Annual Report 2004

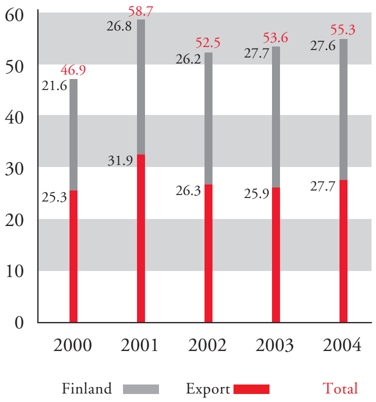
TULIKIVI

Tulikivi Corporation

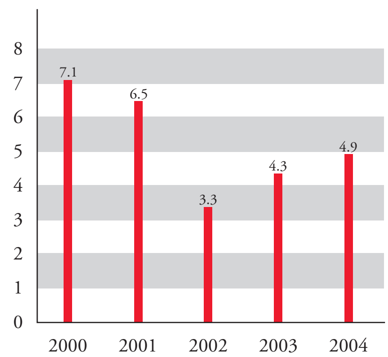
Contents

The Year 2004 in Brief

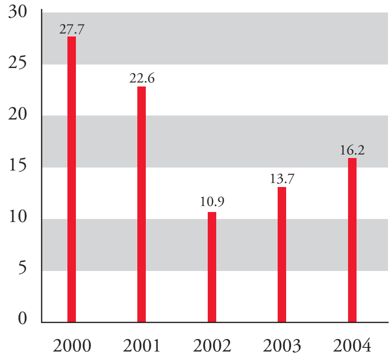
Development of net sales, MEUR



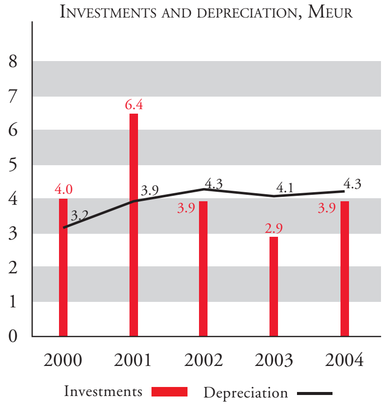
Profit before extraordinary items, MEUR



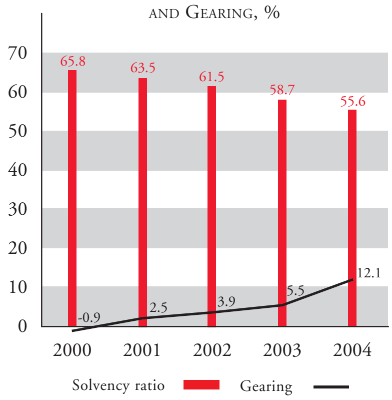
Return on capital employed, %



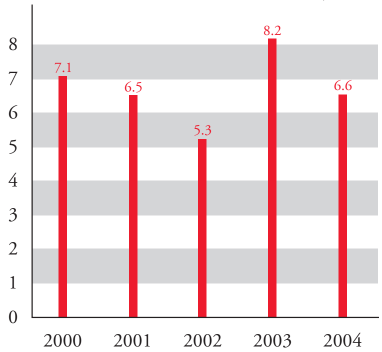
Investments and depreciation, MEUR



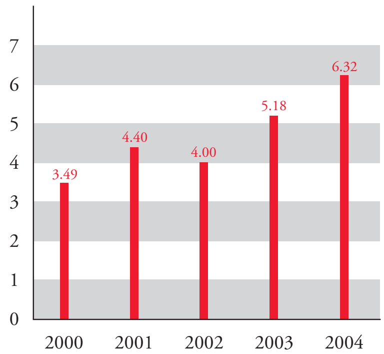
Solvency ratio, %
and Gearing, %



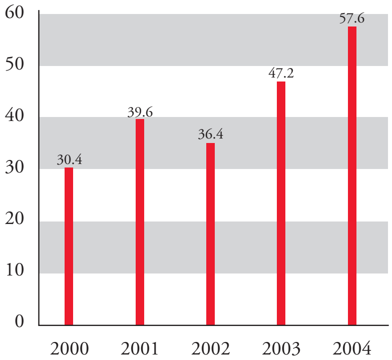
Cash flow from operating activities, MEUR



Share price of the A-share December 31, EUR



Market capitalisation of share stock, MEUR



	2004	2003	Change, %
Net Sales, MEUR	55.3	53.6	3.1
Profit before extraordinary items, MEUR	4.9	4.3	14.4
Return on capital employed, %	16.2	13.7	
Cash flow from operating activities, MEUR	6.6	8.2	-18.8
Solvency ratio, %	55.6	58.7	
Earnings per share, EUR	0.38	0.34	11.8
Equity per share, EUR	2.55	2.68	-4.9
Payment of dividend on			
A-share, EUR	0.23	0.51	-54.9
K-share, EUR	0.22	0.50	-56.0

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.

1. The pale surface of the Talvikki tiled fireplace conceals its soapstone heart. The clean-lined Talvikki combines a tiled surface with excellent heat-retention.

Tulikivi Group's Mission, Vision, Values and Business Concept

Our Mission

Tulikivi Corporation manufactures useful products from natural stone and provides services to meet the needs of our clientele. Our products and services yield added value for their users and enhance the quality of life. Our business areas are the Fireplace Business and the Architectural Stone Business. We take environmental impacts into consideration in the design and manufacture of our products – and also account for their environmental effects during usage. In order to carry out its mission, the company seeks continuously to rack up good earnings, ensuring that investors enjoy competitive dividends and increasing share value. The Group's employees can thus rest assured that their jobs are secure. What's more, their own earnings are linked to the company's financial result.

Our Vision

Tulikivi's objective is to employ superior operating practices in the development, manufacture and customer account management of consumer fireplaces and architectural stone products in its selected market areas. Superiority in product development means understanding the needs of customers and elaborating these needs into superior products. In manufacturing, the accent is put on efficiency and quality. In the management of customer accounts, superior operating practices mean exceeding customer expectations.

Our Values

Tulikivi realizes its objectives by operating from a bedrock of values. Of all of Tulikivi's values, the one that most characterizes the company may well be entrepreneurship – consciously seeking to achieve results, committing to objectives and thinking with an eye on the future. In leadership, the entrepreneurial spirit is evident in focusing and prioritization. Resources and cooperation networks are created in accordance with the purpose at hand. Between colleagues, entrepreneurship means committing oneself to joint objectives, being considerate towards others and taking on responsibility for oneself and others.

At Tulikivi, courage as a value is evident in the will and ability to make choices. We have the courage to believe in our own vision, face up to realities and be constructively critical. In leadership, courage means handing over responsibilities and both trusting and encouraging other people. We also have the courage to see things through.

Satisfied customers are a core value for Tulikivi. What this means is that we find out what our customers expect, listen to them, keep our promises and exceed their expectations. We also satisfy customers by providing good expertise and being service-minded. This value also applies to internal customer relationships.

We uphold fair play in our operations. Fair play includes openness and fairness. In work, this means being honest to yourself and making sure that words are backed up by actions. In leadership, the principles of fair play mean, for example, discussing matters early enough and treating everyone equitably. Fair play between colleagues means valuing and respecting other people.

Our Business Concept

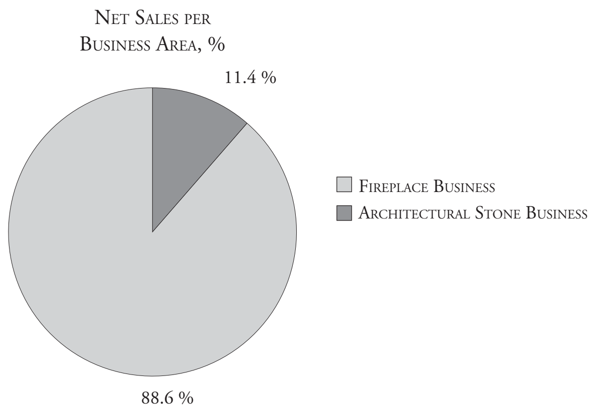
The Tulikivi Group focuses on stone processing as well as the

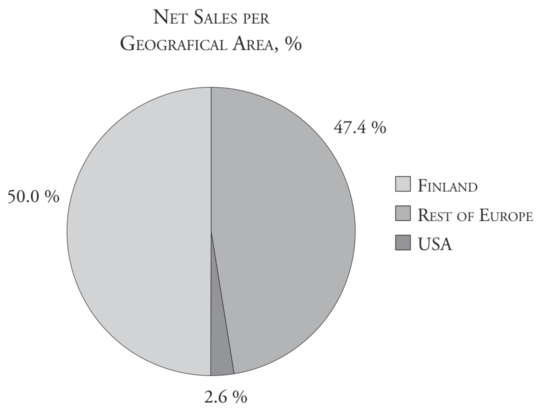
2. Stone creates beautiful and lively surfaces. The wall features Cloudy Grey marble mosaic tiles. They match the limestone Azul Cascais kitchen countertop.

customer-oriented development and production of related products and services. We comprehensively manage our soapstone reserves. Our operations are divided into two business areas, the Fireplace Business and the Architectural Stone Business. In both our business areas, we focus on the Tulikivi brand. We handle the marketing and distribution of our products in selected market areas.

The Tulikivi Group's Fireplace Business comprises heat-retaining fireplaces, fireplace accessories and lining stones for stoves. The design and technology of our soapstone products are unrivalled in our field of business, and we continuously hone our products and services to meet our customers' needs. In our operations, we engage in the longterm development of our end-to-end service concept and distribution channels. We step up the usage efficiency of our soapstone reserves through ongoing R&D projects in product development and production. The main market areas of the Fireplace Business are Europe and North America.

The Tulikivi Group's Architectural Stone Business comprises processing natural stone into end products and their marketing, sales and installation. The focus of operations is on interior decoration stone products and deliveries of stone materials for construction sites. The interior decoration stone business comprises sales of stone products to consumers. Construction site deliveries include deliveries of materials to contractors and building owners. We are further developing the interior decoration stone products, service concept and distribution channels of our Architectural Stone Business. The primary market for architectural stone is Finland.





Growth on Stone's Terms

2004 was a favourable year for our company in most areas of our operations, but we did experience a few setbacks. The most positive developments were that the Architectural Stone Business rose into the black in the latter half of the year, Kivia Oy was successfully merged into the Group and both sales and profitability trends were good in most market areas. The greatest disappointment was the slump in sales in Germany.

Tulikivi's net sales rose by three per cent during the year now ended and the company's profitability improved by over 14 per cent thanks to the successful reorganization of the Architectural Stone Business. The net sales of the Architectural Stone Business declined by about 25 per cent. The business area's result became positive in the last six-month period, but its full-year result was slightly in the red. The net sales of the Fireplace Business increased by about eight per cent. Growth was generated primarily by the integration of Kivia Oy into Tulikivi. In comparable terms, net sales rose by about two per cent. The Fireplace Business' earnings fell slight short of the previous year.

Architectural Stone Business on the Way Up

In 2003, we laid a good foundation for a new beginning in the Architectural Stone Business by reorganizing its business operations, pruning unprofitable elements and slashing fixed expenses. We shifted the main focus of business operations from construction site stone deliveries and contracting to interior decoration stone products for the Finnish consumer market.

During the year now ended, the interior decoration stone business already accounted for almost half of the net sales of the Architectural Stone Business, and the operations were clearly profitable. Interior decoration stone products include kitchen and bathroom countertops and natural stone slabs. Products are sold to customers through retailers and the Tulikivi Center that was opened in Espoo at the beginning of the report year. In the case of stone countertops in particular, business-to-business sales to kitchen manufacturers, for example, also play an important role. The aggregate market for interior decoration stones in Finland is valued at EUR 15 million and it is growing at an annual rate of about 15-20 per cent. Thanks to our good products and end-to-end service, our interior decoration stone business may see even stronger growth.

