace business consists of heat-retaining fireplaces, fireplace accessories, heater lining stones, as well as comprehensive delivery services associated with these products.

In 2003, fireplace sales in Finland and the rest of Scandinavia were bolstered by the considerable rise in the price of electricity. The German market area, which in 2002 experienced difficulties as a result of economic insecurity, developed in a positive direction during the year under review. The sale of Tulikivi products has increased noticeably in the German market area. Germany's economic instability has been mirrored in its neighbouring countries – France, Austria, Belgium and Switzerland.

New Tulikivi Look Introduced in All Target Countries

Tulikivi's marketing management team is responsible for domestic and export marketing. The team includes a marketing director, marketing managers and the head of the Group's customer service centre. The team works energetically to meet the established objectives and to harmonise internal operating models.

Redesigning Tulikivi's image and look has been an important effort both in Finland and in the company's export countries. The new Tulikivi look was given its finishing touches in 2002. In the year 2003, the new look was introduced in all of the company's export countries. Tulikivi is a respected brand name, and the presentation and coherence of the product range is of vital importance in maintaining and developing the brand.

Successful New Products

Tulikivi's light-weight Linea Alternativa fireplaces have been well received in Finland, the rest of Scandinavia and Central Europe. There is a clear market niche for these products in Finland. The lighter fireplaces are ideal for homes where, for structural or other reasons, a heavy-set heat-retaining fireplace is not an option. The Linea Alternativa range is also unique thanks to its modern design. For Tulikivi's export countries, the company envisioned a product that would be at the lighter end of its fireplace range in terms of weight as well as price.

Soapstone Consolidated its Position

Soapstone has consolidated its position as a valued fireplace material in Europe. On an annual level, some 25,000 heat-retaining soapstone fireplaces are sold in Europe. Tulikivi accounts for approximately 13,000 of these fireplaces. Soapstone has also become a popular heater lining material during the past five years. Some 100,000 soapstone-lined heaters are sold in Europe every year. Tulikivi has supplied the lining stones for approximately 60,000 of these heaters.

Positive Expectations

Tulikivi has achieved a significant and stable position in both the market for industrially manufactured heat-retaining fireplaces and the heater lining stone market. The demand for fireplaces is expected to increase in 2004 in Finland, the rest of Scandinavia and Estonia. This positive trend is expected to

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continue in Central Europe as well. Tulikivi's investments in the United States and the Russian market are expected to bear fruit in the coming years.

1. *Tulikivi's custom-made service enables customers to design and own a unique fireplace. Featured in the picture is a customised fireplace that allows its glow to be seen on two sides, in the living room and in the dining room. The surface of the fireplace has been sand-blasted to give it a striped effect.*
2. *The Linea Alternativa light-weight fireplaces have been well-received in the market. The rounded Zevio has been designed by Ristomatti Ratia.*
3. *The clear design of the Linda fireplace is accentuated by glass and steel elements.*
4. *The fireplace marketing management team. From left to right, Marketing Director Heikki Vauhkonen and Marketing Managers Peter Nordström (Scandinavia and the Baltic area), Markus Wirtanen (Finland), Timo Vuorinen (lining stones), Martti Purtola (Germany), Information Management Director and Head of the Customer Service Centre Paavo Tuononen, and Marketing Manager Michel Mercier (France, Belgium, the Netherlands, Switzerland, Austria and Italy).*

The Fireplace Business in Tulikivi's Target Countries

Finland

In Finland, the year 2003 was marked by progress and positive developments for Tulikivi. The company was able to increase its share of the domestic fireplace market. This was achieved as a result of the increased efficiency of Tulikivi's internal functions as well as the rise in energy prices. Finland has a long-standing tradition in heat-retaining fireplaces. Soapstone has an established position as a fireplace construction material, and Tulikivi has a strong hold on its market segment.

Germany

Germany is Tulikivi's largest export country. The general economic instability in the country has continued, and consumers have been accordingly cautious in their investments. Tulikivi's business in Germany has developed in a positive direction during 2003. As a result of the increasing popularity of so-called low-energy construction, the German fireplace market has moved in a direction advantageous to Tulikivi. Tulikivi's most important success factors in the German market are its excellent fireplace material (soapstone), its extensive standard fireplace range, as well as its custom-made service for individualised fireplace design.

Rest of Central Europe

In the rest of Central Europe, the year was a varied success for the fireplace market. Autumn was an improvement on spring, but Tulikivi fell somewhat short of its sales objectives. Belgium was the most successful export country, followed by Austria and France. Tulikivi fireplaces are also sold in Italy and Switzerland.

In Belgium, an active sales network has made Tulikivi a well-known brand. The French market is increasingly receptive to soapstone fireplaces. In Austria, fireplaces are considered an interior decoration element, and the country has a strong tradition in heat-retaining fireplaces.

During the year, Tulikivi's importers have invested in increasing the recognition of Tulikivi products. An example of this is the new Tulikivi Show Room, which opened in Vienna in the autumn. In France,


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Tulikivi's retailer network is increasing its marketing efforts, and improvements are expected in the retailer field in Italy following organisational changes.

In Central Europe, Tulikivi's strengths include customer satisfaction and the company's ability to vary its products to meet the specific demands of different cultures.

Other Nordic Countries and Estonia

In Sweden, Norway and Estonia, Tulikivi's share of fireplace sales increased above expectations in 2003. This was a result of increased efficiency in advertising and marketing in these target countries. The rise in energy prices also played a part in the increasing interest towards heat-retaining fireplaces in the Nordic region.

In all target countries, investing in good retailers has been very important. In Estonia, for example, Tulikivi's retailers have marketed their products aggressively, and Tulikivi's brand recognition in the country is high.

Russia and USA

The year 2003 began energetically in the United States fireplace market. With the onset of the war in Iraq, demand weakened momentarily only to pick up again in the autumn. Tulikivi is the only supplier of industrially manufactured heat-retaining fireplaces in the United States market. Fireplaces have a stable niche in among the country's financially established consumers who favour ecological products. Tulikivi products are marketed especially in rural areas and for leisure-time houses. In addition to fireplaces, demand for Tulikivi's soapstone architectural stones and kitchen countertops is good. Soapstone is a familiar material to U.S. consumers, as the United States has its own soapstone reserves.

Tulikivi's Russian trade is still in its development phase. There is a demand for soapstone fireplaces in the country, and Russia has a strong tradition in masonry fireplaces and wood combustion. At the end of the year, Kirill Rinne was recruited to be in charge of the Russian market area.

1. *An Italian take on the fireplace. A custom-made variation of Tulikivi's TLU 2450 fireplace model bringing warmth to an Italian restaurant.*

2. *An elevated version of the Zefiro model in a ski resort in Lake Tahoe, USA. The fireplace has an oval shape and its surface has a beautiful grooved finish.*


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Architectural Stone Business

Tulikivi's architectural stone business comprises stone material deliveries for construction sites as well as interior decoration stone products. The products are made of soapstone, granite, marble and other natural stones. Tulikivi's construction site deliveries consist of stone materials for construction projects, including stone products for façades, walls, floors as well as landscaping stones. The Company's interior decoration products include kitchen and bathroom countertops, wall and floor tiles, as well as decorative stone products.

Focusing on Consumers

The customers of Tulikivi's architectural stone business construction site deliveries consist mainly of business-to-business clients such as construction companies. Architects and constructors can have a significant influence on material choices.

Tulikivi's interior decoration stone customers consist of homeowners, renovators and interior decorators. The distribution route for these products consists of hardware stores, interior decoration stores and furniture stores. In the future, private individuals who use stone materials in the construction and decoration of their own home are to become an increasingly important customer group for Tulikivi's architectural stone business.

A Difficult Year for the Architectural Stone Business

The year 2003 proved to be a difficult one for Tulikivi's architectural stone business. As a result of the downturn in office and public sector construction, demand did not meet our expectations and price competition was considerable.

Due to this poor profitability, Tulikivi's architectural stone business had to undergo rearrangements. The expenditure level was reduced to meet the existing demand level. The Group's installation services were outsourced, the installation of ceramic tiles and mosaic concrete was terminated and Tulikivi's Turku-based office was closed. In October, Tulikivi Rakennuskivet Oy was merged into the parent company, and administrative functions were centralised and based in Juuka.

Forging Ahead with a New Strategy

Tulikivi's architectural stone business will become a profitable part of the company with the help of a new strategy. We will focus on natural stone processing, natural stone construction site deliveries and the continued development of our interior decoration stone concept. The latter comprises the development of interior decoration stone products, related services and the distribution channel for these products and services.

The volume of office and public sector construction is not expected to increase in 2004. Instead, growth is expected in small-scale housing construction and renovation. Life-cycle thinking and the appreciation of individuality are growing trends. Consumers will invest in quality, high-quality design and comfort. This trend will bolster the increasing use of stone in small-scale housing construction and interior decoration.

1. *Finnish granite is a durable and aesthetic material for kitchen countertops. This countertop features Tulikivi's round Occio decorative module, a vibrant combination of stone and glass.*

2. *Tulikivi's architectural stone business management team. From left, Sales Managers Matti Ainasoja and Jukka Järvinen, Product Manager Tapani Ylihärsilä, Project Manager Jaakko Peltonen, Export Manager Teddy Kullberg, Factory Manager Matti Silvennoinen and Architectural Stone Business Director Jouko Toivonen.*

Tulikivi and Social Responsibility

In its operations, Tulikivi adheres not only to the obligations imposed by regulations and norms, but also to its own ethical and moral principles based on the history of natural stone and traditional Finnish values. These values include honesty, openness, fairness, the sharing of responsibility, entrepreneurship and customer orientation. Tulikivi has outlined its role as a socially responsible entity in its strategy paper on social responsibility drawn up in 2001 as part of the Group's overall business strategy. The GRI (Global Reporting Initiative) model was used as the basis for Tulikivi's social responsibility initiative.

