TULIKIVI

2006 Annual Report

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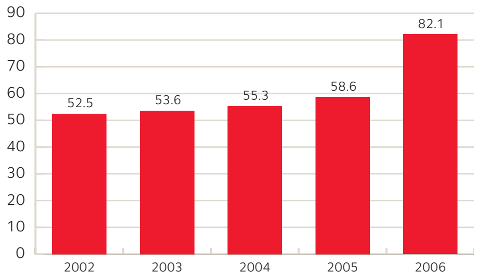
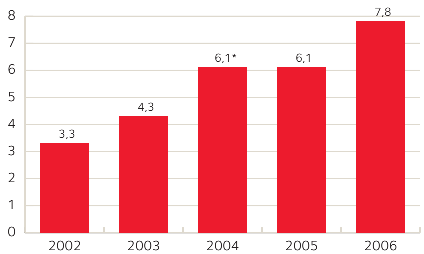
DEVELOPMENT OF NET SALES, MEUR

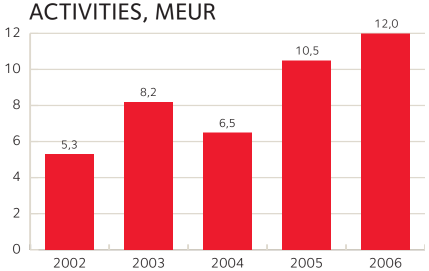


PROFIT BEFORE INCOME TAX, MEUR

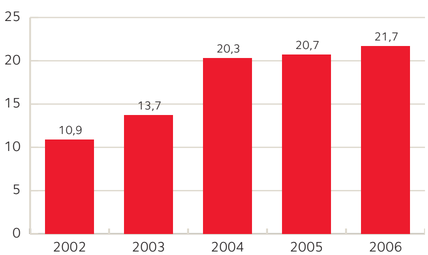


* Comparable operating profit in 2004, 5.0 MEUR

NET CASH FLOW FROM OPERATING ACTIVITIES, MEUR



RETURN ON INVESTMENTS, %



The Year 2006 in Brief

A listed family company, Tulikivi Corporation and its subsidiaries form the Tulikivi Group, the world's largest manufacturer of heat-retaining fireplaces. The Group is known for its Tulikivi soapstone fireplaces and natural stone products as well as its Kermansavi ceramic fireplaces and utility ceramics. The Group's revenue amounts to over EUR 80 million, about half of which is accounted for by exports. The Group owns seven production plants and employs over 700 people.
www.tulikivi.com

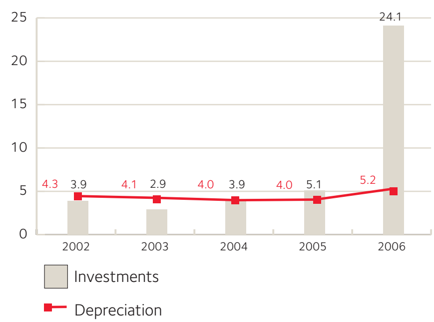
KEY EVENTS

- Fireplace product sales increased.
  The Tulikivi Group's sales rose by over 40 per cent.
- Acquisition of Kermansavi Oy's entire share capital.
  Expansion of product range and customer base.
- New generation of soapstone fireplaces launched.
- Brand renewal and a new look for marketing.
- Tulikivi awarded the 2006 Fine Particle Achievement of the Year by the Fine Particle Forum.
- The merging of Kermansavi´s and Tulikivi's fireplace distribution channels in Finland at the beginning of 2007.
- New production facility inaugurated in Juuka in November.
- The Group's profit before taxes rose by 28.6 per cent.
- Quadruple (split) increase in the number of Tulikivi Corporation shares.

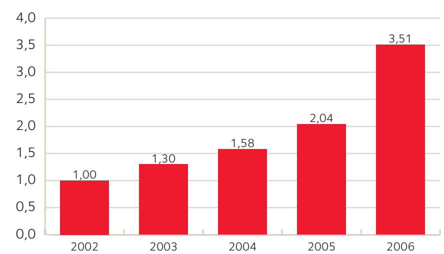
	2006	2005	Change, %
Net Sales, MEUR	82.1	58.6	40.1
Operating profit, MEUR	8.2	6.3	30.9
Profit before income tax, MEUR	7.8	6.1	28.6
Return on investments, %	21.7	20.7	
Solvency ratio, %	46.4	63.0	
Earnings per share, EUR	0.16	0.12	29.8
Equity per share, EUR	0.83	0.70	18.0
Payment of dividend on			
A share, EUR	0.090	0.070	28.6
K share, EUR	0.088	0.068	28.9

Calculation of key ratios, page 64.
The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland as well as Kermansavi Oy, Kivia Oy, AWL Marmori Oy, Tulikivi U.S., Inc. and OOO Tulikivi. Other Group companies are Tulikivi Vertrieb GmbH and The Alberene Stone Company, Inc., which are no longer engaged in business operations. The associate Companies of Tulikivi Group are Stone Pole Oy and Leppävirran Matkailukeskus Oy.