Strong Subareas in the Fireplace Business

The Finnish fireplace market grew by over three per cent in 2004, primarily due to vigorous growth in the construction of single-family houses. Tulikivi's sales in Finland improved by 12 per cent thanks to our subsidiary Kivia Oy, whose market share grew by over one percentage point compared with the previous year. The Tulikivi Group acquired Kivia in autumn 2003. The change in ownership has bolstered the reliability and image of Kivia products. The domestic market information is based on the data kept by the construction research company Rakennustutkimus RTS Oy.

We achieved a positive result in most of the countries to which we export fireplaces. The territories where the best growth was achieved were Russia, France, Belgium, Switzerland, Norway, North America and Estonia. In absolute terms, the largest growth was generated in Belgium and France. The fastest growth took place in Russia and France. Germany remained problematic and our sales there declined by 15 per cent. The focus of fireplace sales in Germany has shifted to cheaper products and many fireplace stores are in financial difficulties. The contraction in Tulikivi's earnings in Germany cancelled out the growth of 10 per cent achieved in the other territories. The share of Tulikivi's total exports accounted for by Germany has dropped to 17 per cent. At the beginning of 2005, a decision was made to overhaul the distribution system in Germany.

> ”Tulikivi’s sales in Finland improved 12 per cent thanks to our subsidiary Kivia Oy.”

Soapstone remains a popular choice as a lining stone for stoves. Sales of Tulikivi’s lining stones were up 15 per cent, representing a significant share of the company’s business operations. Our customers are the largest European manufacturers and our market share in lining stones is over 50 per cent. Tulikivi’s strengths are its quality, delivery reliability, ability to perform demanding stone working and good service.

Abundant Soapstone Reserves

Tulikivi’s operations hinge on the possession of sufficient soapstone reserves. Our Group makes soapstone fireplace products and architectural stones from its own raw materials. Non-soapstone natural stone products are made either from boulders or slabs procured from our partners.

In the beginning of 2004, Tulikivi Corporation discovered a major new soapstone deposit in Nunnanlahti, Juuka. The extent of the deposit is close to 2 000 000 gross cubic metres. Thanks to this new find, we now possess explored soapstone reserves to last us for about 65 years, as calculated in terms of our present production rate. Our deposits are located in Juuka, Suomussalmi, Kuhmo and Paltamo. Tulikivi Corporation’s strategic objective is for the company continually to have soapstone reserves that will suffice for over 50 years. The exploration of stone reserves is a long-term and ongoing operation. Tulikivi Corporation invests about EUR 500 000 each year into exploratory drillings and test quarrying.

Apart from the investments, use of the stone is enhanced through continuous development of products and production technology. We have decided to invest in cutting lines for small boulders at our factories to enable us to effectively work even smaller chunks of stone. The first line will go into operation in spring 2005 at the Juuka custom-made products factory. We have also introduced a finishing technique that smoothes out the colour variations of natural stones. Together with machine vision-based stone sorting, this technique significantly increases the efficiency of stone usage in our industrial processes and improves product finishing quality.

Focus Areas in the Near Future

Tulikivi’s strategy, both now and in the future, is to grow and improve its profitability. In the case of fireplaces, we seek growth from new customer segments and market areas. Major outlay areas include boosting distribution efficiency in Russia and Germany. In Finland, we will focus on one brand, phasing out the Mittakivi brand, while establishing multi-channel distribution with the interior decoration stone business. We will continue to launch new products. In the Architectural Stone Business, we seek growth from consumer customers in Finland. We will also further develop the products, service and distribution of Tulikivi’s interior decoration stone concept.

I would like to extend my warmest thanks to all our customers, partners and personnel for the past year.

Juuka, 28 February 2005

Juha Sivonen
Managing Director

Forging Ahead Towards the Objective

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 Tulikivi Group seeks growth in the Fireplace Business from new customer segments and new market areas. In the Architectural Stone Business, growth is sought from consumer customers in Finland.

Tulikivi Brand

In both the Fireplace and Architectural Stone Businesses, we focus on and devote our resources to the Tulikivi brand. A strong brand establishes a good foundation for successful business. The Mittakivi brand will be phased out in Finland at the beginning of 2005.

New Customer Groups

We expand systematically into new customer groups and markets. In addition, we employ segmentation to boost marketing effectiveness. The typical buyer of a Tulikivi fireplace values the product's heating characteristics especially highly. We look for new customers from segments such as people for whom interior decoration is an important lifestyle choice. We make carefully considered progress in expanding into new market areas such as Russia.

Overhauling the Distribution Network

We improve and overhaul our cooperation and distribution network. Stepping up distribution efficiency in our existing market areas is our constant challenge and the lifeblood of our competitiveness. To do this, we must train salespeople and seek new types of distribution solutions, to name but two of the necessary steps. In Finland, we work on building the distribution channel for interior decoration stone products. Increasing distribution efficiency in Germany plays a key role in exports.

Leading Product and Service Concept

Our product design, technology and service concept are developed to be second to none. Our products always represent the highest quality. Their looks and functionality meet the demands of even the most demanding customers. A key objective in the short term is to bolster the service concept of the Architectural Stone Business to the same standard as that of the Fireplace Business, emphasizing a focus on customers.

Continuous Quality Improvement

We continuously improve our quality, productivity and manufacturing technology. In order to maintain competitiveness, it is vital to upgrade quality and production efficiency. We constantly take small steps in our development efforts and invest in production technology.

More Value Added

The Tulikivi Group does not sell stone as a raw material. Rather, we process the products to the highest degree possible. In our lining stone business, for example, instead of supplying individual stones to European manufacturers, we provide them with stone packages that include mounting supplies.

Ensuring Raw Material Reserves

We ensure that we have sufficient raw material reserves to last us for over 50 years and continuously improve our supply. At present, Tulikivi possesses sufficient explored soapstone reserves to last us for at least about 65 years. We continuously explore new deposits. We increase the adequacy of our stone supply by using the raw material as precisely as possible. We have decided to invest in a cutting technique that makes it possible to utilize even small boulders economically.

Management Expertise

We hone our management skills and both the competence and motivation of our personnel. We have launched Tulikivi's Way of Working, which includes actively developing managerial work and committing personnel to our shared objective.

1. The modern look of the Titania fireplace combines beautiful, bluish Kivia Blue soapstone with glass and steel.

2. The key people behind Fireplace Business marketing. From the left: Marketing Manager Timo Vuorinen (lining stones), Marketing Director Heikki Vauhkonen, Area Manager Martti Purtola (Germany), Area Manager Peter Nordström (Scandinavia), Head of the Customer Service Centre Paavo Tuononen, Area Manager Kirill Rinne (Russia and CIS countries), Sales Manager Aki Nevalainen (Finland), Area Manager Michel Mercier (France, Belgium, the Netherlands, Switzerland, Austria and Italy) and Corporate Communications Director Anu Vauhkonen.

Fireplace Business

Tulikivi's Fireplace Business comprises soapstone quarrying, production, design, sales and marketing. Our products are soapstone fireplaces, bakeovens, cook stoves, custom-made products and sauna stoves. In addition, we supply soapstone lining stones to European heater manufacturers. Of our production plants and soapstone quarries, two are located in Juuka and one in Suomussalmi. Our subsidiary Kivia Oy is located in Kuhmo.

In 2004, Tulikivi was the market leader in industrially produced heat-retaining fireplaces in Europe. Our objective is to increase our market share in every territory. The growth challenges vary by market area.

Finnish Market

In Finland, heat-retaining fireplaces hold about 80 per cent of the entire fireplace market. Tulikivi fireplaces are the mainstream product in Finland. Tulikivi has been in business in Finland for 25 years. Our key challenges are to be able to renew ourselves, both in the case of our products and operating practices, and to meet the segmented needs of our extensive consumer base.

Our business environment in Finland is reasonably stable. Domestic manufacturers are strong in this market. However, one of the current trends is that the domestic market is slowly taking on continental European characteristics. The factors underlying this trend are that the interior decoration business is surging and people are looking abroad for ideas and inspiration – and this has led to greater diversity in consumer needs.

In 2004, the sales of Tulikivi and Mittakivi fireplaces in Finland remained at the previous year's level. In order to bolster its marketing effectiveness, Tulikivi is shifting to a single-brand policy. All Tulikivi Corporation products will be transferred under the same brand; the Mittakivi brand was phased out by the end of 2004. To date, distribution has focused on hardware stores. In future, the distribution channel will fan out to cover specialist stores as well. As operations expand into new customer segments, we will select the distribution channel in accordance with the target group.

Other Traditional Markets for Heat-Retaining Fireplaces

Countries where heat-retaining fireplaces hold at least ten per cent of the aggregate market are considered to comprise the traditional market area for such fireplaces. These countries include Sweden, Germany, Austria and Switzerland – markets to which Tulikivi has exported its products for twenty years. Estonia and Russia are later arrivals to this market area.

Heat-retaining fireplaces have not seen significant growth in the traditional territories and competition is tough. In these countries, master masons have comprised the distribution channel. However, this tradition of craftsmanship is slowly fading away. On the other hand, the decline in hand-made fireplaces creates a market for factory-produced heat-retaining fireplaces. One of the challenges facing Tulikivi in these markets is to seek and train suitable dealers.

In the traditional market area, Tulikivi holds a substantial share of the market for heat-retaining fireplaces, about ten per cent, and Tulikivi fireplaces are provided as customized special products. These countries have strong fireplace traditions. Their inhabitants know about the benefits of a wood-fuelled fireplace and value heat-

1. Pearly grey Tulikivi Sky soapstone give a lively touch to the Pilvi fireplace.

2. T750 is a semi-heat-retaining fireplace featuring clean lines. It does not take up a lot of space.

”In 2004, Tulikivi was the market leader in industrially produced heat-retaining fireplaces in Europe.”

retaining fireplaces as sources of heat and ambience.

Tulikivi begun to handle exports to Russia on its own in 2004. Exports have got off to a promising start. Consumers have shown strong interest in natural materials and they are familiar with wood-heating.

In the market area for traditional heat-retaining fireplaces, Tulikivi's total sales declined slightly in 2004. The year was particularly challenging in Germany. On the other hand, popularity has been stimulated by soapstone-lined heaters, for which Tulikivi supplies the lining stones.

New Market Areas for Heat-Retaining Fireplaces

The advantages and benefits of heat-retaining fireplaces and soapstone are not very well known in the countries that make up the new market areas for heat-retaining fireplaces. These countries include Norway, Belgium, the Netherlands, Luxembourg, the United States, Canada, France and Italy. There is no existing market for heat-retaining fireplaces in these countries – rather, consumers must be informed about their advantages and benefits. That said, the competition situation is excellent; heat-retaining fireplaces have virtually no direct competitors.

In these new territories, Tulikivi must establish the markets on its own. To do so, the company must operate with its eye on the long term. The greatest challenges involve setting up the distribution channel, training dealers and marketing. In addition, competing forms of heating, such as gas and coal, are used in these countries.

Sales in the new market areas for heat-retaining fireplaces grew in 2004 and the sales trend is edging upwards.

Exporting Lining Stones

The customers of Tulikivi's lining stone business are European heater manufacturers operating in market segments that do not warm up to heat-retaining fireplaces. Tulikivi does not have its own lining stone products, but rather acts as an outsourcer for heater manufacturers. Tulikivi's share of these markets is over 50 per cent. Most of the markets of the lining stone customers are located in Germany and the Nordic countries. Tulikivi engages in concerted and long-term cooperation in product design with its major customers. The market for stone-lined heaters is divided into two categories: cheap heaters featuring minimal stone lining and heaters whose stone lining gives them partial heat-retaining characteristics.

The market for soapstone-lined heaters continued growing in 2004. In its production operations, Tulikivi has earmarked resources for suitable machine tools that can make better use of the mouldability of soapstone with a view to satisfying customer needs.