Financial Responsibility

The stone foundation of Tulikivi's social responsibility is the company's solid financial development, which enables us to increase the well-being of Tulikivi's financial interest groups and forms the foundation required for the further advancement of the company's environmental and social results.

Financial responsibility refers to Tulikivi's ability to generate benefits for its interest groups by producing a good financial result. A good operative result is the foundation of a responsible business. Tulikivi's interest groups include its personnel, shareholders, networked partners (fireplace experts, network agents, importers and corporate partners) as well as society as a whole (the state and municipalities).

Tulikivi's growth is profitable, and steering the company's business operations in the direction of pre-established financial result objectives guarantees that Tulikivi's operating profit remains favourable. Tulikivi's business objective is to ensure that investors are able to enjoy a stable increase in share value and dividend yield, and to return some of the company's profit to its personnel in the form of a profit-based reward system. As long as Tulikivi continues to grow in a profitable manner, it is able to increase the number of jobs available and to employ, both directly and indirectly through its network of partners, a considerable number of people. Tulikivi directly employs more than 500 people, mainly outside of Southern Finland, giving it a key role in the creation of employment opportunities in Finland's less industrialised regions. As a successful company, Tulikivi is also a major taxpayer.

The indicators of financial responsibility are the same indicators that measure the profitability of the company's business operations. These indicators are reported to the public in both Tulikivi's Financial Statements and its Interim Reports.

Environmental Responsibility

Environmental responsibility refers to Tulikivi's environmental strategy, whose objective is the systematic propagation of the company's environmental work in certain defined sectors. In the case of Tulikivi, these sectors include processes (quarrying and production) as well as products. The objective of the company's environmental work is the sustainable use of natural resources along with the management of processes and products in order to minimise their detrimental impact on the environment. Tulikivi is currently developing indicators and reporting methods for quantifying its efforts in the field of environmental responsibility.

Social Responsibility

Social responsibility refers to Tulikivi's human resources strategy which supports the company's business strategy. The objective of this human resources strategy is to define Tulikivi's personnel resources and to manage them in a manner that ensures the company's profitable growth and success as defined in its business strategy.

The objective of Tulikivi's activities is to create a supportive workplace that encourages the further development of the company's employees. This is achieved through an open and fair organisational culture. The development of this organisational culture is the joint objective of the entire Group. Tulikivi has also emphasised the role of teamwork. In a team, employees are able to influence the nature of their own work, which increases job motivation and efficiency. This teamwork is supported by a series of goal indicators, which allow the team and its members to follow the achievement of jointly established objectives.

Training

Previously there was no channel for receiving formal education for occupational competence in the field of stone processing. Tulikivi has worked in co-operation with educational institutions in the sector for the development of a vocational degree in stonemasonry aimed at the formal education of the company's production personnel. The training programme has taken into consideration the special characteristics of Tulikivi's business activities, and the focus of the training itself is not only on ensuring students' professional competence in stone sector issues, but also on giving them managerial skills in the field of production. In addition to its own employees, Tulikivi also provides training opportunities for its interest groups, fireplace experts, importers and retail agents. This ensures that the competence chain remains unbroken all the way to the end customer.

The indicators of social responsibility are obtained from a study conducted every other year to measure the development of Tulikivi's organisational culture, an annual change engine survey submitted to the company's teams, the number of sick leaves of Group employees, as well as the amount of funds spent on health care, activities aimed at job welfare, training and leisure-time activities.

A Social Role

Tulikivi also wants to be an active part of society. As Finland's leading stone processing company, Tulikivi participates in the development of the stone processing industry, for example by being involved in the sector's organisations and by taking part in joint stone sector projects. One of the most important of these stone sector projects was the inauguration of the Finnish Stone Centre in 2003.

1. The Finnish Stone Center in Nunnanlahti, Juuka, in Northern Karelia. The Stone Center, which was inaugurated in the summer of 2003, has much to offer its visitors: the Geo Knowledge Center examines stone through the perspectives of science, art and construction. The Stone Center also houses a natural stone testing laboratory. The Center is an important provider of stone sector education and training.

Members of the Board of Directors from left to right are Matti Virtaala, Aimo Paukkonen, Eero Makkonen, Juhani Erma, Heikki Vauhkonen, Bishop Ambrosius and Reijo Vauhkonen.

Tulikivi Corporation's Administration

Matti Virtaala,
Chairman of the Board (b.1951).
Engineer, Managing Director of Abloy Oy. Member of the Board of Directors of Tulikivi Corporation since 1994, Chairman of the Board since 2003. Other key positions of trust: Board Member of Etteplan Oyj.
Tulikivi Corporation share ownership:
340 000 K-shares
263 415 A-shares

Reijo Vauhkonen,
Vice-Chairman of the Board (b. 1939).
Construction Engineer, Industrial Alderman, founder of the company. Managing Director of Tulikivi Corporation from 1980 to 1989. Chairman of the Board from 1990 to 2002.
Other key positions of trust: Member of the Supervisory Board of Fennia Mutual Insurance Company, Chairman of the Board of Directors of the Juuka Stone Museum and Stone Village Foundation, Member of the Board of Directors of Kiviteollisuusliitto Ry (an association for the stone industry), Product Industry Divisions Board Member of the Confederation of Finnish Construction Industries, Chairman of the Board of Stone Pole Oy.
Tulikivi Corporation share ownership:
713 125 K-shares
925 240 A-shares

Bishop Ambrosius (b. 1945).
Bishop for the City of Helsinki Orthodox congregation. Member of the Board of Directors of Tulikivi Corporation since 1992.
Other key positions of trust: Chairman of the Board of the Banking Sector Customer Advisory Office.
Tulikivi Corporation share ownership:
1 665 A-shares

Juhani Erma (b. 1946).
Licentiate of Laws, Court training, Senior Advisor for Law firm Borenius & Kemppinen. Member of the Board of Directors of Tulikivi Corporation since 2000. Secretary of the Board of Tulikivi Corporation since 2003.
Other key positions of trust: Chairman of the Board of Menire Corporation, Chairman of the Board of Endero Plc, Chairman of the Board of Privanet Capital Corporation, Member of the Board of Directors of the Mortage Society of Finland, Member of Hallitus-ammattilaiset ry (Association of Finland's Board Professionals).
Tulikivi Corporation share ownership:
4.665 A-shares

Eero Makkonen (b. 1946).
Engineer. Member of the Board of Directors of Tulikivi Corporation since 2002.
Other key positions of trust: Chairman of the Board of Rapala VMC Corporation, Vice-Chairman of the Board of Skanska Oy.
Tulikivi Corporation share ownership:
1 665 A-shares

Aimo Paukkonen (b. 1941).
Engineer. Managing Director, Chairman of the Board of Olena Oy. Member of the Board of Directors of Tulikivi Corporation since 1999.
Other key positions of trust: Member of the Board of Lujatalo Oy, Member of the Board of Lujabetoni Oy, Member of the Board of Fodesco Oy.
Tulikivi Corporation share ownership:
7 665 A-shares

Heikki Vauhkonen (b. 1970).
Bachelor of Laws and BBA. Marketing Director of the Tulikivi Group's fireplace business unit.
Member of the Board of Directors of Tulikivi Corporation since 2001.
Tulikivi Corporation share ownership:
724 375 K-shares
24 255 A-shares

Tulikivi Corporation follows the recommendations of the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers concerning the administration of publicly registered corporations as recommended by the Helsinki Stock Exchange. In addition, the company's Board of Directors has confirmed a written corporate governance code for the company, which includes a definition of the tasks and responsibilities of the Board of Directors, the Chairman of the Board and the Managing Director.

Ultimate responsibility for the administration and operation of the Group is in the hands of the following bodies of Tulikivi Corporation: the Annual General Meeting, the Board of Directors and the Managing Director. The Board members of the parent company also serve as members of the Board of Directors of the Group's operating subsidiaries.

Tasks and Responsibilities

The tasks and responsibilities of Tulikivi's Board of Directors are determined by The Finnish Companies Act and other applicable legislation. The Board is responsible for the practical organisation of the company's administration and operations. It is the objective of the Board to direct the company's operations in such a manner that the operations in the long run yield the maximum possible amount of added value for the capital employed, while simultaneously taking into consideration the needs of the company's various interest groups. The Board approves the company's budget, investments and the grounds on which the company's action plans are based. The Tulikivi Corporation dividend payment policy is determined and published by the Board.

Selection of Board Members, Board Meetings and Compensation

The Annual General Meeting of Tulikivi Corporation selects 5 to 7 members to serve on the Board. Their term of office continues until the next AGM. The Board appoints the Chairman and Vice-Chairman from among the Board members. In 2003, the Board consisted of seven members. During the period under review, Reijo Vauhkonen served as the Board's Chairman, and Matti Virtaala served as Vice-Chairman until 11 April 2003. Following a Board meeting convened on 11 April 2003 following the Annual General Meeting, Matti Virtaala was appointed Chairman of the Board and Reijo Vauhkonen Vice-Chairman of the Board. The Managing Director of Tulikivi Corporation is not a member of the Board. During 2003, the Tulikivi Corporation Board of Directors held 21 meetings, 10 of which were telephone meetings. The Annual General Meeting confirms the remuneration payable to the Board members. In 2003, each Board member received a compensation of EUR 10,500 for serving on the Board. Sixty percent of the compensation was paid in cash and forty percent as Tulikivi A-shares. In addition, the Chairman of the Board received a monthly compensation of EUR 5,000 and the Vice-Chairman a monthly compensation of EUR 2,000.