INVESTMENTS AND DEPRECIATION, MEUR



SHARE PRICE OF THE A SHARE DECEMBER 31, EUR



Tulikivi's Mission, Vision and Values

OUR MISSION

Tulikivi Corporation brings warmth and comfort to your home with high-quality branded products that sit well with your interior decoration. Our business segments are the Soapstone Fireplaces, Ceramic Products and Natural Stone Products Businesses.

We take environmental impacts into consideration in the design and manufacture of our products. Tulikivi seeks continuously to rack up good earnings, allowing investors to enjoy competitive dividends and increasing share value, and allowing employees to 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 be the leading company specialized in branded heating products and natural stone products for homes in selected market areas. As they evolve, we will expand our operations into new product groups and new markets.

OUR VALUES

Tulikivi realizes its objectives by operating from a bed-rock of values. Courage is Tulikivi's most important value and is evident in the will and ability to make choices. We have the courage to believe in our own vision and face up to realities. We also have the courage to see things through. Of all of Tulikivi's values, the one that most characterizes the company may well be entrepreneurship – being proactive, consciously seeking to achieve results, committing to objectives and thinking with an eye on the future.

Tulikivi values its satisfied customers. We find out what our customers expect, listen to them, keep our promises and exceed their expectations.

Fair play is at the core of our operations. In practice, this means being honest to yourself and making sure that words are backed up by actions.

TRENDS

We have identified the following trends that support our business and affect our success.

The price of energy continues to rise and the use of bioenergy is increasing, as is uncertainty over energy distribution. The use of bioenergy in heating will increase in the future and society is supporting its use in a variety of forms. Fireplaces are not affected by disturbances in electricity distribution and therefore provide security.

Environmental protection is taking on growing importance and emissions regulations are becoming stricter. The products we sell pass the strictest emissions limits in force in each of our territories.

In construction, increasing attention is being paid to life cycle thinking and there is a growing appreciation of natural materials. More and more people value authenticity. People are focusing on home comforts, interior decorating and their living environments. Interior decoration and landscaping are in fashion. People are prioritizing their free time and time spent with family and friends.

Customers are buying products that come as ready packages and the amount of work they put into the process is decreasing. Independent building is restricted by a lack of expertise and the way people use their time.

Strategic Policies

- We achieve annual organic growth of over five per cent. We also seek growth through acquisitions.
- The target for return on investment is over 20 per cent. We aim to improve relative profitability by two percentage points per year.
- We are cementing the Tulikivi brand as the brand for the whole Group.
- We expand systematically into new customer groups and markets, employing segmentation to boost marketing effectiveness.
- We are further developing our leading, customer-focused product design, technology and service concept.
- We expand and improve our cooperation and distribution network.
- We hone competitiveness by optimizing production structure, improving our quality and manufacturing technology, and developing efficiency in productivity and sourcing.
- We increase value added and optimize yield from our production processes.
- We bolster our position in managing soapstone reserves.
- We ensure that our personnel and partners are committed to carrying through our objectives.

TULIKIVI'S SUCCESS FACTORS

COMPANY AND BRAND:
- Well-known brands
- Finances on a stable footing
- Good reputation

PRODUCT CONCEPTS:
- Innovative product development
- High-quality, environmentally friendly products
- Satisfied customers

RAW MATERIALS:
- Characteristics of soapstone
- Sufficient stone reserves

ATTITUDE AND EXPERTISE:
- Pioneer spirit
- Expert and motivated personnel
- Corporate culture and values

NETWORKS:
- Commitment to Tulikivi
- Family entrepreneurs as distributors
- Cooperation partners
- Fireplace installers

Buoyant Growth and Confidence in the Future

The Tulikivi Group's sales rose by 40 per cent in 2006. Twenty-three per cent of this growth was generated by Kermansavi, and organic growth of 17 per cent was mainly achieved through fireplace exports. Outlays on export markets and enhancing distribution channels bore fruit. Financial profitability developed almost 30 percent, but The company's financial result grew by close to 30 per cent during the report year. However, the development of profitability fell short of our objectives due to the additional costs caused by numerous overhaul processes.

ACQUISITION BRINGS KERMANSAVI INTO THE GROUP

Acquiring Kermansavi Oy at the beginning of April was the largest and most significant acquisition in the Tulikivi Group's history. The integration process has progressed according to plan. Kermansavi's profitability has already exceeded the projections made in the acquisition phase. The total purchase price amounted to EUR 13.5 million. The acquisition was geared towards reaching new, growing customer groups, bolstering the Group's market position in Finland and taking advantage of the export potential of ceramic fireplaces.

NEW COLLECTION LAUNCHED

Completing the three-year On Stone's Terms project was the key developmental goal of 2006. The project resulted in a new generation of Tulikivi fireplaces that will meet design, technical and clean burning demands well into the future. The products were unveiled in March at the Verona international fireplace trade fair. In June, the new collection and the revamped brand were launched to our partners. November saw the inauguration of a new factory to manufacture the products.

JOINT DISTRIBUTION IN FINLAND

Kermansavi has vigorously increased its market share in Finland during the last few years. At the same time, Tulikivi's domestic market share in soapstone fireplaces has been declining. Kermansavi has used entrepreneur-based specialized stores as its distribution channel, while Tulikivi has sold its products through hardware stores and a few of its own showrooms. From the beginning of 2007, both our fireplace brands – Tulikivi and Kermansavi – will be sold through a nationwide network of entrepreneurrun Tulikivi showrooms. The new, service-oriented distribution system will be far more cost-effective. After the transition has been completed, Tulikivi's market share in soapstone fireplaces is also expected to develop favourably.