Substantial Increase in Stone Reserves

In March 2004, the Tulikivi Group had great news for the stock exchange and the media: we discovered a major new soapstone deposit in Nunnanlahti, Juuka. The stone is of a good quality and the extent of the deposit is close to 2,000,000 gross cubic metres. Ensuring a sufficient supply of raw material depends not only on the continuous exploration of new deposits but also on the precise use of stone and related development projects. Thanks to this new find, Tulikivi now possesses explored soapstone reserves to last the company for at least 65 years. The adequacy of the stone supply is measured in years of use at the present volume. We make continuous outlays on finding new stone deposits to secure our reserves far into the future.

Salla – the Lightest New Fireplace

Salla, the new product we rolled out in autumn 2004, was developed with the Norwegian market in mind. Salla combines the lightness of a heater with the pleasant radiative heat of soapstone. Its stream-lined design beautifully accentuates the texture of its stone surface. This lightweight fireplace weighs only 345 kg and can be installed on a timber floor or, say, the second story of a house.

Our Subsidiary Kivia Performs Well

The Tulikivi Group acquired Kivia Oy in October 2003. Kivia is a company that manufactures soap-stone fireplaces in Kuhmo. The integration of the company into the Group has proceeded extremely well, bolstering Tulikivi's position as the market leader in heat-retaining fireplaces. The subsidiary has served to expand Tulikivi's product range and distribution channel. What's more, Kivia's stone reserves have substantially augmented the Group's soapstone reserves. In 2004, Kivia Oy achieved the first positive financial result in its history.

Machine Vision Facilitates Stone Sorting

Soapstone is a natural material and thus features colour variations. Tulikivi's standard fireplace factory in Juuka uses machine vision for the consistent classification of stones by hue. The deployment of this technology is a unique innovation in the stone industry. The installation of the machine vision equipment and the meshing of the system with production line operations have comprised a challenging project. In 2004, the polishing lines of the machine vision-sorted stones were modernized. The hues of the stones can now be managed better than ever before.

1. Soapstone is an excellent flooring material because it does not clatter, it retains the heat and it is not slippery even when wet.

2. Tulikivi's Architectural Stone Business Management Team. From the left: Factory Manager Matti Silvennoinen, Sales Manager Jukka Järvinen, Export Manager Teddy Kullberg, Product Manager Tapani Ylihärsilä, Architectural Stone Business Director Jouko Toivanen, Sales Manager Matti Ainasoja, Project Manager Jaakko Peltonen and Special Stone Salesman Ilari Vauhkonen.

Architectural Stone Business

Tulikivi Corporation's Architectural Stone Business comprises household interior decoration stone products and deliveries of stone materials for construction sites. The products are made of soapstone, granite, marble, limestone and other natural stones. The interior decoration stone products are suitable for various household uses, such as for the kitchen, the bathroom, floors, stairs and wall tiling – and as architectural stones, too. For landscaping, we offer cladding of dry walls and plinth stones, garden benches and landscaping slabs. Tulikivi has its own architectural stone production plants in Taivassalo and Vinkkilä as well as a stone works in Espoo.

A Profitable Year for Interior Decoration Stone Business

The interior decoration stone business focuses on consumer customers: homebuilders, renovators and interior decorators. Tulikivi has expanded its product range to meet interior decoration trends – for example, by introducing marble and soapstone mosaics. In 2004, we also focused on honing our sales and installation services to better match customer needs. Our end-to-end service concept extends from design to installation. Customers can also opt for custom manufacture and installation of interior decoration stones. In the case of interior decoration stones, the result was in the black for the first time in 2004.

During the year now ended, we actively sought new cooperation partners. Tulikivi's interior decoration stone products are now stocked by the keittio.net chain, among others. Efforts to build the distribution channel are still ongoing. Partners are sought particularly from amongst kitchen stores and prefab house companies as well as tile and construction companies. Professional interior designers and architects also play an important role.

In the delivery of stones for construction sites, Tulikivi focuses on the Greater Helsinki Area. Price competition was tough during the year now ended, heating up further due to the greater influx of Chinese stones into the market.

Growth from Consumers

In line with the Group's strategy, the Architectural Stone Business also intends to achieve not only growth, but also profitability. In the Architectural Stone Business, we earmark our outlays on interior decoration stones, whose market in Finland is estimated to see annual growth of about 15 per cent. Tulikivi will seek even stronger growth from this sector.

We will continue to forge the Tulikivi end-to-end concept in the Architectural Stone Business, with a particular focus on the consumer target group. Many factors contribute to making an end-to-end concept viable: an attractive product palette, good quality, delivery reliability, knowledgeable service, well-run distribution channels and consistent marketing.

Tulikivi Center Serves an Extensive Clientele

In February 2004, we opened a Tulikivi Center store in Espoo. At the Center, customers enjoy better service than ever before. The store offers fireplace, heating, interior decoration and paving stone products under one roof, complete with dimensioning and installation services. Customers can have a look at over 50 installed fireplaces, along with a wide selection of interior decoration stone products ranging from stone mosaics to kitchen countertops and bathroom tiles. The Tulikivi Center also has a firewood pickup point. The Center has become popular – it effectively reaches the entire city's homebuilders.

Publicity for the Year of Stone 2004

The Finnish Natural Stone Association dubbed 2004 the Year of Stone. The purpose of this theme year was to raise awareness of the stone industry and the use of natural stone as well as increase the use of stone in home interior decoration solutions. As part of the Year of Stone, numerous groups of reporters and multi-actor committees came to visit Tulikivi. One of the high points of the year was the Annual General Meeting of Euroroc, the European and International Federation of Natural Stone Industries, which was held at the Finnish Stone Centre in Juuka. The meeting confirmed Euroroc's new president for Finland's presidency of the federation in 2004 - 2005: Reijo Vauhkonen, the founder of Tulikivi Corporation and the Vice Chairman of the Board of Directors.

Creative Development Led to Soapstone Mosaic

The precise and creative use of soapstone is a matter of pride to Tulikivi. Accordingly, we have developed soapstone mosaic, meeting the trend for the use of mosaics in interior decoration. Our mosaic is a Finnish product through and through. The mosaics unveiled in autumn 2004 feature three layout alternatives. They are easy to combine with not only other kinds of natural stones, but also other materials. Soapstone mosaics are suitable for both humid and non-humid premises. Soapstone does not clatter or echo, and is not slippery even when wet. Like most natural stones, it is a low-maintenance and long-lived interior decoration material.

Large Stone Delivery for the Second Construction Stage of the Sello Shopping Centre

The Sello shopping centre, currently under construction in the Espoo market area, will be a modern shopping and service centre. The second stage of the works will be seen to completion in 2005, at which point it will be the largest shopping centre in the western half of the Greater Helsinki Area. Tulikivi Corporation landed the contract for Sello's stone deliveries in competitive bidding.

The stone deliveries include 4 000 square metres of limestone and about 2 000 square metres of Finnish granite. A key consideration in the delivery was quality assurance over the entire procurement and processing chain. During the business and technical negotiations, the quality and technical characteristics of the stones were evaluated carefully. The quality of the completed, installed surface is being overseen by many parties: Tulikivi, the construction company, the architect and the building owner.

1. The first group of Tulikivi employees completed their coaching in Tulikivi's Way of Working in autumn 2004. The photo was taken at the Soapstone Museum in the Stone Village, Juuka. Soapstone has been quarried in the area since the 19th century.

Tulikivi's Way of Working

In 2004, Tulikivi's Management Team devoted itself to thinking about and streamlining leadership practices and procedures. The Team's aim was to ensure that the company can best achieve its objectives and meet the challenges posed by tightening competition and the changing world.

The Management Team came up with a shared vision of Tulikivi's Way of Working. It is based on a clear vision and objectives as well as the company's values. The Way of Working also encompasses managerial work and leadership, both of which set the tone of day-to-day operations.

Bedrock of Values Guides Operations

Tulikivi's values are courage, entrepreneurship, satisfied customers and fair play. The company's leadership and all of its operations are based on these values. In all that they do and the choices they make, all Tulikivi employees seek to make these values a reality. These values are elaborated into actions in each and every one of the teams throughout the organization. It has been pondered what Tulikivi's values mean in the context of every individual's own work. Our values are thus realized in our day-to-day operating practices. When establishing consistent methods for reaching the company's objectives, it is good to have a strong bedrock of values to build on.

Communicating the Vision Clearly

The vision and strategy comprise a message – and the message must be sufficiently simple and unambiguous. Everyone must be able to understand it and take it to heart. Tulikivi's Management Team brought the vision and strategy into sharper focus in 2004 and disseminated the message to every level in the organization. The implementation of objectives has been kept as simple and clear-cut as possible. Tulikivi's Way of Working also means that personal objectives for all Tulikivi employees have been derived from the vision and strategy. Everyone has their own role and duty in working towards the overall objectives – and everyone knows what this means in their everyday work. Clear and sufficiently challenging personal objectives also provide job motivation and improve well-being at work.

Managerial Work Plays an Important Role

Above all, Tulikivi's Way of Working entails developing human leadership skills at the managerial level. Supervisors must know the physical and psychological resources of their subordinates. Then the right people can be assigned to the right positions in the organization to efficiently do what needs to be done to realize the company's vision and strategy. Another task of supervisors is to encourage those under them to keep improving themselves – even when this means pushing oneself beyond one's own limits. Surpassing oneself gives one a sense of accomplishment. In addition to setting clear objectives and supervising their achievement, supervisors must also see to it that employees still find their work satisfying, are enthusiastic and do not burn themselves out.

Tulikivi has trained its supervisors and key employees in key leadership skills and their role as the coaches of their subordinates and developers of operations. The coaching of the first group within Tulikivi's own organization was completed in December

2. The Jugend fireplace was designed one hundred years ago by Saarinen, Lindgren and Gesellius, Architects. Tulikivi Corporation’s range of fireplaces includes three of this firm’s Jugend fireplaces.

2004. Current and upcoming challenges in managerial work and leadership were faced up to and addressed in association with the Trainers’ House business training company. During their training, the supervisors and key employees of units located at a great distance from each other have had the chance to forge and tighten intra-unit cooperation. This has improved the flow of information between different business locations and functions. Tulikivi’s best practices are also thus disseminated effectively within the organization and they can be developed further.

”When establishing consistent methods for reaching the company’s objectives, it is good to have a strong bedrock of values to build on.”

Gauging Operations

Tulikivi has for a long time used a Balanced Scorecard to support operational control. Instead of measuring individual results, it has been set up to gauge the operations that will lead to the result. The Scorecard serves as an efficient and living tool for supervision and control in day-to-day operations.

Tulikivi’s Way of Working applies to each and every Tulikivi employee. It is an ongoing development process that rallies the whole organization to meet the challenges of the future both boldly and enthusiastically.

Tulikivi's Board of Directors at the Soapstone Museum in the Stone Village, Juuka. From left to right: Reijo Vauhkonen, Eero Makkonen, Matti Virtaala, Juhani Erma, Heikki Vauhkonen, Aimo Paukkonen and Bishop Ambrosius.