The Board of Directors adheres to written rules of procedure, which include a description of the tasks and responsibilities of the Board of Directors and the Chairman of the Board, as well as a description of the planning and evaluation of the Board's activities.

Managing Director

The tasks and responsibilities of the Managing Director are determined on the basis of the Companies Act and other applicable legislation. To fulfil the requirements established for the position, the Managing Director is responsible for the management and supervision of the company's business operations in accordance with instructions provided by the Board of Directors. Moreover, the Managing Director is also responsible for the implementation of the budget, the company's financial result and for keeping the Board of Directors fully informed about the company's financial situation and operating environment. The Tulikivi Corporation Board of Directors selects and appoints the Managing Director. Juha Sivonen is the Managing Director. A written Managing Director Agreement has been prepared for the Managing Director.

Control System

According to the Finnish Companies Act, a company's Board of Directors has supreme responsibility for organising the supervision of the company's accounting records and financial management. Supreme responsibility for the organisation of Tulikivi Corporation's accounting records and financial management lies with the company's Managing Director. The accounting firm selected by the Annual General Meeting is responsible for the statutory audit of the companies within Tulikivi Group. In 2003, the accounting firm selected was PricewaterhouseCoopers Oy and the responsible auditor Authorised Public Accountant Hannele Selesvuo. The company's auditor will issue the statutory auditor's report to the company shareholders in conjunction with the company's annual financial statements. The audit memoranda prepared on the basis of examination carried out during the financial year are addressed to the Board of Directors.

In 2003, the Group´s auditors received a total of EUR 66,430 in remunerations. The audit accounts for EUR 48,637 of this figure.

Reward System

Tulikivi enforces a reward system whose principles are applicable not only to the company's Managing Director and members of the management team, but to all salaried employees. The objective of the reward system is improving the financial result of the previous year. The criteria and recipients of the reward system are decided annually by the company's Board of Directors.

Insider Issues

On 1 June 2000, Tulikivi Corporation adopted insider guidelines prepared by the Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers TT. The Tulikivi Corporation Board of Directors has approved the Group's own insider guidelines, which include instructions for permanent as well as project-specific insiders. The Board has also defined the organisation and procedures applicable to the administration of Tulikivi's insider issues. Permanent Tulikivi Corporation insiders include the lawful insiders defined in the Finnish Securities Act as well as other insiders in Tulikivi Corporation who have regular access through their work to information which might substantially affect the value of the Group's securities. The Group's insider register is maintained by the Finnish Central Securities Depository Ltd.

Financial Risk Management

The Group's financing and financial risk management functions have been centralised under the Group management's financial department. The objective of Tulikivi's financing operations is to support the implementation of the Group's strategy by ensuring the Group enjoys adequate and cost-effective financing. The financials risks involved in the Group's operations consist of liquidity risks as well as interest rate and currency exposures and credit risks.

Liquidity Risks

The management of the Group's liquid assets is based on financial budgeting and short-term cash flow planning. Short-term financing has been arranged through group accounts with overdraft facility and binding credit lines. Tulikivi's cash flows are invested in low credit risk ventures in accordance with the company's financing policy.

Interest Rate and Currency Exposures

Tulikivi has minimised the interest rate risk related to interest-bearing liabilities by ensuring that half of the Group's loan stock consists of fixed interest rate loans and half of floating rate loans. Due to its small amount of marketable securities the related interest risk is slow.

Of the Group's sales revenues, 93 per cent were generated in euros. Accordingly, the Group's currency exposure in other currencies is minimal. Tulikivi hedges its foreign currency sales mainly through forward currency contracts, with the effectiveness of the hedging varying case by case.

Credit Risks

Credit risks relating to trade receivables have been reduced through customer credit insurances. On 31 December 2003, customer credit insurances covered 68 per cent of the Group's receivables. In Tulikivi's financing activities, the Group only uses financial institutions with high credit rating for its derivative contracts and cash transactions.

Members of the management team: in the back, from left to right are Pekka Horttanainen, Jouko Toivanen and Heikki Vauhkonen; in the front, from left to right are Salli Hara-Haikkala, Arja Lehikoinen and Juha Sivonen. Not pictured: Anu Vauhkonen (on maternity leave) and Teemu Voutilainen.

Tulikivi Corporation Management Team

Juha Sivonen (b.1962).
Construction Engineer. Managing Director of Tulikivi Corporation. Member of the Tulikivi Group management team since 1987. Chairman of the management team as of 1 November 2001.
Tulikivi Corporation share ownership:
25 000 K-shares

Heikki Vauhkonen (b.1970).
Bachelor of Laws and BBA. Marketing Director of the Tulikivi Group fireplace business. Member of the Tulikivi Group management team since 2001.
Tulikivi Corporation share ownership:
724 375 K-shares
24 255 A-shares

Arja Lehikoinen (b.1954).
Economist, MBA. Financing Director. Member of the Tulikivi Group management team since 1984.
Tulikivi Corporation share ownership:
17 330 A-shares

Jouko Toivanen (b.1967).
D.Sc. (Tech.). Financial Director and Director of the Tulikivi Group architectural stone business. Member of the Tulikivi Group management team since 1995.

Anu Vauhkonen (b.1972).
M.A. Corporate Communications Director. Member of the Tulikivi Group management team since 2001.

Salli Hara-Haikkala (b.1966).
Bachelor of Laws, Court training. Legal and Human Resources Director. Member of the Tulikivi Group management team since 1999.

Pekka Horttanainen (b. 1963).
Engineer. Production Development Director. Member of the Tulikivi Group management team since 2003.

Teemu Voutilainen (b. 1953)
Engineer. Production management team director. Member of the Tulikivi Group management team since 2003.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Tulikivi Corporation will be held in the Kivikylä auditorium in Nunnanlahti, Juuka, on 20 April 2004, commencing at 10.00 a.m. The documents pertaining to the financial statements will be available for public inspection at the company's head office in Nunnanlahti as of 12 March 2004. Copies of these documents will be sent upon request to interested shareholders. To be entitled to attend the Annual General Meeting, shareholders are required to be registered in the company's shareholder register maintained by the Finnish Central Securities Depository Ltd. no later than 12 April 2004. Shareholders who wish to attend the Annual General Meeting are requested to notify the company of their attendance no later than 13 April 2004. Notification of attendance should be registered either by telephone to Ms. Kaisa Toivanen tel. +358 13 681 1251, by e-mail to kaisa.toivanen@tulikivi.fi or by posting a written registration request to the following address: Tulikivi Corporation / Annual General Meeting, FIN-83900 Juuka, Finland.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the distribution of dividends for the fiscal year 2003 should be the following:

For A-series shares, EUR 0.51/share

For K-series shares, EUR 0.50/share

Due to the transfer to a book-entry security system, dividends will be paid for shares that have been recorded on the tallying date on the list of shareholders maintained by the Finnish Central Securities Depository Ltd. The dividend payment tallying date is 23 April 2004. The Board of Directors proposes that the dividend be paid on 30 April 2004.

Share Register

We kindly request that any changes in the shareholder's personal details, contact information and changes in share ownership be reported to the book-entry security register in which the shareholder has a book-entry security account.

Financial Reports

Tulikivi Corporation will publish the following financial reports in 2004:

Financial Statement Report for 2003	5 February 2004
Annual Report for 2003	week 12
Interim Report for January-March	22 April 2004
Interim Report for January-June	26 July 2004
Interim Report for January-September	21 October 2004

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

The Annual Report will be mailed to all shareholders. Starting from their date of publication, the financial reports can be found on the company's web pages at www.tulikivi.com. The financial reports can also be ordered by e-mail from tulikivi@tulikivi.fi, by post from mailing address Tulikivi Corporation / Financial reports, FIN-83900 Juuka, Finland, or by telephone +358 13 681 1210. In matters related to investor relations, please contact the company's Financing Director Ms. Arja Lehikoinen, tel. +358 13 681 1260.

Tulikivi Corporation Shareholder Policy

- No matter what we do, we keep profitability and growth in mind.
- Stable increase in value and financial yield of shares.
- Attention to environmental issues.
- Upholding our corporate image.
- Developing our uniqueness and our brand products.

Tulikivi distributes approximately half of its annual profit as dividend, maintaining a minimum solvency ratio of 40 per cent.

Board of Directors' Report

Market

The year 2003 was a busy one in terms of housing construction in Finland, and the volume of renovation construction projects increased. This meant that the demand for fireplace products remained strong throughout the reporting period. The reduction in volume of other forms of construction projects, mainly industrial and office construction, continued. This was reflected in the reduced demand for architectural stone projects. The economic climate in Central Europe remained unstable and the economy only improved towards the end of the year. In Tulikivi's main export country, Germany, the level of detached housing projects completed in 2003 was smaller than during the previous year. The demand for fireplaces in the company's export areas only improved towards the end of the year. The annual demand for the Tulikivi Group's fireplace business was rather strong, and the company's production capacity was in steady use throughout the reporting period.

Net Sales

The net sales of Tulikivi Group increased during 2003 by 2.2 per cent and reached EUR 53.6 million (EUR 52.5 in 2002). The growth in net sales was strongest during the last months of the year. During the last quarter, growth was 6.3 per cent. The net sales of the fireplace business amounted to EUR 45.3 (42.3) million. The most significant part of growth was domestic. The net sales of the architectural stone business totaled EUR 8.3 (10.2) million.