GERMANY REMAINS CENTRAL TO EXPORTS

Years of hard work lie behind the increase in exports. Tulikivi has increased its brand recognition and honed its distribution systems. The rising price of energy and uncertainty about energy distribution are also bolstering the entire fireplace industry in all our export areas. Germany remains our main export country, even though its relative share of our export business has declined with growth in other territories. The distribution channel overhaul carried out in Germany at the beginning of 2005 has succeeded in line with expectations. The reorganized system, complete with its new retailers, boosted sales by over 25 per cent in 2006. There are currently nearly 50 outlets in Germany, many of which started up during the past year. Our goal is a distribution network of about 70 retailers.

Acquiring Kermansavi Oy was the largest and most significant acquisition in the Tulikivi Group's history.

Sales in all our other Central European countries also increased in 2006. The briskest growth was still seen in France, where we achieved an increase of over 50 per cent, although sales growth has been dampened by retailers' limited installation capacity. Our fireplaces also have fallen under the scope for state energy grants in France. The grant will continue in 2007 for the time being. Growth has remained on track in Belgium for many years now. Belgium is our third largest export country in Central Europe after Germany and France. Our other export countries in Central Europe are Austria, Switzerland, Italy and the Netherlands.

Russia and its surrounding areas – Ukraine and Kazakhstan – became our fourth largest fireplace export territory. Sales in the region grew by nearly a third. The key measures taken in this territory in 2006 were to increase the brand recognition of Tulikivi and expand distribution systems. Expanding distribution in metropolises and other cities of over a million inhabitants will continue to be a central task in the future. Sales rose by over 150 per cent in the Baltic countries of Estonia, Latvia and Lithuania. In terms of size, sales in the Baltic region correspond to the volume in Russia and its surrounding areas. We have been operating in Estonia for about ten years, and the majority of sales in this territory are generated there. In 2006, importers opened new fire-place showrooms in Latvia and Lithuania.

The popularity of soapstone and the very favourable trends in the European fireplace market have once again greatly increased sales of our company's lining stones. Our partners in cooperation are well-known European manufacturers, such as Nibe in Sweden and Hark in Germany. Our share of the lining stone market is over 50 per cent. Tulikivi's strengths lie in reliable delivery, high quality and demanding processing.

SALES OF NATURAL STONE PRODUCTS INCREASE

In the Natural Stone Products Business, we have decided to concentrate on the domestic market and consumers. We no longer engage in natural stone contracting, and invoicing for contracting ceased at the end of 2005. In spite of this, sales of natural stone products rose by 10 per cent and sales of interior decoration stones by 30 per cent. The business' profitability also improved in line with objectives. We carried out studies at the Medvezhyegorsk area in Russian Karelia during 2006, but the deposit's soapstone did not prove to be financially viable. A decision was made to survey deposits in new areas in Karelia in cooperation with the Geology Institute of the Karelian Scientific Centre and the Geological Survey of Finland.

In order to achieve our strategic growth and profitability targets, our key measures for the near future are to enlarge the Tulikivi showroom network in Finland, expand distribution in Russia, Germany and the Baltic countries, and start up exports of ceramic fireplaces. We are also looking into venturing into new export countries. Growth through well thought-out acquisitions is also a possibility.

I would like to express my warm thanks to our customers, personnel, partners in cooperation and interest groups for the year 2006.

Juuka, February 20, 2007

Juha Sivonen, Managing Director

Soapstone Fireplaces

Tulikivi's Soapstone Fireplaces 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 lining stones to European heater manufacturers. Our quarries and production plants are located in Juuka, Suomussalmi and Kuhmo. In 2006, Tulikivi further cemented its position as the global market leader in industrially produced heat-retaining fireplaces.

FINNISH MARKET

Brisk construction and the ever rising price of energy have increased demand for fireplaces in Finland. At the same time, the number of players in the market has increased. In addition to foreign fireplace manufacturers, geothermal and air-source heat pump manufacturers are also active in the market. In spite of this, almost all single-family homes have a new fireplace installed. Demand is split fifty-fifty between newly constructed buildings and renovations.

EXPORTS GROWING

In 2006, exports to Europe, the United States, Sweden, Russia and the Baltic countries accounted for 65 per cent of the sales of the Soapstone Fireplaces Business. Rising energy costs have boosted demand for fireplaces in all export countries. Tulikivi fireplaces increased their market share during 2006. Growth was especially vigorous in Central Europe, Russia and the Baltic countries. Brisk construction of single-family homes raised demand in Russia and the Baltic countries.

Distribution efficiency has been further honed in Germany, and an overhaul of distribution channels has also started up in Sweden. In Russia, Tulikivi's subsidiary OOO Tulikivi has upped the number of sales outlets and trained additional sales and installation experts.

NEW COLLECTION

The most important task of 2006 was the launch of the new collection to consumers and retailers. Products were on display for the first time at the Verona international fireplace trade fair in March. Design, energy efficiency and clean burning were the main focus points of the new products, which were well received by both consumers and retailers. In June 2006, Tulikivi organized the International Tribal Days – a combined launch and product-training event for partners in cooperation. The new collection was presented at this launch, which was attended by 500 retailers from all around the world.