Tulikivi Corporation's Board of Directors

Matti Virtaala

Chairman of the Board (b. 1951).
B.Sc. (Eng.), 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:
Series K shares: 340 000
Series A shares: 264 027

Reijo Vauhkonen

Vice Chairman of the Board (b. 1939).
M.Sc. (Civil Eng.), founder of the company. Managing Director of Tulikivi Corporation from 1980 to 1989. Full-time 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 the Finnish Natural Stone Association, Product Industry Division's Board Member of the Confederation of Finnish Construction Industries RT, Vice Chairman of the Board of Stone Pole Oy, President of Euroroc, the European and International Federation of Natural Stone Industries, during Finland's presidency from 2004-2005.
Tulikivi Corporation share ownership:
Series K shares: 713 125
Series A shares: 325 852

Bishop Ambrosius

(b. 1945).
Bishop for the City of Helsinki Orthodox Diocese. 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:
Series A shares: 2 277

Juhani Erma

(b. 1946).
LL.Lic. (trained on the Bench), Senior Advisor for the 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, the Vice Chairman of the Board of Silmäsäätiö (the Finnish Eye Foundation), Member of the Supervisory Board of the Mortgage Society of Finland, Member of Hallitusammattilaiset ry (the Finnish Association of Professional Board Members).
Tulikivi Corporation share ownership:
Series A shares: 5 277

Eero Makkonen

(b. 1946).
B.Sc. (Eng.). 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 until 20 April 2004.
Tulikivi Corporation share ownership:
Series A shares: 2 277

Aimo Paukkonen

(b. 1941).
B.Sc. (Eng.). 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 Tripot Oy, Member of the Board of Fodesco Oy.
Tulikivi Corporation share ownership:
Series A shares: 8 277

Heikki Vauhkonen

(b. 1970).
LLB and BBA. Marketing Director of the Tulikivi Group's Fireplace Business. Member of the Board of Directors of Tulikivi Corporation since 2001.
Tulikivi Corporation share ownership:
Series K shares: 724 375
Series A shares: 24 867

Tulikivi Corporation and its subsidiaries comply with the recommendations on the Corporate Governance of listed companies that were released by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT and which came into force on 1 July 2004.

Annual General Meeting

The Annual General Meeting is held each year no later than by the end of June on the day set by the Board of Directors. The tasks of the Annual General Meeting are set forth in the Companies Act and the Articles of Association. According to the Articles of Association, the Board of Directors shall issue the invitation to the meeting by publishing a Notice of Meeting in a wide-circulation newspaper selected by the Board of Directors no earlier than two months and no later than 17 days before the Annual General Meeting. The Notice of Meeting shall also be published as a stock exchange bulletin and on the company's Internet site.

The proposal on the composition of the Board of Directors and the name of the nominated auditor will be published once the company has been made aware of them and the candidates have given their consent to being elected.

Board of Directors

The Board of Directors' task is to guide the company's operations such that operations in the long run yield substantial added value on the capital employed, while simultaneously taking different interest groups into consideration. The Board of Directors adheres to written rules of procedure, which describe the tasks of the Board of Directors and the Chairman of the Board as well as the planning and evaluation of the Board's activities. The Board is responsible for the company's administration and the due organization of operations. The Board directs and supervises the company's operational management; appoints and dismisses the Managing Director; approves the company's organization model; approves the company's strategic objectives, budget, total investments and their allocation, and the reward systems employed; decides on agreements that are of far-reaching consequence and the principles of risk management; and ensures that the management system is operational. The Board of Directors ratifies the values that are to be followed in the company's vision and operations.

The Board of Directors shall have no less than five and no more than seven members. The Annual General Meeting elects the members for terms of one year. The members of the Board of Directors of the Group's parent company also serve as members of the Boards of the Group's business subsidiaries. Due to the size of the Group and the nature of its operations, the Board of Directors has determined that there is no need to form committees other than a Nomination Committee.

At Tulikivi Corporation's Annual General Meeting held on 20 April 2004, the following Board members were elected: Bishop Ambrosius, Juhani Erma, Eero Makkonen, Aimo Paukkonen, Heikki Vauhkonen, Reijo Vauhkonen and Matti Virtaala. The Board of Directors elected from amongst its members Matti Virtaala as Chairman and Reijo Vauhkonen as Vice Chairman. The Board members who are independent of the company are Bishop Ambrosius, Juhani Erma, Eero Makkonen, Aimo Paukkonen, Reijo Vauhkonen and Matti Virtaala. The Board members who are independent of the company's major shareholders are Bishop Ambrosius, Juhani Erma, Eero Makkonen and Aimo Paukkonen.

At the Annual General Meeting of 20 April 2004, the annual remuneration of Board members was set at EUR 10,920. In accordance with the resolution of the Annual General Meeting, 40 per cent of the annual remuneration of each Board member will be paid in the form of Series A shares in Tulikivi Corporation. In addition, the Chairman of the Board of Directors will be paid an EUR 5 200 monthly fee, the Vice Chairman an EUR 2 540 monthly fee and the director serving as secretary to the Board of Directors an EUR 520 monthly fee. Board members who perform non-Board assignments for the company shall be reimbursed on the basis of time rates and bills approved by the Board of Directors.

In 2004, the company's Board of Directors convened 12 times. The average participation rate of Board members in these meetings was 89.3 per cent.

Managing Director

The Managing Director attends to the day-to-day management of the company as specified in the statutes of the Companies Act and the instructions and regulations laid down by the Board of Directors. The Managing Director is responsible for line operations, the implementation of the budget, the company's financial result, the activities of his subordinates, the legality of the company's operations and accounting, the reliable organization of funding and keeping the Board of Directors fully informed of the company's situation and operating environment. A written agreement on the terms and conditions of the Managing Director's employment is drafted with his participation and then approved by the Board of Directors.

As from 1 November 2001, the company's Managing Director has been Juha Sivonen. The Managing Director's age of retirement is 63. His pension is based on the statutory pension system. The Managing Director's period of notice is three months. If the company terminates his employment contract, the period of notice is 12 months. In 2004, the Managing Director's monthly salary was EUR 10 620.

In the management and planning of line operations, the Managing Director is assisted by the Management Team, whose members are the Legal and Human Resources Director, the Marketing Director, the Financing Director, the Financial Director, the Production Management Team Director, the Product Development Director and the Corporate Communications Director.

Reward System

Tulikivi has a reward system whose principles are applicable not only to the company's Managing Director and members of the Management Team, but also to all salaried employees. The payment of rewards hinges on surpassing the previous year's financial result. The criteria and recipients of the rewards are decided annually by the company's Board of Directors.

Insiders

Tulikivi Corporation complies with the Guidelines for Insiders that were prepared by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers TT and which came into force on 1 March 2000. 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 organization and procedures applicable to Tulikivi's insider administration. Permanent Tulikivi Corporation insiders include the statutory insiders defined in the Finnish Securities Act as well as specified insiders; at Tulikivi Corporation, the latter are persons who have regular access through their work to information that might substantially affect the value of the Group's securities. The Group's insider register is maintained by Finnish Central Securities Depository Ltd.

Internal Auditing and Risk Management

The Board of Directors sees to it that the company has defined operating principles for internal auditing and that the company monitors the effectiveness of supervision. The company's internal audit, covering the areas determined by the Board of Directors, is handled by the external auditors PricewaterhouseCoopers Oy. Risk management is part of the supervision system. The company has defined risk management principles. The company assesses risks at regular intervals. On the basis of these assessments, the Board of Directors and the Managing Director decide on what measures are necessary.

Audit

The auditor is elected at the Annual General Meeting for a term ending at the conclusion of the subsequent Annual General Meeting. The auditor proposed by the Board of Directors is reported in the Notice of Meeting, if known at that time, or separately after the actual Notice has been sent.

At the Annual General Meeting of 20 April 2004, PricewaterhouseCoopers Oy, Authorized Public Accountants, was appointed as the company's auditor. In 2004, PricewaterhouseCoopers Oy received a total of EUR 97 102 in remunerations. The audit accounts for EUR 66 082 of this figure.

Environmental Policy

Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified subareas. Key issues in the management of Tulikivi's environmental policy are guiding production processes such that stone is used with optimal efficiency, meeting legislative requirements in mining operations and forecasting product-related emission norms as a subarea of effective product design.

Communications

Key information about the company's administration is published on the Tulikivi Group's Internet site (www.tulikivi.com). The company's stock exchange bulletins are posted on the site immediately after their publication.

Financial Risk Management

The Group's financing and financial risk management functions have been centralized within the Group management's financial department. Financing functions are geared towards supporting the implementation of the Group's strategy by ensuring that the Group enjoys adequate and cost-effective financing. The financial 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 liquidity is based on financial budgeting and short-term cash asset planning. Short-term financing has been arranged through Group accounts with an overdraft facility and binding credit facilities. Tulikivi allocates its cash assets into investments with a low credit risk in accordance with the company's financing policy.

Interest Rate and Currency Exposures

Tulikivi has minimized the interest rate risk related to interest-bearing liabilities by ensuring that 28 percent of the Group's loan portfolio consists of fixed interest rate loans and 72 percent of floating rate loans. Due to its small amount of financial asset securities the related interest rate risk is low.

Of the Group's sales revenues, 91 per cent were generated in euros. Accordingly, the Group's currency exposure in other currencies is minimal. Tulikivi hedges its predicted foreign currency sales mainly through forward currency contracts, with the degree of hedging varying case by case.

Credit Risk

Credit risks related to trade receivables have been reduced through customer credit insurances. On 31 December 2004, customer credit insurance covered 40 per cent of the Group's receivables. In its financing activities, the Group only uses financial institutions that have a high credit rating as counterparties in its derivative contracts and cash transactions.

The members of the Management Team, from left to right: Anu Vauhkonen, Salli Hara-Haikkala, Juha Sivonen, Pekka Horttanainen, Teemu Voutilainen, Arja Lehikoinen, Jouko Toivanen and Heikki Vauhkonen.

Tulikivi Group's Management Team

Juha Sivonen

(b. 1962).
M.Sc. (Civil Eng.). Managing Director of Tulikivi Corporation. Member of the Management Team since 1987. Chairman of the Management Team as from 1 November 2001.
Tulikivi Corporation share ownership:
Series K shares 25 000

Heikki Vauhkonen

(b. 1970).
LLB and BBA. Marketing Director of the Fireplace Business. Member of the Management Team since 2001.
Tulikivi Corporation share ownership:
Series K shares 724 375
Series A shares 24 867

Arja Lehikoinen

(b. 1954).
M.Sc. (Econ.), MBA. Financing Director. Member of the Management Team since 1984.
Tulikivi Corporation share ownership:
Series A shares 17 330

Jouko Toivanen

(b. 1967).
D.Sc. (Tech.). Financial Director and Director of the Architectural Stone Business. Member of the Management Team since 1995.
Tulikivi Corporation share ownership:
Series A shares 500

Anu Vauhkonen

(b. 1972).
M.A. Corporate Communications Director. Member of the Management Team since 2001.
Does not own shares in Tulikivi Corporation.

Salli Hara-Haikkala

(b. 1966).
LLM (trained on the Bench). Legal and Human Resources Director. Member of the Management Team since 1999.
Does not own shares in Tulikivi Corporation.

Pekka Horttanainen

(b. 1963).
M.Sc. (Eng.). Product Development Director. Member of the Management Team since 2003.
Does not own shares in Tulikivi Corporation.

Teemu Voutilainen

(b. 1953).
B.Sc. (Eng.). Production Management Team Director. Member of the Management Team since 2003.
Does not own shares in Tulikivi Corporation.

Stone is a versatile interior decoration material. For example, it can be used not only to make fireplaces, but also kitchen countertops, bathroom surfaces or window benches.

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Tulikivi Corporation will be held in the Kivikylä auditorium in Nunnanlahti, Juuka, on 31 March 2005, starting at 10:00. Financial statement documents will be available for inspection at the company's head office in Nunnanlahti as from 21 February 2005. Copies of these documents will be sent to shareholders upon request. The right to participate in the Annual General Meeting rests with a shareholder who by 21 March 2005 at the latest has been registered in the company's shareholder list that is maintained by Finnish Central Securities Depository Ltd. Shareholders who wish to attend the Annual General Meeting must notify the company thereof by 21 March 2005, either by telephoning Kaisa Toivanen at +358 13 681 1251, by emailing kaisa.toivanen@tulikivi.fi or by writing to the address Tulikivi Corporation/Annual General Meeting, FI-83900 Juuka.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the following dividends be paid for the fiscal year 2004:

On Series A shares	EUR 0.23 /share
On Series K shares	EUR 0.22 /share

Due to the transfer to the book-entry securities system, dividends will be paid on shares that have been recorded on the record date in the shareholder list that is maintained by Finnish Central Securities Depository Ltd. The record date for the dividend payout is 5 April 2005. The Board of Directors proposes to the Annual General Meeting that the dividend payout date be 12 April 2005.