Domestic net sales amounted to EUR 27.7 (26.2) million i.e. 51.7 (49.9) per cent. Net sales for exports totaled EUR 25.9 (26.3) million. The biggest export countries were Germany and Sweden.

Financial Result

The Group's profit before extraordinary items improved almost 30 per cent compared with the previous year and amounted to EUR 4.3 (3.3) million. The result of the fireplace business amounted to EUR 5.2 (3.4) million. The result of the architectural stone business was EUR -0.9 (-0.1) million. The result of the architectural stone business was burdened by non-recurring costs of EUR 0.6 million caused by reorganization. By the last quarter, operational result was no longer negative.

Return on capital employed of the Tulikivi Group stood at 13.7 (10.9) per cent. Earnings per share amounted to EUR 0.34 (0.27). When calculating this key figure, the divider used for both years is a five-fold amount of shares due to the split.

Cash Flow and Financing

The Group's financial position remained good. The cash flow from operating activities before investments was EUR 8.2 (5.3) million. Own capital investment ratio was 3.1 (1.5) per cent. Current ratio was 1.9 (2.3). The solvency ratio was 58.7 (61.5) per cent. The ratio between interest bearing net debts and shareholders' equity, or gearing, was 5.5 (3.9) per cent. Shareholders' equity per share amounted to EUR 2.68 (2.85) when calculated with the valid number of shares per 31 December 2003.

Investments and Development Activities

The Group's fixed assets investments amounted to EUR 2.9 (3.9) million. The most significant investment was the acquisition of all Kivia Oy's shares. The acquisition of Kivia Oy widened the product portfolio and distribution network as well as the soapstone reserves of the Group. The integration of Kivia into Tulikivi Group has advanced well and the development of the company has been positive.

Other investments consisted of production machinery and opening of new quarries. In the field of machinery investments, the machine-vision system can be mentioned, which is a result of method development work. This system enables the selection of stone for end products according to the natural appearance variation of soapstone.

Within product development, the main focus was on developing a model range with emphasis on furnishing and making basic evaluations for a model range that uses different soapstone qualities. In 2003, a new model-based design system was taken into use.

Personnel

During the financial year, the Group employed an average of 555 (578) persons and at the end of the year, the Group's personnel numbered 562 (562) persons. Of these employees, 494 (467) worked in the fireplace business and 68 (95) in the architectural stone business. At the end of the reporting period, Kivia Oy employed 26 persons. The Group's result for 2003 makes it possible to pay the personnel an incentive pay. In the financial statement, the incentive pay together with related social expenses amounts to EUR 0.8 million.

Board of Directors, Managing Director and Auditors

At the Annual General Meeting of the Tulikivi Corporation, held on 11 April 2003, Bishop Ambrosius, Mr. Juhani Erma, Mr. Eero Makkonen, Mr. Aimo Paukkonen, Mr. Heikki Vauhkonen, Mr. Reijo Vauhkonen and Mr. Matti Virtaala were elected to serve on the Board of Directors. The Board of Directors appointed Mr. Matti Virtaala as its Chairman and Mr. Reijo Vauhkonen as its Vice-Chairman. The Managing Director of Tulikivi Corporation is Mr. Juha Sivonen. The auditors are PricewaterhouseCoopers Oy, Authorised Public Accountants.

Increasing the Number of Shares and Extra Dividend

The decision of the extraordinary shareholders' meeting of Tulikivi Corporation held on 4 December 2003 was to increase the number of shares to five-fold so that one old share was split into five new shares. Therefore, the nominal value of shares changed from EUR 3.40 to EUR 0.68. Trading with the new shares began on 15 December 2003.

The extraordinary general meeting also decided to pay extra dividend for 2002. The dividend paid for an old A series share was EUR 1.30 per share and for K-share EUR 1.25 per share, or a total of EUR 2.3 million.

Structural Changes in the Group

The Tulikivi Group's subsidiaries which were involved in the Group's fireplace business, Mittakivi Oy, Kiantastone Oy and Tulipuu Oy, were merged with the parent company, Tulikivi Corporation, effective 2 January 2003. The program to improve the Group's architectural stone business was put into effect and as a result of this, the unit was restructured, resulting in a personnel reduction of 27 employees. At the same time, Tulikivi Rakennuskivet Oy, the Group's subsidiary company involved in the architectural stone business, was merged with the parent company Tulikivi Corporation on 7 October 2003. The measures to improve the Group's operations in Germany, initiated the previous year, continued and began to generate results. In October 2003, Tulikivi acquired the shares of Kivia Oy. The company has formed part of the Group as of 1 November 2003. The purchase comprised a factory for manufacturing soapstone fireplaces, a working quarry in Kuhmo, as well as soapstone claims and mining rights in Kuhmo and Paltamo. As a result of the acquisition, the Group's net sales in 2003 increased by approximately EUR 0.4 million, and the number of personnel grew by 26.

The Group's other operational subsidiaries are Tulikivi U.S.Inc. and AWL-Marmori Oy. The Tulikivi Group also includes The New Alberene Stone Company Inc. and Tulikivi Vertriebs GmbH, which are not actively involved in business operations. Tulikivi Corporation has a fixed office in Germany, Tulikivi Oy Niederlassung Deutschland.

Environmental obligations

On the basis of Mining and environmental laws Tulikivi Corporation has landscaping obligations which must be met when quarries are eventually shut down. In accordance with the operating principles of the Group, the actions required by the landscaping obligations are carried out as part of production quarrying. Thus, no significant additional costs are expected. The environmental obligations are explained in greater detail in the notes to the Financial Statements.

Adopting the IFRS

Tulikivi Group will adopt IFRS reporting from the beginning of 2005. According to an initial survey, the change in accounting principles will not have a significant effect on the balance sheet or result.

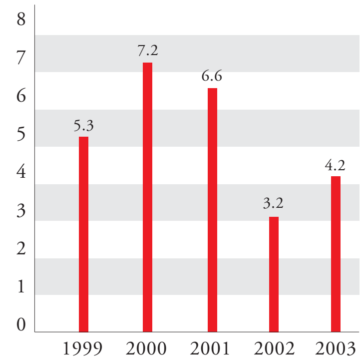
Future Prospects

The moderate recovery in the export markets, which could be seen during the second half of 2003, and the lively domestic construction of detached houses are expected to continue. Renovating activities are still expected to grow at a faster rate than the construction of new buildings.

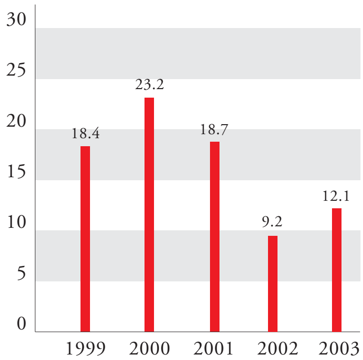
Structural changes and reorganization within the corporation are estimated to have a positive impact on the financial result during the present year. Market prospects are also somewhat more optimistic than a year ago.

Due to this, the corporation's cash flow is expected to remain strong and the result to improve in 2004.

OPERATING PROFIT, MEUR



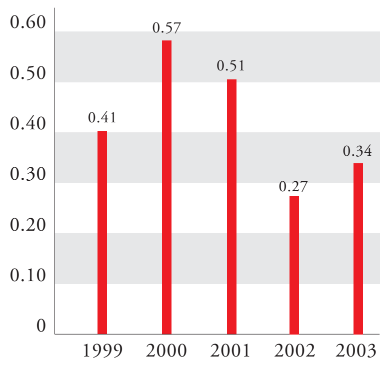
RETURN ON EQUITY, %



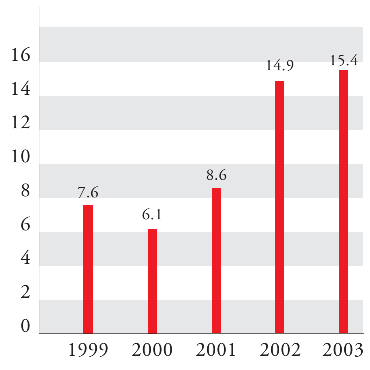
Income Statement 1.1.–31.12.

		Group		Parent company	
EUR 1,000	Note	2003	2002	2003	2002
Net sales	1.1.	53 611	52 462	46 546	37 325
Increase (+) / decrease (-) in inventories in finished goods and in work in progress		388	448	106	247
Production for own use		364	674	362	365
Other operating income	1.2.	560	584	524	3 170
Materials and external charges	1.3.	14 880	15 348	12 431	21 048
Personnel expenses	1.4.	20 699	19 491	17 439	8 499
Depreciation and value adjustments	1.5.	4 111	4 294	3 469	2 381
Other operating expenses		11 009	11 875	9 539	8 010
Operating profit		4 224	3 160	4 660	1 169
Financial income and expenses	1.6.	36	133	96	1 574
Profit before extraordinary items		4 260	3 293	4 756	2 743
Extraordinary items	1.7.	9		3 490	409
Profit before untaxed reserves and income taxes		4 269	3 293	8 246	3 152
Untaxed reserves	1.8.			-39	-57
Income taxes	1.9.	-1 239	-1 043	-1 276	-974
Profit for the year		3 030	2 250	6 931	2 121

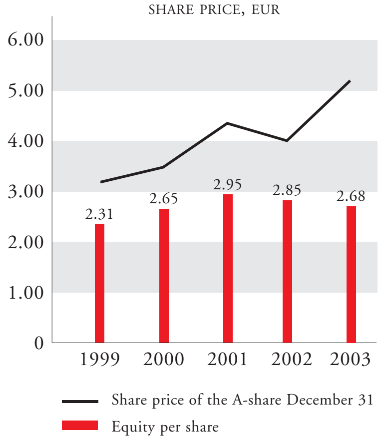
Earnings per share, EUR



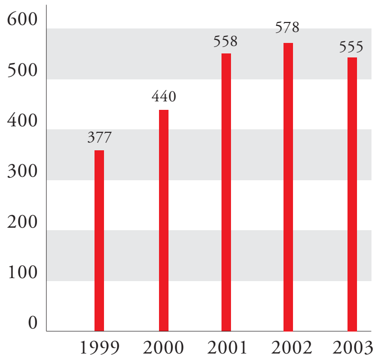
P/E ratio



Equity/share and share price, EUR



Personnel



Balance Sheet 31.12.