At the beginning of November, 2006, Tulikivi inaugurated a new production facility in Juuka for the manufacture of the new collection's fireplaces.

CHANGE IN FINNISH DISTRIBUTION CHANNELS

In 2006, the main aim of the Soapstone Fireplaces Business in Finland was good profitability. After acquiring Kermansavi Oy in April 2006, Tulikivi Corporation launched an integration project that resulted in the formation of a joint Finnish sales organization for fireplace products in autumn 2006. At the same time, groundwork was done for the distribution channel change that will come into force on January 1, 2007. From that date, Tulikivi Group fireplaces will be sold through a specialized, entrepreneur-based chain of Tulikivi showrooms, the majority of which are service-oriented stores that have previously sold Kermansavi fireplaces. Tulikivi showrooms will sell both Tulikivi brand soapstone fireplaces and Kermansavi brand ceramic fireplaces.

DEMAND FOR LINING STONES HIGH

Tulikivi supplies lining stones to the larger European heater manufacturers. The continued growth in demand for lining stones in 2006 was met with weekend shifts at factories and precisely targeted investments to ease bottlenecks.

Increased sales volume, improved productivity and cooperation with customers in product development continued to increase the profitability of the lining stone business.

Ceramic Products

Kermansavi manufactures ceramic fireplaces, bakeovens and cook stoves, as well as utility ceramics, at its production facility in Heinävesi. Kermansavi's fireplace sales have grown by about 20 per cent per annum – and also did so in 2006. Kermansavi fireplaces are very popular with single-family homebuilders.

The core of Kermansavi fireplaces is made from Celsius elements – primarily ceramic chips. Every Kermansavi fireplace can be made unique: most models allow you to choose from 13 different colours of Kermansavi hand-finished tiles – and even combine them. You can also decide on the height of your fireplace, and on what kinds of corner pieces, wreath patterns, doors or other details you'd like, such as ornamental tiles or recesses. Your fireplace can also combine a variety of surfaces, such as ceramic tiles and antique plaster.

This broad variety of colour and design options makes these fireplaces excellent interior decoration elements. Kermansavi fireplaces are especially suitable for those customer segments for whom colour is a key criterion. The product range also contains many moderately priced fireplaces.

The fireplace business accounted for about 80 per cent of Kermansavi Oy's sales in 2006.

The main challenge of 2007 will be to start up exports of Kermansavi fireplaces. Fireplaces will be marketed under the Tulikivi brand, starting with Russia and the Baltic countries.

UTILITY CERAMICS

As a brand, Kermansavi is best known for its utility ceramics. Kermansavi's utility ceramics are aimed at consumers and comprise ceramic cookware and tableware, and also ornaments. Department stores and markets, as well as the company's own and entrepreneur-driven factory outlets, form the primary distribution channels. Kermansavi's utility ceramics business area is Finland, where it has a market share of approximately ten per cent.

Cheap imports from abroad and stronger domestic players further heated up competition in the utility ceramics business in 2006. Kermansavi launched brand new products, such as its Aina service, and also added products to the Hotpot family.

The utility ceramics business will be devoting considerable efforts towards boosting operational efficiency, honing its brand-based marketing concept, developing products for selected customer segments and enhancing distribution channels. As part of the new utility ceramics business strategy, a new Kermansavi flagship store opened in the Lempäälä IdeaPark at the start of December.

Natural Stone Products

Tulikivi Corporation's Natural Stone Products Business comprises household interior decoration stone products, paving stones and deliveries of stone materials for construction sites, plus the procurement, sales, after-sales, marketing and commercialization of natural stone. Tulikivi sells household interior decoration stone products and makes deliveries of stone materials to construction sites. Products are made of soapstone, granite, marble, limestone, slate and other natural stones. The interior decoration stone products are suitable for a variety of uses in the home, such as for floors, stairs, countertops and wall tiling – and as architectural stones, too. Our paving stones include tiles, cobblestones, kerbstones and accent stones for building paths, borders and terraces, cladding for dry walls, flower beds and garden benches, and stones for plinths and steps. Soapstone paving stones form a unique part of the collection.

Tulikivi has its own production plants for natural stone products in Taivassalo and Espoo. Soapstone products are manufactured in Juuka and Suomussalmi. Finland and the other Nordic countries constitute the Natural Stone Products business area. Exports account for ten per cent of sales.

INTERIOR DECORATION STONES IN A STRONG POSITION

Tulikivi has further cemented its position as market leader in interior decoration stones. Partners in cooperation include kitchen and interior decoration stores, prefab house, construction and other stone companies, and professional architects and interior designers. New agreements with retailers and chains were made throughout the past year, one of the most significant of which was signed in April with Isku Keittiöt Oy. The total market for interior decoration stones grew about ten per cent in 2006. During the past year, Tulikivi expanded its cooperation network and activated retailers, which led to growth of approximately 30 per cent in the interior decoration stone business.