Share Register

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

Financial Reports

Tulikivi Corporation will publish the following financial reports in 2005:

Financial statement bulletin for 2004	7 February, 2005
Bulletin on the changeover to IFRS	3 March, 2005
Annual Report for 2004	week 11
Interim Report for January-March	21 April, 2005
Interim Report for January-June	21 July, 2005
Interim Report for January-September	21 October, 2005

The Annual Report, Interim Reports and the company's stock exchange bulletins are published in Finnish and English. The Annual Report is mailed to all shareholders. Financial reports are posted on the company's site, www.tulikivi.com, on their day of publication. Reports may also be ordered by emailing tulikivi@tulikivi.fi, by writing to the address Tulikivi Corporation/Financial Reports, FI-83900 Juuka, or by telephoning +358 13 681 111. If you have questions concerning investor relations, please contact the company's Financing Director Arja Lehikoinen at tel. +358 13 681 1260.

Tulikivi Corporation Shareholders Policy

No matter what we do, we keep profitability and growth in mind.
Stable increase in value financial yield of share.
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.

Tulikivi's Stock Exchange and Press Bulletins in 2004

5 February	Financial statement bulletin
11 February	Jubilee year of the Jugend collection: Eliel, Herman and Armas – a hundred years of warm hearts
24 February	Tulikivi Center opened in Espoo
9 March	Tulikivi Corporation supports education in stoneworking: 14 people from Suomussalmi complete a vocational degree in stoneworking
12 March	Tulikivi increases its soapstone reserves
20 April	Resolutions of the Annual General Meeting
22 April	Interim Report for January-March
8 June	Tulikivi's interior decoration stone products included in keittio.net's product range
26 July	Interim Report for January-June
6 August	Reijo Vauhkonen appointed as president of Euroroc
23 August	Pale new products from Tulikivi: Talvikki and Lumikello – beautiful tile fireplaces with a soapstone heart
8 September	Salla – Tulikivi's lightest new fireplace
8 September	Tulikivi's soapstone mosaics – new shapes for stone surfaces
21 October	Interim Report for January-September
22 December	Tulikivi Corporation's Financial Reporting in 2005

Board of Directors' Report

Markets

In Finland, the new construction and renovation of single-family houses remained brisk in 2004. The fireplace market grew by over three per cent. The market situation varied in export territories. Demand for fireplaces did not increase in continental European export countries. Slow economic growth put the brakes on private consumption and in Germany, for example, the focus of demand shifted to cheaper products. With the exception of Germany, Sweden and Austria, sales of Tulikivi fireplaces rose in all export countries. The popularity of lightweight fireplaces enlarged the market for lining stones.

Demand for interior decoration stone products grew in Finland thanks to the fast-paced construction of single-family houses. The construction of offices and public premises declined substantially, decreasing demand for construction stone contracting.

Net Sales and Result

In 2004, the Tulikivi Group's net sales increased by 3.1 per cent to EUR 55.3 million (EUR 53.6 million in 2003). The net sales of the Fireplace Business were EUR 49.0 million (45.3), up 8.2 per cent. Sales of lining stones and fireplaces grew equally well. Lining stones accounted for a significant share of the Group's net sales. Kivia Oy's share of the Group's net sales was EUR 3.0 million.

The net sales of the Architectural Stone Business were in line with its objective and amounted to EUR 6.3 million (8.3).

The share of aggregate net sales derived in Finland was EUR 27.6 million (27.7), or 50.0 per cent (51.7). Exports yielded net sales of EUR 27.7 million (25.9). The biggest export countries were Germany and Sweden. Exports of fireplaces to Germany declined.

The Group's operating profit improved by 19.2 per cent to EUR 5.0 million (4.2). The Group's profit before extraordinary items amounted to EUR 4.9 million (4.3), representing 8.8 per cent (7.9) of net sales. The result of the Fireplace Business amounted to EUR 5.0 million (5.2). The result of the Architectural Stone Business was EUR -0.1 million (-0.9). Kivia's result was in the black.

The Group's return on capital employed stood at 16.2 per cent (13.7). Earnings per share amounted to EUR 0.38 (0.34). The taxes included in the calculations are the taxes of the Group companies for the financial year.

Cash Flow and Financing

The Group's financial position remained good. The cash flow from operating activities before investments was EUR 6.6 million (8.2). The Group's operating capital grew by EUR 0.8 million (-1.2) during the financial year. The current ratio was 1.9 (1.8). The equity ratio was 55.6 per cent (58.7). The ratio of interest-bearing net debt to shareholders' equity, or gearing, was 12.1 per cent (5.5). Own capital investment ratio was 1.8 per cent (3.1). Equity per share amounted to EUR 2.55 (2.68). Financial income during the financial year amounted to EUR 0.2 million and financial expenses to EUR 0.3 million.

Investments and Development Activities

The Group's fixed assets investments amounted to EUR 3.9 million (2.9). The major investments were earmarked for machinery to develop productivity and product finishing as well as for the opening and exploration of quarries.

R&D expenditure totalled EUR 1.5 million (1.3). The main focus in R&D was on the development of a new generation of products designed from the ground up to make use of different types of soapstone. In addition to new soapstone fireplaces, the company brought to market a new lightweight fireplace and tiled soapstone fireplaces during the financial year.

Personnel

During the financial year, the Group employed an average of 513 persons (555) and at the end of the year, the Group's personnel numbered 535 persons (562). Of these employees, 490 (494) worked for the Fireplace Business and 45 (68) for the Architectural Stone Business. Thanks to the Group's result for 2004, personnel can be paid incentive pay. The effect on earnings of the incentive pay and the related social expenses amounts to EUR 0.7 million.

Board of Directors, Managing Director and Auditors

At Tulikivi Corporation's Annual General Meeting, held on 20 April 2004, 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. From amongst its number, the Board of Directors appointed Mr. Matti Virtaala as Chairman and Mr. Reijo Vauhkonen as Vice Chairman. The Managing Director of Tulikivi Corporation is Mr. Juha Sivonen. The auditors are PricewaterhouseCoopers Oy, Authorised Public Accountants, with Hannele Selesvuo, Authorised Public Accountant, as chief auditor.

Environmental Obligations

On the basis of the Mining Act and environmental legislation, Tulikivi Corporation has landscaping obligations that must be met when quarries are eventually shut down. In accordance with the operating principles of the Group, the actions required under these landscaping obligations are continuously carried out as part of production quarrying. Thus, no significant additional costs are expected.

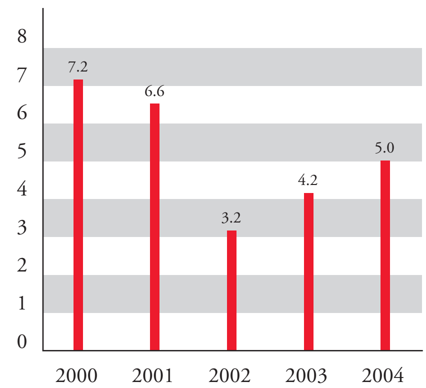
Adoption of IFRS

The Tulikivi Group will adopt IFRS reporting from the beginning of 2005. On 3 March 2005, the company will publish a separate bulletin on the adoption to IFRS and the effects of the adoption on shareholders' equity on 1 January 2004 and 31 December 2004 and on the result for 2004. The Group's shareholders' equity on 31 December 2004 under IFRS does not significantly deviate from the shareholders' equity presented under the current accounting practices.

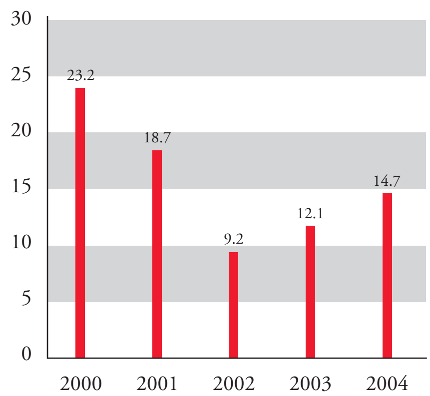
Outlook for the Future

In Finland, economic growth is expected to remain moderate. Growth in the construction of single-family houses is ongoing. Economic growth is slower in continental Europe. The company is improving its distribution system in Germany; this is expected to have a positive effect in the future. Growth is expected to continue in the other export countries. The trend in the Group's net sales and earnings will remain positive at the annual level.

Operating profit, MEUR



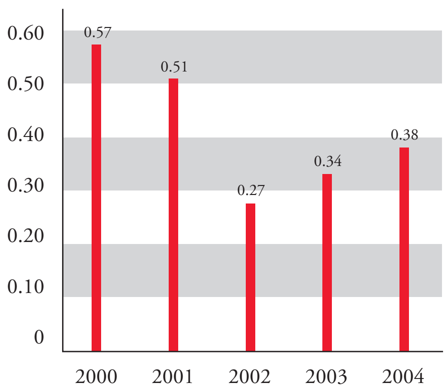
Return on equity, %



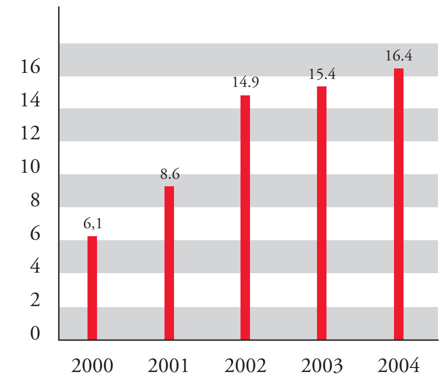
Income Statement 1.1. – 31.12.

		Group		Parent company	
EUR 1 000	Note	2004	2003	2004	2003
Net sales	1.1.	55 291	53 611	51 788	46 546
Increase (+) / decrease (-) in inventories in finished goods and in work in progress		476	388	78	106
Production for own use		842	364	280	362
Other operating income	1.2.	525	560	920	524
Materials and external charges	1.3.	15 987	14 880	14 900	12 431
Personnel expenses	1.4.	20 095	20 699	19 141	17 439
Depreciation and value adjustments	1.5.	4 265	4 111	3 867	3 469
Other operating expenses		11 753	11 009	10 729	9 539
Operating profit		5 034	4 224	4 429	4 660
Financial income and expenses	1.6.	-161	36	-119	96
Profit before extraordinary items		4 873	4 260	4 310	4 756
Extraordinary items	1.7.		9	167	3 490
Profit before untaxed reserves and income taxes		4 873	4 269	4 477	8 246
Untaxed reserves	1.8.			28	-39
Income taxes	1.9.	-1 419	-1 239	-1 454	-1 276
Profit for the year		3 454	3 030	3 051	6 931

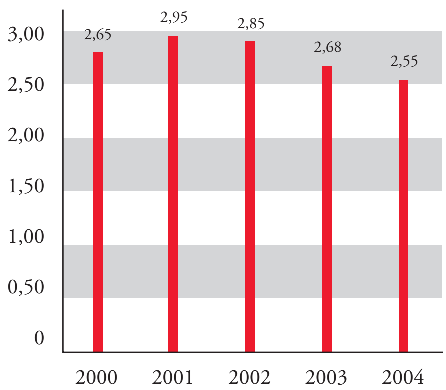
Earnings per share, EUR



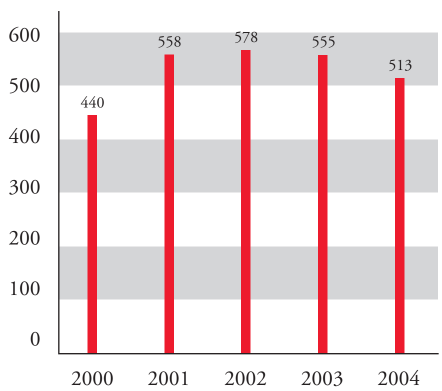
P/E ratio



Equity/share, EUR



Personnel



Balance Sheet 31.12.