		Group		Parent company	
EUR 1,000	Note	2003	2002	2003	2002
Assets					
Fixed assets and other non-current investments					
Intangible assets	2.1.	3 321	2 994	3 460	1 921
Goodwill	2.1.	632	1 108		
Tangible assets	2.2.	16 380	17 054	15 526	8 223
Investments					
Shares in group companies	2.3.			223	3 923
Group receivables				34	
Other investments	2.4.	72	47	72	43
Fixed assets and other non-current investments, total		20 405	21 203	19 315	14 110
Current assets					
Inventories	2.5.	6 955	6 304	6 521	2 700
Deferred tax assets	2.6.	680		30	3 091
Non-current receivables	2.7.			545	
Current receivables	2.8.	7 133	8 388	6 707	5 219
Marketable securities		737		737	
Cash in hand and at banks		5 764	7 229	5 553	5 459
Total current assets		21 269	21 921	20 093	16 469
Total assets		41 674	43 124	39 408	30 579
Liabilities and shareholders' equity					
Shareholders´ equity					
Capital stock	2.9.	6 192	6 192	6 192	6 192
Share premium fund	2.9.	5 351	5 351	5 351	5 351
Retained earnings	2.9.	9 811	12 169	3 089	5 631
Profit for the year	2.9.	3 030	2 250	6 931	2 121
Total shareholders´ equity		24 384	25 962	21 563	19 295
Untaxed reserves					
Accelerated depreciation				3 138	263
Provisions	2.11.	60	8	60	
Liabilities					
Deferred tax liability	2.12.	694	880	4	
Non-current liabilities	2.13.	5 050	6 571	4 228	5 497
Current liabilities	2.14.	11 486	9 703	10 415	5 524
Total liabilities		17 230	17 154	14 647	11 021
Total liabilities and shareholders' equity		41 674	43 124	39 408	30 579

Cash Flow Statement 1.1.–31.12.

	Group		Parent company	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
Cash flow from operating activities				
Profit before extraordinary items	4 260	3 293	4 756	2 743
Adjustments for:				
Depreciation	4 111	4 294	3 469	2 381
Other non-payment-related expenses	60		60	
Financial income and expenses	-28	35	-96	-1 574
Other adjustments	-85	-223	-8	-6
Cash flow before working capital changes	8 318	7 399	8 181	3 544
Change in net working capital:				
Increase (-) / decrease (+) in current non-interest bearing receivables	1 564	1 588	1 814	-61
Increase (-) / decrease (+) in inventories	-318	-577	-20	-308
Increase (+) / decrease (-) in current non-interest bearing liabilities	-12	-1 855	426	-642
Cash generated from operations before financial items and income taxes	9 552	6 555	10 401	2 533
Interest paid and payments on other financial expenses from operations	-322	-536	-307	-485
Dividends received	26	10	26	940
Interest received	210	202	201	216
Income taxes paid	-1 273	-981	-1 222	-577
Cash flow before extraordinary items	8 193	5 250	9 099	2 627
Extraordinary items paid	9		122	409
Net cash flow from operating activities (A)	8 202	5 250	9 221	3 036
Net cash flow from investing activities				
Investments in tangible and intangible assets, gross	-2 613	-4 235	-2 553	-3 027
Investment grants received	71	66	71	66
Proceeds from sale of tangible and intangible assets	87	79	58	15
Loans given			-940	
Acquired subsidiary companies	-185	-37	-260	-37
Other investments	-30		-30	
Repayments of loan receivables		8		835
Proceeds on other investments	95	225	95	225
Interest received on investments			20	255
Net cash used in investing activities (B)	-2 575	-3 894	-3 539	-1 668
Cash flow from financing activities				
Acquisition of own shares		-189		-189
Long-term borrowing		7 785		6 785
Repayment of long-term loans	-2 149	-4 199	-1 821	-3 325
Dividends paid	-4 206	-2 672	-4 206	-2 672
Net cash flow from financing activities (C)	-6 355	725	-6 027	599
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	-728	2 081	-345	1 967
Cash and cash equivalents at the beginning of the financial year	7 229	5 148	5 459	3 492
Acquired through mergers			1 175	
Cash and cash equivalents at the end of the financial year	6 501	7 229	6 289	5 459

Notes to the Financial Statements

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. In 2002, the fixed assets figure included a revaluation of buildings. Depreciation according to plan have been calculated on straightline 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
Goodwill	5 years
Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 10 years
IT equipment	3 to 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. The cost of land areas relating to quarries is depreciated on the basis of the volumes of stone quarried.

Valuation of Inventories

Inventories are valued on the basis of fifo principle at the lower of the acquisition cost or the net realisable value. 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, with the exception of construction contracts pertaining to the Group's architectural stone business, which require a long production time. The revenue generated by these contracts has been recognized on the basis of percentage of completion method. As construction contracts requiring a long production time are regarded projects with revenues in excess of EUR 84 thousand. The stage of completion of these projects has been determined based on the costs occured on the project in relation to its estimated total costs of the project.

Research and Development Cost

Research and development costs have been recorded as costs when incurred. The costs generated by quarry area excavation studies have been activated and are amortised over their estimated lifetime.

Retirement Cost

Employee pension schemes have been arranged with external pension insurance companies. Pension costs are expensed for the year when occurred. 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. In the group financial statements untaxed reserves, net of deferred tax liability, are included in shareholders' equity.

Income Taxes

Income taxes include taxes corresponding to the Group companies' results for the financial period as well as the change in deferred tax liability and asset. The deferred tax liability and asset have been calculated based on the temporary difference between the actual taxation and the financial statements using the taxation tax rate, confirmed at the balance sheet date, for the following years. In the financial statements the deferred tax liability has been fully provided and deferred tax asset has been recognised to the extent it is probably coverable.

Dividends

The financial statements do not include the dividend proposed by the Board of Directors to the annual shareholders' meeting. Dividends are recorded on the basis of the decision made by the annual general meeting.

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.

Accounting Principles Used in the Consolidated Financial Statements

The parent company of the Tulikivi Group is Tulikivi Corporation, domiciled in Juuka. The consolidated financial statements include all the Group companies. Internal shareholding has been eliminated using the purchase method. Acquisition costs generate elimination differences insofar as the acquisition cost exceeds the subsidiary's shareholders' equity at the time of acquisition. Elimination differences or goodwill on consolidation is depreciated according to plan over a period of five years. Business transactions between Group companies, unrealized internal profits, intercompany receivables and liabilities as well as internal profit distribution have been eliminated. The balance sheets of the foreign group companies have been translated into euros using the average exchange rates prevailing on the balance sheet date as indicated by the European Central Bank, and the income statements using the average exchange rates for the financial year. Translation differences have been recorded directly to retained earnings.

	Group		Parent company	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
Notes to the Income Statement				
1.1. Net sales				
1.1.1. Net sales per business area				
Fireplace business	45 290	42 293	45 508	37 005
Architectural stone business	8 321	10 169	1 038	320
Total net sales per business area	53 611	52 462	46 546	37 325
1.1.2. Net sales per geographical area				
Finland	27 698	26 196	21 828	13 641
Rest of Europe	24 579	24 628	24 006	22 803
USA	1 334	1 638	712	881
Total net sales per geographical area	53 611	52 462	46 546	37 325

The consolidated net sales includes EUR 1,6 (3,3) million relating to net sales recognized based on percentage of completion method. Out of these uncompleted projects represent EUR 0,1 (1,0) million. In 2003, the entire value of these projects has been entered as revenue (the revenue not recognised on the projects amounts to EUR 0.2 million in 2002).

	Group 2003	Group 2002	Parent company 2003	Parent company 2002
1.2. Other operating income				
Rental income	54	55	39	17
Charges for intergroup services			103	2 735
Government grant	333	129	292	129
Other	173	400	90	289
Total other operating income	560	584	524	3 170
1.3. Materials and external charges				
Materials and supplies (goods)				
Purchases during the fiscal year	8 840	9 347	6 861	17 203
Change in inventories, increase (+) / decrease (-)	71	-129	85	-61
External charges	5 969	6 130	5 485	3 906
Total materials and external charges	14 880	15 348	12 431	21 048
1.4. Personnel expenses and number of employees				
1.4.1. Personnel expenses				
Salaries and wages	16 390	15 578	13 823	6 826
Pension expenses	2 867	2 575	2 443	1 103
Other social security expenses	1 442	1 338	1 173	570
Total personnel expenses	20 699	19 491	17 439	8 499

1.4.2. Salaries and fees paid to the directors

The salaries and fees paid to the members of the Board of Directors amounted to 151,720 EUR (118,752 EUR in 2002) in the Group. Salaries and fees paid to the managing directors amounted to 190,764 (280,628) EUR in the Group.
The annual remuneration of the Board members has been paid in the form of Tulikivi Corporation's A-shares which were purchased on the Helsinki Exchanges and the value of which corresponds the net payable amount of the remuneration.