FOCUSING ON SALES

The paving stone collection was launched to consumers in spring 2006 and was very well received. The collection will be further developed in 2007. Production processes and sales have been given a boost during the past year, and the focus on enhancing sales will continue. Part of this includes training for our partners in cooperation and our own personnel. We also devoting efforts towards honing our overall interior decoration stone concept. All this will help us achieve further growth in the coming year.

Product Development and Investments

2006 saw the unveiling of a new fireplace collection from Tulikivi – the fruits of a substantial three-year product development project to combine modern design with unequalled energy efficiency, and both user and environmental friendliness. The project also involved investment in a new production facility that will optimize soapstone processing.

MODERN DESIGN ON THE BASIS OF SOUND MARKET KNOWLEDGE

Growth was sought in line with Tulikivi's strategy by approaching from a design angle and creating a beautiful collection of fireplaces for new customer segments. Tulikivi conducted extensive market research in both Finland and its major export countries to collect solid market information on which to base its new fireplace designs. Design agency Creadesign Oy joined Tulikivi as a strategic partner in the early stages of the project.

USABILITY HOLDS A KEY POSITION

Usability was at the forefront when designing the new technology. User-friendliness influenced many aspects of design, including combustion air control, sweeping options, door handles and doors that keep themselves clean. The new fireplaces also burn wood exceptionally cleanly. Although Tulikivi fireplaces already comply with the world's strictest emissions norms, the combustion features of the latest models anticipate long-term future requirements. The double-shell structure of the new fireplaces enables an especially long period of heat emission. The latest models are particularly well-suited to low energy buildings, because they retain heat for a long period and emit an even warmth.

In the autumn, the Fine Particle Forum – formed as part of the FINE technology programme at TEKES (Finnish Funding Agency for Technology and Innovation) – presented the 2006 Fine Particle Achievement of the Year award to Tulikivi. One of the reasons given for choosing Tulikivi was the considerable effort the company has devoted to its new collection's cleaner combustion technology, which helps reduce emissions from small-scale burning of wood. TEKES supported product development for Tulikivi's new collection with a grant of about one million euro.

The new fireplaces burn wood exceptionally cleanly.

ON STONE'S TERMS – INVESTMENTS IN A NEW FACTORY

As part of the On Stone's Terms project, which began in 2004, an extensive stone survey was conducted with the aim of improving yield from production processes. The standard dimensions of soapstone were optimized, as demonstrated by the new tile sizes used in our latest products. At the beginning of 2006, a decision was made to invest in a new production facility as part of the project. The production process at the new factory is based on the latest technology, efficient material flows and optimal raw material use. Previously, there were small blocks that could not be used industrially due their size or shape. The new factory now uses these small blocks as raw material for the new fireplace collection.

The new production facility in Juuka represented a five million euro investment that increased Tulikivi's production capacity by about 20 per cent. Tulikivi received support of EUR 1.1 million from the Ministry of Trade and Industry to aid construction. The factory was officially inaugurated at the beginning of November.

OUTLAYS ON MARKETING

In 2006, the collection project focused on product development documentation and factory investments. Naturally, launching and marketing the new collection also formed an integral part of the project and major outlays were made in, for example, holding a joint launch and training event in Juuka for personnel and partners in cooperation. Marketing the collection was closely tied in with Tulikivi's wider-reaching brand revamp – another notable investment that was made in the spring. The new brand philosophy is: It's such a cold, cold world, but Tulikivi makes it warm.

Cleaner Burning Technology • Fine Particle Achievement 2006 • Improved Air Quality

Corporate Responsibility

Tulikivi's operations are guided by its code of values: satisfied customers, entrepreneurship, fair play and courage. Tulikivi complies with laws and statutes in its operations. We act responsibly towards our interest groups – the most important of which are our customers, personnel, shareholders and partners in cooperation both in Finland and abroad.

ENVIRONMENTAL RESPONSIBILITY

Tulikivi is mindful of the environmental impacts of its business operations in both the sourcing of raw materials and production, attending to them in accordance with environmental legislation. Quarrying has environmental impacts, and these are seen to in the manner set forth in, for instance, the Mining Act, environmental legislation and the operating permits granted to the company.

In 2006, Tulikivi Corporation initiated a procedure for the evaluation of environmental impacts in connection with the founding of the soapstone quarry in Vaaralampi, Juuka. This is a major new soapstone deposit. Under the Mining Act, a mining patent is required for the start-up of operations, and one has been secured for the quarry. The company intends to take environmental impacts into careful consideration in the planning of the quarry project and related decision-making. The results of the evaluation will be published in spring 2007 in its final report.

Tulikivi seeks to minimize leftover stone in the utilization of its natural stone reserves. The new production plant opened in Juuka in 2006 features state-of-the-art technology to utilize small blocks that could not be used earlier due to their size or shape.

Our subsidiary Kermansavi Oy uses recycled ceramics as a raw material – for instance, surplus material from sanitary porcelain factories. Kermansavi also recycles its production wastes. No poisonous chemicals are used during manufacture. In product design, environmental friendliness is our core principle. The products and production processes must be safe and place a minimal burden on the environment.

FINANCIAL RESPONSIBILITY

Tulikivi's business strategy comprises controlled growth, efficiency and renewal, and thus good profitability. Growth and profits jointly lay the foundation for responsibility.