EUR 1 000	Note	Group 2004	Group 2003	Parent company 2004	Parent company 2003
ASSETS					
Fixed assets and other non-current investments					
Intangible assets	2.1.	3 751	3 321	2 902	3 460
Goodwill	2.1.	340	632		
Tangible assets	2.2.	15 745	16 380	15 014	15 526
Investments					
Shares in group companies	2.3.			570	223
Group receivables	2.4.			524	34
Other investments	2.5.	69	72	69	72
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS, TOTAL		19 905	20 405	19 079	19 315
Current assets					
Inventories	2.6.	7 455	6 955	6 624	6 521
Deferred tax assets	2.7.			1 119	545
Non-current receivables	2.8.	603	680	63	30
Current receivables	2.9.	7 926	7 133	7 321	6 707
Marketable securities		752	737	752	737
Cash in hand and at banks		5 087	5 764	4 855	5 553
TOTAL CURRENT ASSETS		21 823	21 269	20 734	20 093
TOTAL ASSETS		41 728	41 674	39 813	39 408
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders´ equity					
Capital stock	2.10.	6 192	6 192	6 192	6 192
Share premium fund	2.10.	5 351	5 351	5 351	5 351
Retained earnings	2.10.	8 200	9 811	5 402	3 089
Profit for the year	2.10.	3 454	3 030	3 051	6 931
TOTAL SHAREHOLDERS´ EQUITY		23 197	24 384	19 996	21 563
UNTAXED RESERVES					
Accelerated depreciation				3 110	3 138
PROVISIONS	2.12.	215	60	200	60
Liabilities					
Deferred tax liability	2.13.	549	694	4	4
Non-current liabilities	2.14.	6 490	5 050	6 212	4 228
Current liabilities	2.15.	11 277	11 486	10 291	10 415
TOTAL LIABILITIES		18 316	17 230	16 507	14 647
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41 728	41 674	39 813	39 408

Cash Flow Statement 1.1. – 31.12.

	Group		Parent company	
EUR 1 000	2004	2003	2004	2003
Cash flow from operating activities				
Profit before extraordinary items	4 873	4 260	4 310	4 756
Adjustments for:				
Depreciation	4 265	4 111	3 867	3 469
Other non-payment-related expenses	155	60	140	60
Financial income and expenses	155	-28	119	-96
Other adjustments	-38	-85	-15	-8
Cash flow before working capital changes	9 410	8 318	8 421	8 181
Change in net working capital:				
Increase (-) / decrease (+) in current non-interest bearing receivables	-730	1 564	-555	1 814
Increase (-) / decrease (+) in inventories	-500	-318	-103	-20
Increase (+) / decrease (-) in current non-interest bearing liabilities	465	-12	280	426
Cash generated from operations before financial items and income taxes	8 645	9 552	8 043	10 401
Interest paid and payments on other financial expenses from operations	-340	-322	-298	-307
Dividends received	32	26	31	26
Interest received	120	192	116	184
Income taxes paid	-1 811	-1 273	-1 806	-1 222
Cash flow before extraordinary items	6 646	8 175	6 086	9 082
Extraordinary items paid		9	166	122
Net cash flow from operating activities (A)	6 646	8 184	6 252	9 204
Net cash flow from investing activities				
Investments in tangible and intangible assets, gross	-3 658	-2 613	-2 841	-2 553
Investment grants received	210	71	8	71
Proceeds from sale of tangible and intangible assets	42	87	51	58
Loans given			-1 080	-940
Acquired subsidiary companies	-88	-185	-88	-260
Other investments	-737	-1 850	-737	-1 850
Repayments of loan receivables	741	1 196	741	1196
Proceeds on other investments				20
Net cash used in investing activities (B)	-3 490	-3 294	-3 946	-4 258
Cash flow from financing activities				
Long-term borrowing	5 600		5 600	
Repayment of long-term loans	-4 789	-2 149	-3 959	-1 821
Dividends paid	-4 645	-4 206	-4 645	-4 206
Net cash flow from financing activities (C)	-3 834	-6 355	-3 004	-6 027
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	-678	-1 465	-698	-1 081
Cash and cash equivalents at the beginning of the financial year	5 764	7 229	5 553	5 459
Acquired through mergers				1 175
Cash and cash equivalents at the end of the financial year	5 086	5 764	4 855	5 553

Notes to the Financial Statements

Accounting Policy

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

Valuation of Fixed Assets

Fixed assets have been disclosed in the balance sheet at acquisition cost net of received investment grants and depreciation according to plan. Depreciation according to plan have been calculated on 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
Development expenditure	5 years

The acquisition cost of equipment is depreciated applying the maximum depreciation rates allowed by the corporate tax law, starting from the time of acquisition. The cost of land areas relating to quarries is depreciated on the basis of the volumes of stone quarried.

Valuation of Inventories

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

Revenue Recognition

Net sales represents sales after the deduction of discounts, indirect taxes and exchange gains/losses on trade receivables. Revenue has been recognized at the time of the delivery of the goods, 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 90 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 expenditure has been recorded as annual costs when incurred. Development expenditure has been capitalised as from 1 January 2004 in accordance with IAS 38. It is amortised over its estimated lifetime, which is no more than five years. The costs generated by quarry area excavation studies have been capitalised 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 liabilities and assets have been provided on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements using tax rate enacted at the balance sheet date for the following years. In the financial statements the deferred tax liabilities have been fully provided and deferred tax assets have been recognised to the extent they are 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	**2004**	**2003**	**2004**	**2003**
Notes to the Income Statement				
1.1. Net sales				
1.1.1. Net sales per business area				
Fireplace business	49 007	45 290	45 504	45 508
Architectural stone business	6 284	8 321	6 284	1 038
Total net sales per business area	55 291	53 611	51 788	46 546
1.1.2. Net sales per geographical area				
Finland	27 629	27 698	24 833	21 828
Rest of Europe	26 247	24 579	26 169	24 006
USA	1 415	1 334	786	712
Total net sales per geographical area	55 291	53 611	51 788	46 546

Consolidated net sales include EUR 0.7 (1.6) million in net sales recognised based on the percentage of completion method. Of this amount, uncompleted projects represent EUR 0.7 (0.1) million. In 2004, the revenue not recognised on the projects amounts to EUR 0.1 million (the entire value was recognised as revenue in 2003).

	Group 2004	Group 2003	Parent 2004	Parent 2003
1.2. Other operating income				
Rental income	66	54	65	39
Charges for intergroup services			470	103
Government grant	304	333	304	292
Other	155	173	81	90
Total other operating income	525	560	920	524
1.3. Materials and external charges				
Materials and supplies (goods)				
Purchases during the fiscal year	9 024	8 840	8 575	6 861
Change in inventories, increase (+) / decrease (-)	-31	71	-25	85
External charges	6 994	5 969	6 350	5 485
Total materials and external charges	15 987	14 880	14 900	12 431
1.4. Personnel expenses and number of employees				
1.4.1. Personnel expenses				
Salaries and wages	16 001	16 390	15 205	13 823
Pension expenses	2 746	2 867	2 618	2 443
Other social security expenses	1 348	1 442	1 318	1 173
Total personnel expenses	20 095	20 699	19 141	17 439

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 175 907 EUR (151 720 EUR in 2003) in the Group. Salaries and fees paid to the managing directors amounted to 155 879 EUR (190 764 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 2004	Group 2003	Parent 2004	Parent 2003
1.4.3. Average number of employees during the fiscal year				
Clerical employees	109	107	103	87
Workers	404	448	386	385
Total number of employees	513	555	489	472

EUR 1 000		Group 2004	Group 2003	Parent company 2004	Parent company 2003
1.5.	Depreciation according to plan				
	Intangible rights	27	65	24	59
	Other long-term expenditure	1 121	1 093	917	892
	Buildings and constructions	438	449	429	419
	Machinery and equipment	2 358	1 998	2 181	1 997
	Other tangible assets	16	17	16	17
	Land areas	14	14	14	14
	Goodwill	291	475	286	71
Depreciation according to plan in total		4 265	4 111	3 867	3 469
1.6.	Financial income and expenses				
	Dividend income	45	127	45	127
	Interest income from non-current investments				
	From group companies			11	59
	Interest income	120	176	96	168
	Interest expenses	-290	-264	-256	-255
	Exchange rate gains / losses	-16	18	-17	11
	Other financial income and expenses	-20	-22	2	-14
Financial income and expenses in total		-161	35	-119	96
1.7.	Extraordinary items				
	Extraordinary expenses				
	Merger loss				927
	Extraordinary income				
	Merger gain				4 295
	Settlement by Group company of receivables previously written-off			167	122
	Other extraordinary income		9		
Extraordinary items in total			9	167	3 490
1.8.	Untaxed reserves				
	Change in accelerated depreciation			28	-39
1.9.	Income taxes				
	Income taxes on extraordinary items			48	35
	Income taxes on ordinary operations	1 487	1 325	1 439	1 215
	Change in deferred tax liabilities/tax assets	-68	-86	-33	26
Income taxes in total		1 419	1 239	1 454	1 276

EUR 1 000	Group 2004	Parent company 2004
Notes to the balance sheet		
Fixed asset		
2.1. Intangible assets		
2.1.1. Intangible rights		
Acquisition cost January 1	519	486
Additions	160	10
Acquisition cost December 31	679	496
Accumulated depreciation according to plan January 1	398	386
Depreciation for the financial year	27	24
Accumulated depreciation December 31	425	410
Balance sheet value of intangible rights, December 31	254	86

Intangible rights include a total of EUR 140 thousand in capitalised development expenditure on the development of new products and production methods. Development expenditure has not yet been depreciated.

EUR 1 000	Group 2004	Parent company 2004
2.1.2. Goodwill		
Acquisition cost January 1	1 767	1 666
Deductions	308	321
Acquisition cost December 31	1 459	1 345
Accumulated depreciation according to plan January 1	1 135	1 046
Accumulated depreciation on deductions	308	321
Depreciation for the financial year	291	287
Accumulated depreciation December 31	1 118	1 012
Balance sheet value of goodwill, December 31	341	333

The parent company's goodwill comprises merger and liquidation losses.