		Group		Parent company	
EUR 1,000		2003	2002	2003	2002
1.4.3.	Average number of employees during the fiscal year				
	Clerical employees	107	114	87	72
	Workers	448	464	385	179
Total number of employees		555	578	472	251
1.5.	Depreciation according to plan				
	Intangible rights	65	33	59	33
	Other long-term expenditure	1 093	1 194	892	1 020
	Buildings and constructions	449	447	419	230
	Machinery and equipment	1 998	2 242	1 997	1 085
	Other tangible assets	17	17	17	5
	Land areas	14	8	14	8
	Goodwill	475	353	71	
Depreciation according to plan in total		4 111	4 294	3 469	2 381
1.6.	Financial income and expenses				
	Dividend income				
	From group companies				1310
	From others	127	219	127	219
	Interest income from non-current investments				
	From group companies			59	221
	Interest income				
	From group companies				43
	From others	177	162	168	136
	Interest expenses	-264	-338	-255	-285
	Exchange rate gains / losses	18	121	11	-51
	Other financial income and expenses	-22	-31	-14	-19
Financial income and expenses in total		36	133	96	1 574
1.7.	Extraordinary items				
	Extraordinary expenses				
	Group contribution				180
	Merger loss			927	
	Extraordinary income				
	Merger gain			4 295	
	Settlement by Group company of receivables previously written-off			122	589
	Other extraordinary income	9			
Extraordinary items in total		9		3 490	409
1.8.	Untaxed reserves				
	Change in accelerated depreciation			-39	-57
1.9.	Income taxes				
	Income taxes on extraordinary items			35	171
	Income taxes on ordinary operations	1 325	1 106	1 215	803
	Change in deferred tax liability	-86	-63	26	
Total income taxes		1 239	1 043	1 276	974

EUR 1,000	Group 2003	Parent company 2003
Notes to the balance sheet		
2.1. Intangible assets		
2.1.1. Intangible rights		
Acquisition cost January 1	467	455
Intangible assets resulting from mergers		3
Additions	52	28
Acquisition cost December 31	519	486
Accumulated depreciation according to plan January 1	333	325
Accumulated depreciation resulting from mergers		2
Depreciation for the financial year	65	59
Accumulated depreciation December 31	398	386
Balance sheet value of intangible rights, December 31	121	100
2.1.2. Goodwill		
Acquisition cost January 1	1 767	
Goodwill resulting from mergers		1 666
Acquisition cost December 31	1 767	1 666
Accumulated depreciation according to plan January 1	659	
Accumulated depreciation resulting from mergers		975
Depreciation for the financial year	476	71
Accumulated depreciation December 31	1 135	1 046
Balance sheet value of goodwill, December 31	632	620
2.1.3. Other long term expenditure		
Acquisition cost January 1	9 577	7 841
Other long-term expenditure resulting from mergers		1 661
Additions	1 433	781
Acquisition cost December 31	11 010	10 283
Accumulated depreciation according to plan January 1	6 717	6 050
Accumulated depreciation resulting from mergers		601
Depreciation for the financial year	1 093	892
Accumulated depreciation December 31	7 810	7 543
Balance sheet value of long term expenditure, December 31	3 200	2 740
Total Intangible assets	3 953	3 460

The balance sheet value of other long term expenditure includes EUR 2.3 million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

	Group 2003	Parent company 2003
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 132	805
Land resulting from mergers		252
Additions	88	88
Acquisition cost December 31	1 220	1 145
Depreciation	76	76
Depreciation for the financial year	14	14
Accumulated depreciation December 31	90	90
Balance sheet value of land, December 31	1 130	1 055

EUR 1,000	Group 2003	Parent company 2003
2.2.2. Buildings and constructions		
Acquisition cost January 1	11 831	6 484
Buildings and constructions resulting from mergers		4 459
Additions	31	12
Acquisition cost December 31	11 862	10 955
Accumulated depreciation according to plan January 1	5 072	3 071
Accumulated depreciation resulting from mergers		1 155
Depreciation for the financial year	449	419
Accumulated depreciation December 31	5 521	4 645
Revaluation January 1	433	433
Revaluation December 31		
Balance sheet value of buildings and constructions, December 31	6 341	6 310
2.2.3. Machinery and equipment		
Acquisition cost January 1	29 506	18 880
Machinery and equipment resulting from mergers		9 871
Additions	2 174	1 555
Disposals	182	128
Acquisition cost December 31	31 498	30 178
Accumulated depreciation according to plan January 1	20 795	15 271
Accumulated depreciation resulting from mergers		4 922
Accumulated depreciation on disposals	107	76
Depreciation for the financial year	1 998	1 997
Accumulated depreciation December 31	22 686	22 114
Balance sheet value of machinery and equipment, December 31	8 812	8 064
2.2.4. Other tangible assets		
Acquisition cost January 1	190	75
Other tangible assets resulting from mergers		123
Acquisition cost December 31	190	198
Accumulated depreciation according to plan January 1	110	36
Accumulated depreciation resulting from mergers		82
Depreciation for the financial year	17	17
Accumulated depreciation December 31	127	135
Balance sheet value of other tangible assets, December 31	63	63
2.2.5. Advance payments	34	34
Total tangible assets	16 380	15 526
Amount of machinery and equipment included in balance sheet value	8 185	7 437

		Group		Parent company	
EUR 1,000		2003	2002	2003	2002
2.3.	Shares in group companies				
		Ownership, %			
		Group		Parent company	
	Kivia Oy, Kuhmo	100		100	
	Tulikivi U.S. Inc., USA	100		100	
	AWL-Marmori Oy, Turku	100		100	
	The New Alberene Stone Company Inc., USA	100		100	
	Tulikivi Vertriebs GmbH, Germany	100		100	
2.4.	Other investments				
	Helsinki Exchange Group Ltd		5		5
	Stone Pole Oy	30		30	
	Others	42	42	42	38
Total other investments		72	47	72	43
2.5.	Inventories				
	Raw materials and consumables	3 233	3 218	2 980	1 187
	Works in progress	116		65	
	Finished products/goods	3 606	3 086	3 476	1 513
Total inventories		6 955	6 304	6 521	2 700
2.6.	Deferred tax assets				
	Deferred tax asset pertaining to the Group companies' loss carry forwards	650			
	Other tax assets	30		30	
Deferred tax asset, total		680		30	
2.7.	non-current receivables				
	Receivables from group companies				
	Loan receivables			529	2 844
	Prepayments and accrued income			16	247
Total non-current receivables				545	3 091
2.8.	Current receivables				
	Receivables from group companies				
	Trade receivables			136	316
	Receivables from others				
	Trade receivables	6 594	6 051	6 064	3 766
	Other receivables	21	463	21	458
	Prepayments and accrued income				
	Receivables on long-term contracts	130	988	130	
	Other prepayments and accrued income	388	886	356	679
	Receivables from others, total	7 133	8 388	6 571	4 903
Total current receivables		7 133	8 388	6 707	5 219

		Group		Parent company	
EUR 1,000		2003	2002	2003	2002
2.9.	Shareholders' equity				
	Capital stock January 1	6 192	6 192	6 192	6 192
	Capital stock December 31	6 192	6 192	6 192	6 192
	Share premium fund January 1	5 351	5 351	5 351	5 351
	Share premium fund December 31	5 351	5 351	5 351	5 351
	Retained earnings January 1	14 418	14 995	7 752	8 405
	Dividends paid	-4 229	-2 674	-4 229	-2 674
	Transfer to (+) / from (-) reserve for own shares		361		361
	Change in translation difference	-74	-203		
	The reversal of revaluation	-304	-316	-433	-461
	Other		6		
	Retained earnings December 31	9 811	12 169	3 089	5 631
	Profit for the year	3 030	2 250	6 931	2 121
Total shareholders' equity		24 384	25 962	21 563	19 295
2.10.	Statement of distributable earnings December 31				
	Profit for the previous years	9 811	12 169	3 089	5 631
	Profit for the year	3 030	2 250	6 931	2 121
	Translation difference	97	23		
	The proportion of untaxed reserves included in shareholders' equity	-2 448	-2 344		
Total distributable earnings		10 490	12 098	10 020	7 752
2.11.	Provisions				
	Warranty reserve	60	8	60	
2.12.	Deferred tax liability				
	On untaxed reserves	910	898		
	On temporary differences	-220	-147		
	On revaluations		129		
	Other deferred tax liabilities	4		4	
Total deferred tax liability		694	880	4	
2.13.	Non-current liabilities				
	Loans from credit institutions	5 050	5 777	4 228	4 705
	Pension loans		630		630
	Trade payables		2		
	Other non-current liabilities		162		162
Total non-current liabilities		5 050	6 571	4 228	5 497
2.13.1.	Loans becoming due after 5 years				
	Loans from credit institutions		20		

	Group		Parent company	
EUR 1,000	**2003**	**2002**	**2003**	**2002**
2.14. Current liabilities				
Liabilities to group companies				
Trade payables			38	321
Liabilities to others				
Loans from credit institutions	2 727	1 645	2 180	1 300
Pension loans		180		180
Advances received	104	944	88	
Trade payables	1 032	996	956	577
Other current liabilities	1 021	593	910	223
Accrued liabilities				
Salaries, wages and social costs	3 962	3 175	3 841	1 560
Discounts and marketing expenses	910	900	910	740
External charges	666	658	616	457
Tax liabilities	271	74	271	74
Other accrued liabilities	793	538	605	92
Total current liabilities	11 486	9 703	10 415	5 524