Capital management is enhanced by means such as increasing capital turnover rates. Tulikivi's objective is to grow and evolve in a controlled manner to ensure the undisturbed continuity of business operations. The most important benchmarks of financial responsibility are the development of revenue and relative profitability. These and other benchmarks are reported on in the financial statements and interim reports. The result of operations is reported on simultaneously, honestly, openly and in compliance with legislation.

Tulikivi employs over 700 people, primarily in distant areas.

By keeping the company's finances on a solid footing, Tulikivi can provide its shareholders with steady returns and fulfill its obligations as a responsible employer. In accordance with the shareholder policy, Tulikivi pays out a dividend equaling about one half of its annual earnings, while keeping its equity ratio at no less than 40 per cent. Financial stability and growth foster personnel security, enabling the company to keep employees on its payroll and create new jobs. Part of the profits is distributed to employees as incentive pay.

SOCIAL RESPONSIBILITY

Tulikivi's social responsibility is founded on its values and ethical approach. Social responsibility encompasses not only the personnel strategy, but also the company's partners. Tulikivi's distribution channel in export countries primarily comprises family businesses whose operations are based on the same values as Tulikivi's.

Training key interest groups – such as fireplace installers, importers and retailers – is an integral part of Tulikivi's social responsibility. In summer 2006, Tulikivi held a large launch and training event showcasing the new company's new look and collection. All Tulikivi personnel, fireplace installers and partners completed the training, both in Finland and in export countries. The company maintains an open and honest organizational culture to ensure personnel wellbeing. Training and the development of personnel expertise play a key role. Tulikivi has participated strongly in developing the teaching of stoneworking. Twenty-five new employees were trained for the new production plant in Juuka; this tailored program was provided in cooperation with the Employment Office. Extensive managerial coaching was provided for the managers of the Fireplaces Business with an external partner. It will continue in the year ahead, too. The company continued to work with educational institutions to provide a vocational degree in stoneworking. The degree will ensure the development of the expertise of personnel and their commitment to the company.

Employees' opinions on the organization's culture are assessed at regular intervals. Development steps are taken on the basis of the results. Other benchmarks of social responsibility are the amount of sick leave taken as well as the funds used for healthcare, occupational wellbeing, training and recreation.

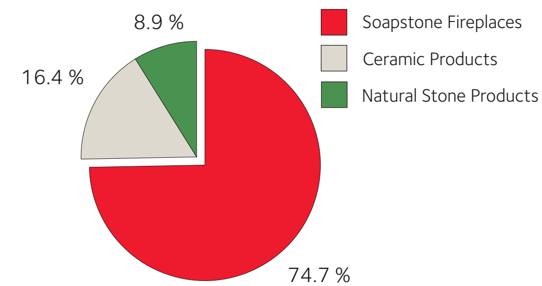
COMMUNITY SPIRIT

Tulikivi has strong roots in Northern Karelia, which is where its head office is located. The company plays an active social role in its region. Tulikivi employs over 700 people, primarily in distant areas. The company is a major employer and nurtures communities such as Juuka, Heinävesi, Suomussalmi, Kuhmo and Taivassalo. Being local is an important part of Tulikivi's identity.

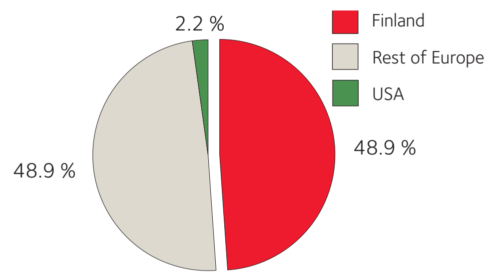
Tulikivi is actively involved in developing the stoneworking industry. Tulikivi's main sponsored organization is the Finnish Stone Centre, which aims to increase the use of stone and develop technical stoneworking expertise. The Stone Centre has four main missions: raising the profile of stone, stone research, teaching stone construction and encouraging entrepreneurship in the stone business.

Tulikivi Corporation is a member of numerous organizations such as: the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, Finnbio – the Finnish Bioenergy Association, Family Business Network Finland, the Finnish Chamber of Commerce, Finnpro, TTS Institute (Work Efficiency Institute), North Karelia's Enterprise Agency, Sisäilmayhdistys (the Indoor Air Association of Finland), Kiviteollisuusliitto (Finnish Natural Stone Association) and Euroroc. Its subsidiary Kermansavi Oy is a member of associations such as the Association for Finnish Work.

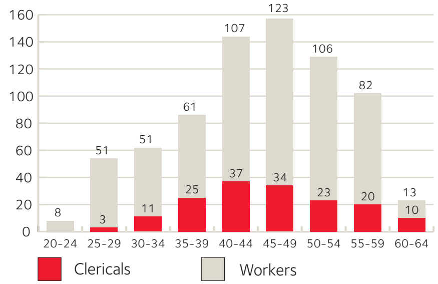
NET SALES PER BUSINESS AREA, %



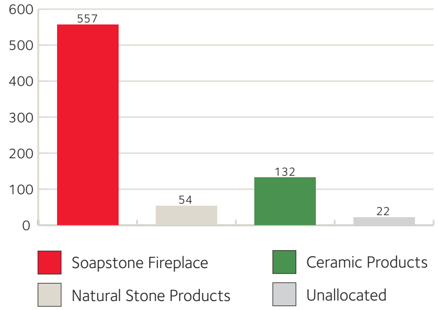
NET SALES PER GEOGRAPHICAL AREA, %



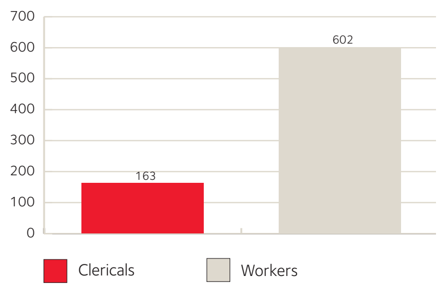
AGE DISTRIBUTION OF PERSONNEL, DECEMBER 31, 2006