EUR 1 000	Group 2004	Parent company 2004
2.1.3. Other long term expenditure		
Acquisition cost January 1	11 010	10 283
Transfer between balance sheet headings	2	2
Additions	1 415	658
Acquisition cost December 31	12 427	10 943
Accumulated depreciation according to plan January 1	7 810	7 543
Depreciation for the financial year	1 121	917
Accumulated depreciation December 31	8 931	8 460
Balance sheet value of long term expenditure, December 31	3 496	2 483
Total intangible assets	4 091	2 902

The balance sheet value of other long term expenditure includes EUR 2.1 million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

EUR 1 000	Group 2004	Parent company 2004
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 220	1 144
Transfer between balance sheet headings	-2	-2
Additions	29	30
Acquisition cost December 31	1 247	1 172
Accumulated depreciation January 1	90	90
Depreciation for the financial year	14	14
Accumulated depreciation December 31	104	104
Balance sheet value of land, December 31	1 143	1 068

	Group	Parent company
EUR 1 000	2004	2004
2.2.2. Buildings and constructions		
Acquisition cost January 1	10 888	10 843
Additions	354	354
Acquisition cost December 31	11 242	11 197
Accumulated depreciation according to plan January 1	4 547	4 533
Depreciation for the financial year	438	429
Accumulated depreciation December 31	4 985	4 962
Balance sheet value of buildings and constructions, December 31	6 257	6 235
2.2.3. Machinery and equipment		
Acquisition cost January 1	31 498	30 178
Additions	1 688	1 630
Disposals	101	113
Acquisition cost December 31	33 085	31 695
Accumulated depreciation according to plan January 1	22 686	22 114
Accumulated depreciation on disposals	71	78
Depreciation for the financial year	2 358	2 181
Accumulated depreciation December 31	24 973	24 217
Balance sheet value of machinery and equipment, December 31	8 112	7 478
2.2.4. Other tangible assets		
Acquisition cost January 1 and December 31	190	198
Accumulated depreciation according to plan January 1	127	135
Depreciation for the financial year	16	16
Accumulated depreciation December 31	143	151
Balance sheet value of other tangible assets, December 31	47	47
2.2.5. Advance payments	186	186
Total tangible assets	15 745	15 014
Amount of machinery and equipment included in balance sheet value	7 580	6 975

EUR 1 000	Group 2004	Group 2003	Parent company 2004	Parent company 2003
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	
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany, Tulikivi Oy Niederlassung Deutschland.				
2.4. Receivables from Group companies				
Capital loan, AWL-Marmori Oy			34	34
Capital loan, Kivia Oy			490	
Receivables from Group companies, total			524	34
2.5. Other investments				
Stone Pole Oy	31	30	31	30
Others	38	42	38	42
Total other investments	69	72	69	72
2.6. Inventories				
Raw materials and consumables	3 159	3 233	3 005	2 980
Works in progress	73	116	73	65
Finished products/goods	4 223	3 606	3 546	3 476
Total inventories	7 455	6 955	6 624	6 521
2.7. Non-current receivables				
Receivables from group companies				
Loan receivables			1 108	529
Prepayments and accrued income			11	16
Total non-current receivables			1 119	545
2.8. Deferred tax assets				
Deferred tax asset pertaining to the Group companies' loss carry forwards	536	650		
Other deferred tax assets	67	30	63	30
Deferred tax assets, total	603	680	63	30
2.9. Current receivables				
Receivables from group companies				
Trade receivables			200	136
Receivables from others				
Trade receivables	6 783	6 594	6 067	6 064
Other receivables	85	21	42	21
Prepayments and accrued income				
Receivables on long-term contracts	673	130	673	130
Advances received from long-term contracts	-402		-402	
Other prepayments and accrued income	787	388	741	356
Receivables from others, total	7 926	7 133	7 121	6 571
Total current receivables	7 926	7 133	7 321	6 707

EUR 1 000		Group 2004	Group 2003	Parent company 2004	Parent company 2003
2.10.	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	12 840	14 418	10 020	7 752
	Dividends paid	-4 618	-4 229	-4 618	-4 229
	Change in translation difference	-22	-74		
	The reversal of revaluation		-304		-433
	Retained earnings December 31	8 200	9 811	5 402	3 089
	Profit for the year	3 454	3 030	3 051	6 931
Total shareholders' equity		23 197	24 384	19 996	21 563
2.11.	Statement of distributable earnings December 31				
	Profit for the previous years	8 200	9 811	5 402	3 089
	Profit for the year	3 454	3 030	3 051	6 931
	Translation difference	120	97		
	The proportion of untaxed reserves included in shareholders' equity	-2 565	-2 448		
Total distributable earnings		9 209	10 490	8 453	10 020
2.12.	Provisions				
	Warranty reserve	215	60	200	60
2.13.	Deferred tax liabilities				
	On untaxed reserves	809	910		
	On temporary differences	-264	-220		
	Other deferred tax liabilities	4	4	4	4
Total deferred tax liabilities		549	694	4	4
2.14.	Non-current liabilities				
	Loans from credit institutions	6 143	5 050	5 865	4 228
	Other non-current liabilities	347		347	
Total non-current liabilities		6 490	5 050	6 212	4 228
2.15.	Current liabilities				
	Liabilities to group companies				
	Trade payables				38
	Liabilities to others				
	Loans from credit institutions	2 504	2 727	2 182	2 180
	Advances received	10	104	10	88
	Trade payables	1 689	1 032	1 579	956
	Other current liabilities	654	1 021	601	910
	Accrued liabilities				
	Salaries, wages and social costs	3 894	3 962	3 692	3 841
	Discounts and marketing expenses	696	910	679	910
	External charges	743	666	634	616
	Tax liabilities		271		271
	Other accrued liabilities	1 087	793	914	605
Total current liabilities		11 277	11 486	10 291	10 415

	Group		Parent company	
EUR 1 000	2004	2003	2004	2003

2.16. Given guarantees, contingent liabilities and other commitments

Debts with related mortgages and pledges

Loans from credit institutions	7 614	5 703	7 015	4 716
Other non-current liabilities		226		
Real estate mortgages given	5 826	4 592	5 826	4 592
Company mortgages given	4 701	3 105	3 727	2 130
Pledged mining rights	226	238		
Given mortgages and pledges, total	10 753	7 935	9 553	6 722

Liabilities for which shares have been pledged

Loans from credit institutions	61	71	61	71

As pledge have been given the shares of AWL-Marmori Oy, the carrying value of which is EUR 8 000.

Other own liabilities for which guarantees have been given

Letter of credit limit	60	60	60	60
Production and warranty guarantees	500	500	500	500
Other commitments	25	30	25	30
Other own liabilities for which guarantees have been given	585	590	585	590
Guarantees given				
Real estate mortgages given	1 716	1 716	1 682	1 682
Pledges given	10	10	10	10
Guarantees given on behalf of other own liabilities	1 726	1 726	1 692	1 692

Leasing commitments

Due during the financial year 2005	12	10	12	10
Due later	22	34	22	34
Leasing commitments, total	34	44	34	44

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

Off-balance sheet financial instruments

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

Contingent purchase price

The purchase price of the Kivia Oy shares acquired in 2003 is partly contingent. If the terms and conditions of the contingent prices are fulfilled, purchase prices of EUR 0.4 million and EUR 0.3 million will fall due in 2006 and 2008 respectively. The former has been recognised in the 2004 financial statements while the latter has not yet been recorded.

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, revention 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
  This category 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.

2.17. Business operations with related parties

Tulikivi Corporation is one of the founding members of the Juuka Stone Museum and Stone Village Foundation. In 2004, the company donated EUR 110 000 to the foundation. In addition, the company has rented office and storage premises in a building owned by the foundation. Rent of EUR 118 951 was paid for these premises in 2004, corresponding to the market rent.

Group Development by Quarter

Group development by quarter

MEUR	Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Net sales	15.9	13.3	12.8	13.3	15.3	13.8	12.6	11.9
Operating profit	1.7	1.7	0.7	0.9	1.7	1.6	0.6	0.3
Profit before extraordinary items	1.7	1.6	0.7	0.9	1.8	1.6	0.6	0.3

Business area development by quarter

MEUR	Q4/2004	Q3/2004	Q2/2004	Q1/2004	Q4/2003	Q3/2003	Q2/2003	Q1/2003
Fireplace business								
Net sales	14.3	11.6	11.0	12.1	13.6	11.6	10.4	9.7
Profit before extraordinary items	1.7	1.5	0.7	1.1	1.9	2.1	0.7	0.5
Architectural stone business								
Net sales	1.6	1.7	1.8	1.2	1.7	2.2	2.2	2.2
Profit before extraordinary items	0.0	0.1	0.0	-0.2	-0.1	-0.5	-0.1	-0.2

Profit Development Key Indicators 2000 - 2004

EUR 1 000	2000	2001	2002	2003	2004
Income statement					
Net sales	46 929	58 690	52 462	53 611	55 291
Change (%)	21.0	25.1	-10.6	2.2	3.1
Operating profit	7 209	6 575	3 160	4 224	5 034
(%) of net sales	15.4	11.2	6,0	7.9	9.1
Financial items	-110	-107	133	36	-161
Profit before extraordinary items	7 099	6 468	3 293	4 260	4 873
(%) of net sales	15.1	11.0	6.3	7.9	8.8
Profit before taxes	7 102	6 468	3 293	4 269	4 873
(%) of net sales	15.1	11.0	6.3	8,0	8.8
Income taxes	2 058	1 892	1 043	1 239	1 419
Profit for the year	5 044	4 576	2 250	3 030	3 454
Balance sheet					
Assets					
Fixed assets	20 858	22 820	21 203	20 405	19 905
Inventories	4 632	5 726	6 304	6 955	7 455
Financial assets	10 443	15 162	15 617	14 314	14 368
Liabilities and shareholders' equity					
Shareholders' equity	24 023	26 905	25 962	24 384	23 197
Provisions		8	8	60	215
Interest bearing liabilities	3 959	5 818	8 251	7 836	8 647
Non-interest bearing liabilities	7 951	10 977	8 903	9 394	9 669
The balance sheet total	35 933	43 708	43 124	41 674	41 728

Financial Ratios 2000 - 2004

	2000	2001	2002	2003	2004
Return on equity, % [1]	23.2	18.7	9.2	12.1	14.7
Return on capital employed, %	27.7	22.6	10.9	13.7	16.2
Net indebtness ratio, %	-0.9	2.5	3.9	5.5	12.1
Solvency ratio, %	65.8	63.5	61.5	58.7	55.6
Current ratio	2.0	1.6	2.3	1.8	1.9
Gross investments, (EUR 1 000)	4 037	6 360	3 923	2 916	3 937
Investments / net sales, %	8.6	10.8	7.5	5.4	7.1
Own capital investment ratio	1.9	1.0	1.5	3.1	1.8
Research and development expenditures, (EUR 1 000)	1 201	1 419	1 338	1 325	1 497
Research and development expenditures / net sales, %	2.6	2.4	2.6	2.5	2.7
Capitalised R&D expenditure, net, (EUR 1 000)					140
Personnel, on average	440	558	578	555	513
Order backlog, (EUR 1 000)	4 300	6 428	3 870	7 120	5 360
KEY INDICATORS PER SHARE					
Earnings per share, EUR [1]	0.57	0.51	0.27	0.34	0.38
Equity per share, EUR	2.65	2.95	2.85	2.68	2.55
Nominal dividend / share, EUR					
A-share	0.23	0.30	0.47	0.51	0.23 [2]
K-share	0.22	0.29	0.45	0.50	0.22 [2]
Dividend /earnings, %	39.2	58.1	172.6	151.2	59.1
Effective dividend yield, %					
A-series	6.5	6.8	11.8	9.8	3.6
P/E ratio	6.1	8.6	14.9	15.4	16.4
Issue-adjusted share prices of the A-share, EUR					
- average	3.20	3.50	4.14	4.37	6.75
- lowest	2.64	3.00	3.40	3.50	5.25
- highest	3.60	4.40	4.70	5.70	8.20
- the closing price	3.49	4.40	4.00	5.18	6.32
Market capitalization, (EUR 1 000) (supposing that the market price of the K-share is the same as that of the A-share)	30 352	39 576	36 426	47 171	57 552
Number of A-shares traded (1 000 pcs)	2 677,5	1 336.5	1 313.0	1 510.3	1 333.5
- % of the total amount	40.6	19.9	19.5	22.5	19.8
The average issue-adjusted number of the shares for the financial year	8 835 760	8 942 070	8 993 355	9 106 385	9 106 385
Number of outstanding shares on December 31	8 668 120	8 998 620	9 106 385	9 106 385	9 106 385

[1] Income taxes amounting to EUR 48 (35) 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	$\frac{\text{profit before extraordinary items - income taxes}}{\text{shareholders' equity (average during the financial year)}}$
Return on capital employed, % (ROI) =	100 x	$\frac{\text{profit before extraordinary items + interest expenses and other financial costs}}{\text{balance sheet total - non-interest bearing liabilities (average during the financial year)}}$
Solvency ratio, % =	100 x	$\frac{\text{shareholders' equity}}{\text{balance sheet total - advances received}}$
Net indebtness ratio, % =	100 x	$\frac{\text{interest-bearing net debt}}{\text{shareholders' equity}}$
Current ratio =		$\frac{\text{current financial assets + inventories}}{\text{current liabilities}}$
Own capital investment ratio =		$\frac{\text{net cash flow from operating activities + change in net working capital}}{\text{net investments}}$

Key indicators per share

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

Capital Stock, Shares and Shareholders

Capital Stock and Shares

Tulikivi Corporation's capital stock, which has been paid and entered in the Trade Register, amounted to EUR 6 192 341.80 on 31 December 2004. 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, as shown in the table below. According to the Articles of Association, the dividend payable for A-shares shall be at least one percentage point greater than the dividend payable for K-shares, as calculated from the nominal value of the shares. Tulikivi Corporation's A-share is listed on the Helsinki Stock Exchange and its trading code is TULAV.