Other notes

2.15. Given guarantees, contingent liabilities and other commitments

	Group 2003	Group 2002	Parent 2003	Parent 2002
Debts with related mortgages and pledges				
Loans from credit institutions	5 703	5 292	4 716	4 956
Other non-current liabilities	226			
Real estate mortgages given	4 592	4 492	4 592	4 105
Company mortgages given	3 105	2 213	2 130	2 129
Pledged mining rights	238			
Given mortgages and pledges, total	7 935	6 705	6 722	6 234
Liabilities for which shares have been pledged				
Loans from credit institutions	71	81	71	
As pledge have been given the shares of AWL-Marmori Oy, the carrying value of which is EUR 8,000.				
Installment liabilities for which the object of the contract given as pledge		18		
Other own liabilities for which guarantees have been given				
Credit account limit		84		
Letter of credit limit	60	24	60	
Production and warranty guarantees	500	505	500	
Other commitments	30		30	
Other own liabilities for which guarantees have been given	590	613	590	
Guarantees given				
Real estate mortgages given	1 716	151	1 682	117
Company mortgages given		916		
Pledges given	10	47	10	8
Guarantees given on behalf of other own liabilities	1 726	1 114	1 692	125

EUR 1,000	Group 2003	Group 2002	Parent company 2003	Parent company 2002
Leasing commitments				
Due during the financial year 2004	10	13	10	
Due later	34	44	34	
Leasing commitments, total	44	57	44	

Off-balance sheet financial instruments

The impact of off-balance sheet financial instruments is insignificant.

Conditional trade price

The acquisition price for the shares of Kivia Oy, acquired in 2003, is partly conditional liability. In 2006, EUR 0.4 million and in 2008, EUR 0.3 million of the acquisition price will mature, provided that payment conditions are met.

Environmental obligations

Tulikivi Corporation's environmental obligations and the factors related to meeting these obligations, can be grouped into the following categories:

- Prevention of environmental degradation
  The required measures are continuously being implemented as part of normal production work. The group includes water treatment, land and stone material stacking area arrangements, vibration and noise level measurements, prevention of dusting, as well as related tracking point monitoring work.
- Measures to be carried out at factory or quarry areas when closing down a factory or quarry
  The group includes stacking area lining work, water system arrangements, the establishment of tracking points, as well as ensuring that safety conditions are met. In all of Tulikivi Corporation's quarry areas, the aim is to carry out the required stacking area lining work in conjunction with normal quarrying operations by transporting land materials from the new quarries to cover older stacking areas. The stacking work conducted alongside normal operations is not expected to generate additional expenses as it frees the company of the need to stack unstable land materials elsewhere. These costs will be expensed when occurred. The landscaping obligations related to these measures consist mainly of planting or sowing vegetation.

The amount of the aforementioned obligations can not be estimated reliably and have therefore not been included in the Financial Statements. Based on environmental authorisations, the Group has given guarantees to the effect of EUR 30,000 in total. For other environmental obligations, the Group has given real estate mortgages for EUR 33,638.

Group Development by Quarter

Group development by quarter

MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Net sales	15.3	13.8	12.6	11.9	14.4	12.9	12.5	12.7
Operating profit	1.7	1.6	0.6	0.3	1.1	1.3	0.1	0.7
Profit before extraordinary items	1.8	1.6	0.6	0.3	1.2	1.2	0.1	0.8

Business area development by quarter

MEUR	Q4/2003	Q3/2003	Q2/2003	Q1/2003	Q4/2002	Q3/2002	Q2/2002	Q1/2002
Fireplace business								
Net sales	13.6	11.6	10.4	9.7	11.9	10.7	9.6	10.1
Profit before extraordinary items	1.9	2.1	0.7	0.5	1.5	1.3	0.0	0.6
Architectural stone business								
Net sales	1.7	2.2	2.2	2.2	2.5	2.2	2.9	2.6
Profit before extraordinary items	-0.1	-0.5	-0.1	-0.2	-0.3	-0.1	0.1	0.2

Profit Development Key Indicators 1999 - 2003

1 000 euro	**1999**	**2000**	**2001**	**2002**	**2003**
INCOME STATEMENT					
Net sales	38 779	46 929	58 690	52 462	53 611
Change (%)	6.3	21.0	25.1	-10.6	2.2
Operating profit	5 270	7 209	6 575	3 160	4 224
(%) of net sales	13.6	15.4	11.2	6.0	7.9
Financial items	-102	-110	-107	133	36
Profit before extraordinary items	5 169	7 099	6 468	3 293	4 260
(%) of net sales	13.3	15.1	11.0	6.3	7.9
Profit before taxes	5 084	7 102	6 468	3 293	4 269
(%) of net sales	13.1	15.1	11.0	6.3	8.0
Income taxes	1 558	2 058	1 892	1 043	1 239
Profit for the year	3 526	5 044	4 576	2 250	3 030
BALANCE SHEET					
Assets					
Fixed assets	19 100	20 858	22 820	21 203	20 405
Inventories	2 952	4 632	5 726	6 304	6 955
Financial assets	11 092	10 443	15 162	15 617	14 314
Liabilities and shareholders' equity					
Shareholders' equity	20 474	24 023	26 905	25 962	24 384
Provisions			8	8	60
Interest bearing liabilities	5 522	3 959	5 818	8 251	7 836
Non-interest bearing liabilities	7 148	7 951	10 977	8 903	9 394
The balance sheet total	33 144	35 933	43 708	43 124	41 674

Financial Ratios 1999 - 2003

	1999	2000	2001	2002	2003
Return on equity, % [1]	18.4	23.2	18.7	9.2	12.1
Return on capital employed, %	22.6	27.7	22.6	10.9	13.7
Net indebtness ratio, %	0.7	-0.9	2.5	3.9	5.5
Solvency ratio, %	61.8	65.8	63.5	61.5	58.7
Current ratio	2.0	2.0	1.6	2.3	1.9
Gross investments, (EUR 1,000)	5 667	4 037	6 360	3 923	2 916
Investments / net sales, %	14.6	8.6	10.8	7.5	5.4
Own capital investment ratio	1.3	1.9	1.0	1.5	3.1
Research and development expenditures, (EUR 1,000)	1 033	1 201	1 419	1 338	1 325
Research and development / net sales, %	2.7	2.6	2.4	2.6	2.5
Personnel, on average	377	440	558	578	555
KEY INDICATORS PER SHARE					
Earnings per share, EUR [1]	0.41	0.57	0.51	0.27	0.34
Equity per share, EUR	2.31	2.65	2.95	2.85	2.68
Nominal dividend / share, EUR					
A-share	0.20	0.23	0.30	0.47	0.51 [2]
K-share	0.19	0.22	0.29	0.45	0.50 [2]
Dividend/earnings, %	49.1	39.2	58.1	172.6	151.2
Effective dividend yield, %					
A-series	6.5	6.5	6.8	11.8	9.8
P/E ratio	7.6	6.1	8.6	14.9	15.4
Issue-adjusted share prices of the A-share, EUR					
- average	3.02	3.20	3.50	4.14	4.37
- lowest	2.41	2.64	3.00	3.40	3.50
- highest	4.10	3.60	4.40	4.70	5.70
- the closing price	3.10	3.49	4.40	4.00	5.18
Market capitalization, (EUR 1,000) (supposing that the market price of the K-share is the same as that of the A-share), all shares	27 470	30 352	39 576	36 426	47 171
Number of A-shares traded (1,000 pcs)	2 126.0	2 677.5	1 336.5	1 313.0	1 510.3
- % of the total amount	32.8	40.6	19.9	19.5	22.5
The average issue-adjusted number of the shares for the financial year	8 861 385	8 835 760	8 942 070	8 993 355	9 106 385
Number of outstanding shares on December 31	8 861 385	8 668 120	8 998 620	9 106 385	9 106 385

For comparison purposes, the key indicators per share have been issue-adjusted with the change in the shares' nominal value carried out in 2003. As a result, the number of shares was multiplied by five.

[1] Income taxes amounting to EUR 35 (171) thousand, relating to the parent company's extraordinary income, have been eliminated from the income taxes reported in the income statement.

[2] According to the proposal of the Board of Directors.

Calculations of Key Ratios

RATIOS

Return on equity (ROE), % =	100 x	$\dfrac{\text{profit before extraordinary items - income taxes}}{\text{shareholders' equity (average during the financial year)}}$
Return on capital employed (ROI), % =	100 x	$\dfrac{\text{profit before extraordinary items + interest expenses and other financial costs}}{\text{balance sheet total - non-interest bearing liabilities (average during the financial year)}}$
Equity ratio, % =	100 x	$\dfrac{\text{shareholders' equity}}{\text{balance sheet total - advances received}}$
Net indebtness ratio, % =	100 x	$\dfrac{\text{interest-bearing net debt}}{\text{shareholders' equity}}$
Current ratio =		$\dfrac{\text{financial assets + inventories}}{\text{current liabilities}}$
Own capital investment ratio =		$\dfrac{\text{net cash flow from operating activities + change in net working capital}}{\text{net investments}}$

KEY INDICATORS PER SHARE

Earnings per share =		$\dfrac{\text{profit before extraordinary items - income taxes for the financial year}}{\text{average issue-adjusted number of shares for the financial year}}$
Equity per share =		$\dfrac{\text{shareholders' equity}}{\text{issue-adjusted number of shares at balance sheet date}}$
Dividend/share, % =		$\dfrac{\text{dividend paid for the year}}{\text{issue-adjusted number of shares at balance sheet date}}$
Dividend/earnings, % =	100 x	$\dfrac{\text{dividend / share}}{\text{earnings / share}}$
Effective dividend yield, % =	100 x	$\dfrac{\text{issue-adjusted dividend / share}}{\text{the closing price of A-share at balance sheet date}}$
P/E =		$\dfrac{\text{the closing price of A-share at balance sheet date}}{\text{earnings / share}}$

Company shares entered under balance sheet assets have been deducted from the total number of shares, shareholders' equity and the balance sheet total when calculating the key ratios.