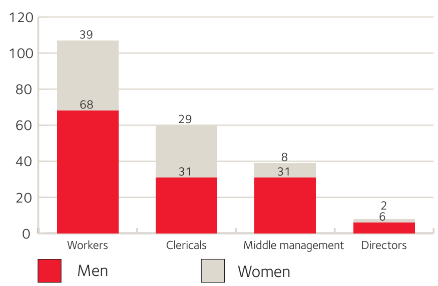
PERSONNEL PER SEGMENTS



GROUP'S WORKERS AND CLERICALS



GENDER DISTRIBUTION, 2006



Shareholder Policy

Tulikivi Corporation is a listed family company with its roots in Northern Karelia. Over 60 per cent of its voting stock is owned by the company's founding family. The company is founded by Reijo and Eliisa Vauhkonen. Shareholder responsibility is also held by the second generation: Heikki Vauhkonen and his family.

Heikki Vauhkonen serves as the vice chairman of the Board and as the marketing director. The company's partners are also largely Finnish and foreign family companies. Tulikivi has the financial robustness of a listed company and the values of a family company, which underlie Tulikivi's shareholder policy.

Tulikivi's Shareholder Policy

- In all that we do, we think of productivity and growth.
- Steady share appreciation and returns.
- We are mindful of the environment.
- We foster our corporate image.
- We develop distinctiveness and branded products.
- Tulikivi pays out a dividend of about half of its annual earnings, while keeping its equity ratio at no less than 40 per cent.

International Tribal Days – An Important Training Event

One of the year's most significant investments was the summer launch of the new collection. Personnel, retailers and partners in cooperation from both Finland and abroad were invited to the launch, where they also received training on the features of the latest collection and the new brand thinking. Both the collection and the brand ideology were favourably received.

2006 Fine Particle Achievement of the Year to Tulikivi

In November 2006, the Fine Particle Forum – formed as part of the FINE technology programme at TEKES (Finnish Funding Agency for Technology and Innovation) – presented the first ever Fine Particle Achievement of the Year award to Tulikivi. In its product development, Tulikivi has made good use of information gleaned through basic research and the company's new fireplace collection focuses on cleaner combustion technology. The new Tulikivi whirl chamber's firebox and combustion air control have been designed to ensure that wood burns cleaner than ever, thereby keeping emissions to a minimum and improving air quality.

Among the reasons given for choosing Tulikivi was the company's work towards a socially meaningful issue, combined with its success in positively influencing both the visibility of the issue and actual air quality.

30th Anniversary for Kermansavi Oy

The Tulikivi Group acquired Kermansavi Oy in spring 2006, which also marked Kermansavi's 30th anniversary. Kermansavi started out manufacturing utility ceramics, with the company's first heat-retaining fireplaces coming onto the market in 1990.

Over 70 per cent of Finns are familiar with Kermansavi and over half of all Finnish households use the company's products. Kermansavi products have been awarded the right to display the Avainlippu label, which is presented to high-quality products that are designed and manufactured in Finland. Domestic products, reliable delivery and high quality form the bedrock of Kermansavi's business.

Kermansavi manufactures ceramics and ceramic fireplaces at its plant in Heinävesi. With a staff of 130, Kermansavi is one of the largest employers in the Heinävesi region.

Tulikivi Now Warming the Whole Group

In 2006, Tulikivi mobilized a Group-wide brand overhaul. It's such a cold, cold world, but Tulikivi is warm. The new brand ideology and visuals encompass everything from websites to point-of-sales materials. Autumn 2006 saw the new look being launched for exports, too. During the spring, all Tulikivi personnel and retailers took an online training course on brand significance and the elements of the new brand.

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, Board Member of Exel Oyj.
Primary work experience: Managing Director of Kone Sweden, 1982-85; Area Director, Europe, for the Crane Division of Kone Finland, 1985–87; President of Abloy Oy, 1987–.
Tulikivi Corporation share ownership:
Series K shares 1 360 000
Series A shares 1 060 346

REIJO VAUHKONEN, (b. 1939)
M.Sc. (Civil Eng.), founder of the company. Managing Director and Chairman of the Board of Tulikivi Corporation, 1980–1989. Full-time Chairman of the Board, 1990–2002.
Other key positions of trust: Member of the Supervisory Board of Fennia Mutual Insurance Company, Chairman of the Board of the Finnish Stone Research Foundation, Board Member of the Finnish Natural Stone Association, Board Member of the Product Industry Division of the Confederation of Finnish Construction Industries RT.
Primary work experience: Director at Lohja Ltd, 1966-1979; Entrepreneur 1979–.
Tulikivi Corporation share ownership:
Series K shares 2 852 500
Series A shares 1 307 646