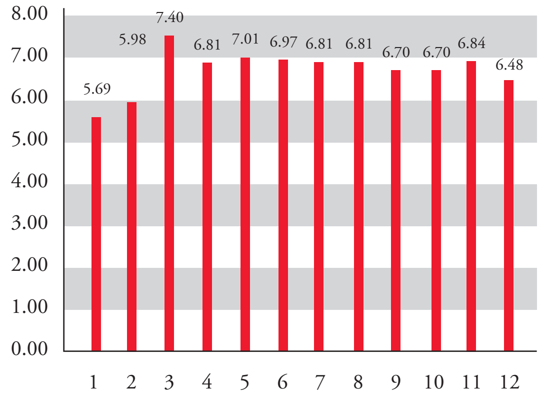
In 2004, a total of 1 333 481 of the company's A-shares were traded on the Helsinki Stock Exchange. The value of share turnover was EUR 9.0 million. The highest share price in 2004 was EUR 8.20 and the lowest was EUR 5.25. On the closing date of the review period, the share price was EUR 6.32. At the end of the financial year, Tulikivi Corporation had 2 942 shareholders. Foreign shareholders held 3.3 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 bonds or option loans. The Board of Directors is authorised to purchase a maximum of 336 069 of Tulikivi Corporation A-shares and a maximum of 119 250 of the company's K-shares. The authorisation is valid until the 2005 Annual General Meeting. Respectively, the Board of Directors has been authorised to dispose of the Corporation's own shares as consideration in conjunction with acquisitions and other structural arrangements. The Corporation does not currently hold any own shares.

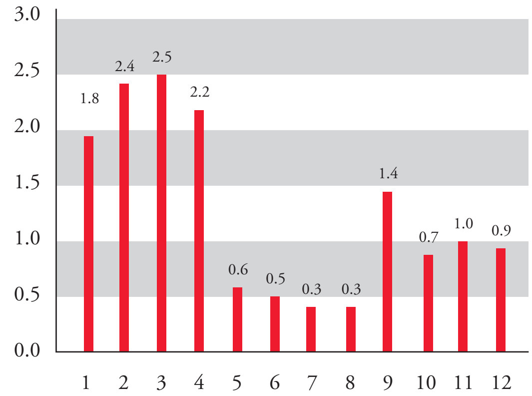
The shares entered in the company's book-entry account in accordance with paragraph 3a:3 of the Finnish Companies Act – the "joint account" – were sold in April-May 2003 on behalf of the shareholders. Shareholders and other rightholders are entitled until May 2013 to withdraw the amount of funds corresponding 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, EUR



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	325 852	11.41
2. Vauhkonen Heikki	724 375	24 867	8.23
3. Vauhkonen Eliisa	104 375	619 880	7.95
4. Virtaala Matti	340 000	264 027	6.63
5. Ilmarinen Mutual Pension Insurance Company		515 595	5.66
6. Mutanen Susanna	199 375	250 000	4.93
7. Investment Fund Phoebus		212 000	2.33
8. Vauhkonen Mikko	99 375	100 800	2.20
9. Nuutinen Tarja	99 375	69 260	1.85
10. Fondita Nordic Small Cap Placfond		163 100	1.79

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	325 852	24.39
2. Vauhkonen Heikki	724 375	24 867	23.78
3. Virtaala Matti	340 000	264 027	11.99
4. Mutanen Susanna	199 375	250 000	7.34
5. Vauhkonen Eliisa	104 375	619 880	5.44
6. Vauhkonen Mikko	99 375	100 800	3.58
7. Nuutinen Tarja	99 375	69 260	3.48
8. Ilmarinen Mutual Pension Insurance Company		515 595	1.69
9. The Finnish Cultural Foundation	25 000	85 000	1.10
10. Laakkonen Reino Olavi	25 000		0.82

The members of the Board and the managing director control 1 802 500 K-shares and 632 992 A-shares representing 61 % of votes.

Breakdown of share ownership on December 31, 2004

Numbers of shares	Shareholders pcs	Propertion %	Shares psc	Propertion %
1 - 100	383	13.02	26 938	0.29
101 - 1000	1 861	63.26	909 577	9.99
1001 - 5000	575	19.54	1 408 430	15.47
5001 - 10000	59	2.01	429 429	4.72
10001 -	64	2.17	6 332 011	69.53
Total	2 942	100.00	9 106 385	100.00

On December 31, 2004 the company's shareholders were broken down by sector as follows:

Sector	Holding, %	Votes, %
Enterprises	2.75	1.26
Financial and insurance institutions	7.51	2.68
Public organizations	6.66	1.98
Non-profit organizations	2.95	1.62
Households	79.96	92.41
Foreign	0.16	0.05
Total	100.00	100.00

Nominee-registered shares, 284 715 in total (3.13% 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 8.5 million, and the Group's distributable shareholders' equity EUR 9.2 million. The Board of Directors will propose to the Annual General Meeting that will convene on 31 March 2005 that a dividend of EUR 0.23 per share be paid for the Series A shares and EUR 0.22 per share for the Series K shares, to a total of EUR 2.1 million.

In Nunnanlahti February 7, 2005

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. - 31.12.2004. 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 18, 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannele Selesvuo
Authorised Public Accountant


Tulikivi Corporation's head office is located in beautiful Nunnanlahti, Juuka. Some of the offices are housed in the Finnish Stone Center. The Center also features the Geo Knowledge Center and art exhibitions, both of which are open to the public.

Tulikivi Corporation – Factories and Offices

Head office and Juuka factories
FI-83900 Juuka
Tel. +358 13 681 111
Fax +358 13 681 1130
www.tulikivi.com
forename.surname@tulikivi.fi

Suomussalmi factory
Saarikyläntie 26
FI-89920 Ruhtinansalmi
Tel. +358 8 680 7700
Fax +358 8 680 7718

Taivassalo and Vinkkilä factories
Helsingintie 108
FI-23310 Taivassalo
Tel. +358 2 840 8500
Fax +358 2 879 485

Helsinki office
Bulevardi 22
FI-00120 Helsinki
Tel. +358 9 612 9700
Fax +358 9 6129 7070

Espoo office
Lautamiehentie 1
FI-02770 Espoo
Tel. +358 9 4174 1000
Fax +358 9 805 1194

Subsidiaries

Kivia Oy
Kivikatu 2-4
FI-889900 Kuhmo
Tel. +358 8 877 1700
Fax +358 8 877 1713

Tulikivi U.S., Inc.
P.O. Box 7547
Charlottesville,
VA 22906-7547, USA
Tel. +1 800 843 3473

Tulikivi Oy Niederlassung Deutschland
Wernher-von-Braun-Str. 5
D-63263 Neu-Isenburg, Germany
Tel. +49 6102 74 140
Fax +49 6102 741 414

Sales Exhibitions in Finland

Kivikylä, Nunnanlahti
FI-83900 Juuka
Tel. +358 13 681 1295
Fax +358 13 681 1125

Tulikivi Showroom, Helsinki
Bulevardi 22
FI-00120 Helsinki
Tel. +358 9 612 9700
Fax +358 9 6129 7070

Tulikivi Showroom, Turku
Uudenmaankatu 18
FI-20500 Turku
Tel. +358 2 233 1641
Fax +358 2 233 1642

Tulikivi Showroom, Tampere
Koivistontie 10
FI-33820 Tampere
Tel. +358 3 346 3600
Fax +358 3 346 3700

Tulikivi Showroom, Lappeenranta
Suonionkatu 23
FI-53600 Lappeenranta
Tel. +358 5 415 3095
Fax +358 5 451 5219

Tulikivi Showroom, Seinäjoki
Kauppakatu 23
FI-60100 Seinäjoki
Tel. +358 6 414 4960
Fax +358 6 414 4961

Tulikivi Showroom, Oulu
Torikatu 70
FI-90120 Oulu
Tel. +358 8 312 1401
Fax +358 8 377 844

Tulikivi Showroom, Espoo
Lautamiehentie 1
FI-02770 Espoo
Tel. +358 9 4174 1000
Fax +358 9 805 1194

Tulikivi Abroad

Belgium
Dutry & Co.
Vichtestraat 147
B-8540 Deerlijk
BELGIUM
Tel. +32 56 776 090
Fax +32 56 774 294

The Netherlands
Bulevardi 22
FI-00120 Helsinki
FINLAND
Tel. +358 9 6129 7020
Fax +358 9 6129 7070

Italy
Eurotrias S.r.l. – GmbH
Via G. Di Vittorio 9
I-39100 Bolzano/Bozen
ITALY
Tel. +39 0 471 201 616
Fax +39 0 471 201 689

Austria
Neuhauser-Speckstein-Öfen
Bahnhofstrasse 54
A-4810 Gmunden
AUSTRIA
Tel. +43 7612 744 58
Fax +43 7612 744 584

Latvia
Bulevardi 22
FI-00120 Helsinki
FINLAND
Tel. +358 9 6129 7022
Fax +358 9 6129 7070

Lithuania
Bulevardi 22
FI-00120 Helsinki
FINLAND
Tel. +358 9 6129 7022
Fax +358 9 6129 7070

Luxemburg
Dutry & Co.
Vichtestraat 147
B-8540 Deerlijk
BELGIUM
Tel. +32 56 776 090
Fax +32 56 774 294

Norway
Bo Bedre AS
Smedsvingen 6
N-1395 Hvalstad
NORWAY
Tel. +47 6677 3970
Fax +47 6677 380

France
Tulikivi Oyj
75, avenue Parmentier
F-75011 Paris
FRANCE
Tel. +33 1 40 21 25 65
Fax +33 1 40 21 24 00

Sweden
Bulevardi 22
FI-00120 Helsinki
FINLAND
Tel. +358 9 612 970 23
Fax +358 9 612 970 70

Germany
Tulikivi Oy Niederlassung
Wernher-von-Braun-Str. 5
D-63263 Neu-Isenburg
GERMANY
Tel. +49 6102 74 140
Fax +49 6102 741 414

Switzerland
Armaka Ag
Duggingerstrasse 10
CH-4153 Reinach BL
SWITZERLAND
Tel. +41 61 715 9911
Fax +41 61 715 9919

USA
Tulikivi U.S., Inc.
P.O. Box 7547
Charlottesville,
VA 22906-7547
USA
Tel. +1 800 843 3473

Russia
Bulevardi 22
FI-00120 Helsinki
FINLAND
Tel. +358 9 6129 7022
Fax +358 9 6129 7070

Estonia
KR-Kaubanduse AS
Kohila 3c
EE-11314 Tallinn
ESTONIA
Tel. +372 650 3800
Fax +372 650 3845

Rautakesko AS
Tähetorni 100a
EE-11625 Tallinn
ESTONIA
Tel. +372 625 7540
Fax +372 625 7563

TULIKIVI

Tulikivi Corporation, FI-83900 Juuka, Finland, tel. +358 13 681 111, fax +358 13 681 1130, **www.tulikivi.com**