Capital Stock, Shares and Shareholders

Capital stock and shares

Tulikivi Corporation's capital stock paid and entered in the Trade Register amounted to EUR 6,192,341.80 on December 31, 2003. The minimum and maximum capital stock are EUR 2,550,000 and EUR 10,200,000 respectively. The capital stock is divided into two series of shares according to the table below. According to the Articles of Association, based on the nominal value of the shares, the dividend payable for A-shares is at least one percentage point greater than the dividend payable for K-shares. Tulikivi Corporation's A-share is listed on the Helsinki Stock Exchange and its trading code is TULAV.

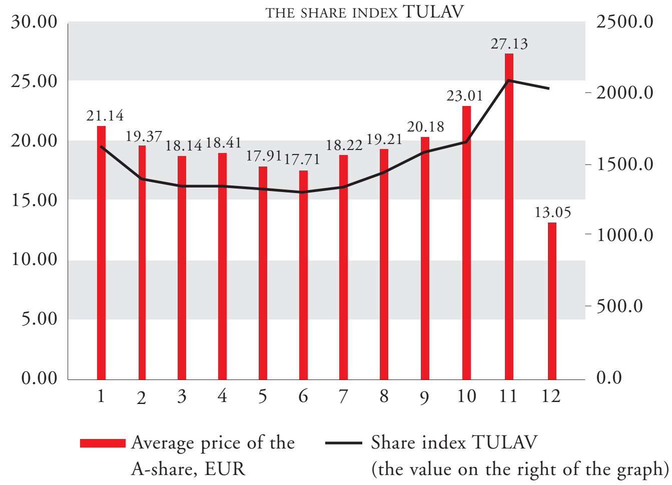
The Extraordinary Shareholders' Meeting of the Tulikivi Corporation, held on 4 December 2003, decided that the nominal value of Tulikivi shares should be changed from EUR 3.40 to EUR 0.68. As a result of the change, the number of shares was multiplied by five. Trading with the new shares began on 15 December 2003. In the year 2003, a total of 344,863 of the company's A-shares were traded on the Helsinki Stock Exchange, a volume equivalent to EUR 6.6 million. During the period 1 January to 14 December 2003, a total of 291,363 shares were traded, equivalent to EUR 6.3 million. Following the share split, or during the period from 15 to 31 December 2003, a total of 53,500 shares were traded, corresponding to a volume of EUR 0.3 million. The top share price during the period from 1 January to 14 December 2003 was EUR 28.49 and the lowest price was EUR 17.49. The top share price during the period following the share split, from 15 to 31 December 2003, was EUR 5.50 and the lowest price was EUR 5.02. At the closing date of the reporting period, the share price was EUR 5.18. At the closing of the financial year, Tulikivi Corporation had 2,346 shareholders. Foreign shareholders held 3.9 per cent of the total number of shares.

The Board of Directors does not have any existing authorisation to organise an issue of shares or for issuing convertible securities or option loans. The Board of Directors is authorised to purchase a maximum of 336,065 of the company's A-shares and a maximum of 119,250 of the company's K-shares. The maximum amounts are five per cent of the company's combined capital stock and the number of votes. The authorisation is valid until 11 April 2004. Respectively, the Board of Directors has been authorised to dispose of the Corporation's own shares in conjunction with acquisitions and other structural arrangements. The Corporation does not currently hold any own shares.

The shares entered in the company's book-entry account in accordance with paragraph 3a:3 of the Finnish Companies Act or so called joint account were sold in April-May 2003 on behalf of the shareholders. Shareholders and other rightholders are entitled until May 2013 to withdraw the amount of funds corresponding to their shareholding by delivering their share certificates and required notices of receipt to one of the offices of Sampo Pankki Plc or to the State Provincial Office of Eastern Finland.

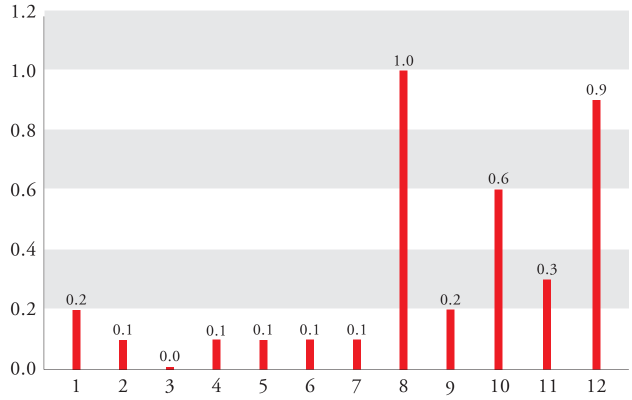
Types	Number of shares	Nominal value, EUR	Proportion, % of shares	Proportion, % of votes	Proportion of capital stock, EUR
K-shares (10 votes)	2 385 000	0.68	26.19	78.01	1 621 800.00
A-shares (1 vote)	6 721 385	0.68	73.81	21.99	4 570 541.80
Total	9 106 385		100.00	100.00	6 192 341.80

Monthly development of the average price of the A-share and the share index TULAV



The average share price for December is effected by share split.

Monthly development of the trading volume of A-share, %



Shareholders and Management Ownership

10 Major shareholders according to number of shares	K-shares	A-shares	Proportion, %
Shares registered in the name of a nominee are not included.			
1. Vauhkonen Reijo	713 125	925 240	17.99
2. Vauhkonen Heikki	724 375	24 255	8.22
3. Virtaala Matti	340 000	263 415	6.63
4. Ilmarinen Mutual Pension Insurance Company		515 595	5.66
5. Mutanen Susanna	199 375	250 000	4.93
6. Vauhkonen Mikko	99 375	100 800	2.20
7. Investment Fund Phoebus		197 500	2.17
8. Fondita Nordic Small Cap Placfond		171 000	1.88
9. Nuutinen Kyösti, estate	99 375	69 000	1.85
10. Vauhkonen Eliisa	104 375	19 880	1.36

10 Major shareholders according to number of votes	K-shares	A-shares	Proportion, %
Shares registered in the name of a nominee are not included.			
1. Vauhkonen Reijo	713 125	925 240	26.35
2. Vauhkonen Heikki	724 375	24 255	23.77
3. Virtaala Matti	340 000	263 415	11.98
4. Mutanen Susanna	199 375	250 000	7.34
5. Vauhkonen Mikko	99 375	100 800	3.58
6. Vauhkonen Eliisa	104 375	19 880	3.48
7. Nuutinen Kyösti, estate	99 375	69 000	3.48
8. Ilmarinen Mutual Pension Insurance Company		515 595	1.69
9. The Finnish Cultural Foundation	25 000	85 000	1.10
10. Investment Fund Phoebus		197 500	0.65

The members of the Board and the managing director control 1,802,500 K-shares and 1,229,320 A-shares representing 63 % of votes.

Breakdown of share ownership on December 31, 2003

Numbers of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	174	7.42	11 250	0.12
101 - 1000	1 481	63.13	750 885	8.25
1001 - 5000	570	24.30	1 451 780	15.94
5001 - 10000	59	2.51	444 040	4.88
10001 -	62	2.64	6 448 430	70.81
Total	2 346	100.00	9 106 385	100.00

On December 31, 2003 the company's shareholders were broken down by sector as follows:

Sector	Holding, %	Votes, %
Enterprises	4.15	1.68
Financial and insurance institutions	8.14	2.87
Public organizations	5.67	1.69
Non-profit organizations	2.91	1.60
Households	78.90	92.09
Foreign	0.22	0.07
Total	100.00	100.00

Nominee-registered shares, 334,655 in total (3.67 per cent of the capital stock), are entered under financial and insurance institutions.

The Board's Proposal for the Distribution of Profit

The parent company's distributable shareholders' equity is EUR 10.0 million, and the Group's distributable shareholders' equity EUR 10.5 million. The Board of Directors will propose to the Annual General Meeting to be convened on 20 April 2004 that a dividend of EUR 0.51 per share for the new A series shares and EUR 0.50 per share for K series shares be paid, or a total amount of EUR 4.6 million.

In Nunnanlahti February 5, 2004

Matti Virtaala　　Reijo Vauhkonen　　Bishop Ambrosius　　Juhani Erma

Eero Makkonen　　Aimo Paukkonen　　Heikki Vauhkonen

Juha Sivonen
Managing Director

Auditors' Report

To the Shareholders of Tulikivi Corporation

We have audited the accounting records, the financial statements and the corporate governance of Tulikivi Corporation for the financial period 1.1. - 31.12.2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and the corporate governance of the parent company.

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 Board of Directors and the Managing Director of the parent company have legally complied with the rules of the Companies' Act.

In our opinion the financial statements 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 handling of the distributable earnings is in compliance with the Companies' Act.

In Nunnanlahti February 27, 2004

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannele Selesvuo
Authorised Public Accountant

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