BISHOP AMBROSIUS, (b. 1945)
M.A. (Theo.), B.Sc. (Soc. Sc.) Metropolitan 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, Board Member of the St Petersburg Foundation, Vice Chairman of the Board of FinnAgro. Several international ecumenical positions of trust.
Primary work experience: Treasurer at the Orthodox Monastery of New Valamo, 1977–88; Lecturer and Acting Associate Professor at the University of Joensuu, 1973–76; Bishop of Joensuu, 1988–96, Metropolitan for the City of Oulu, 1996–2002; Metropolitan for the City of Helsinki 2002–.
Tulikivi Corporation share ownership:
Series A shares 13 346

JUHANI ERMA, (b. 1946)
LL.Lic. (trained on the Bench), Senior Advisor at Attorneys at law Borenius & Kemppinen. Member of the Board of Directors of Tulikivi Corporation since 2000.
Other key positions of trust: Board Member of Oral Hammaslääkärit Plc, Vice Chairman of the Panel on Take-overs and Mergers at The Central Chamber of Commerce of Finland, Board Member of Hallitusammattilaiset ry (the Finnish Association of Professional Board Members), Chairman of the Board of Stromsdal Oyj, Chairman of the Board of Atine Corporation, Board Member of Turvatiimi Oyj, Vice Chairman of the Board of the Finnish Stone Research Foundation, Vice Chairman of the Board of Silmäsäätiö (the Finnish Eye Foundation).
Primary work experience: Inhouse lawyer at Enso-Gutzeit Ltd, 1972-1979; legal and financial managerial tasks at Union Bank of Finland Ltd, 1979-1982; managerial tasks at the Port of Helsinki, South Harbour, 1981-1985; Managing Director of Unitas Ltd, 1985–1988; Managing Director of the Helsinki Stock Exchange, 1989-1997; Managing Director of HEX Oy, Helsinki Securities and Derivatives Exchange, Clearing House, 1998-1999; Managing Director of Helsinki Exchanges Group Ltd, 1999; own legal and securities consultancy, 2000-2002; Senior Advisor at Attorneys at law Borenius & Kemppinen Ltd, 2002–.
Tulikivi Corporation share ownership:
Series A shares 25 346

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, Chairman of the Board of Hansastroi Oy, Board Member of Elematic Ltd.
Primary work experience: Site Manager at Vesi-Seppo Ky, 1973–1975; Regional Manager at Vise Ky Saudi-Arabia, 1976–77; Construction Industry Manager at Oy Wilhelm Schauman Ab, 1979–1983; Kauhajoki House Factory Manager at Rauma-Repola Oy, 1983–1985; Managing Director of Insinöörirakentajat Oy, 1985–1991; President of Haka Oy, 1992–1994; President of Skanska Oy, 1994–2001, Chairman of the Board, 2001–2002 and Vice Chairman of the Board, 2002–2003.
Tulikivi Corporation share ownership:
Series A shares 13 346

AIMO PAUKKONEN, (b. 1941)
B.Sc. (Eng.). Managing Director and Chairman of the Board of Olena Oy. Member of the Board of Directors of Tulikivi Corporation since 1999.
Other key positions of trust: Board Member of Lujatalo Oy, Board Member of Lujabetoni Oy, Board Member of Fodesco Oy.
Primary work experience: Primary work experience: President of Huurre-Urate Oy, 1971–1983; Senior Vice President of Huurre Oy, 1983–1985; Senior Vice President of Puolimatka Oy, 1985–1990; Vice President, Exports at Haka Oy, 1990–1993; President of Olena Oy, 1993–.
Tulikivi Corporation share ownership:
Series A shares 37 346

HEIKKI VAUHKONEN,
Vice Chairman of the Board (b. 1970)
LLB and BBA. Marketing Director of Tulikivi's Fireplace Business. Member of the Management Team since 2001. Has worked for Tulikivi since 1997.
Positions of trust: Vice Chairman of Tulikivi Corporation, Board Member since 2001. Board Member of Stone Pole Oy.
Primary work experience: Vice President of Tulikivi U.S. Inc. 1997-2001; Marketing Director at Tulikivi Corporation, 2002–.
Tulikivi Corporation share ownership:
Series K shares 2 957 000
Series A shares 40 706







Tulikivi's Board of Directors from left to right:

Matti Virtaala, Reijo Vauhkonen, Bishop Ambrosius, Juhani Erma, Eero Makkonen, Aimo Paukkonen and Heikki Vauhkonen.

Corporate Governance

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 July 1, 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 company's vision and the values that are to be followed in its 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 April 6, 2006, 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 Heikki 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.

In 2006, the annual remuneration of Board members was EUR 11 815, of which 60 per cent was paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Each Board member received 1 454 Series A shares. Unless the Board of Directors grants express permission in advance, members of the Board are not allowed to surrender any shares received in this manner until they leave the Board. In addition, the Chairman of the Board of Directors was paid a EUR 5 630 monthly fee, the Vice Chairman a EUR 2 745 monthly fee and the director serving as secretary to the Board of Directors a EUR 565 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 2006, the company's Board of Directors convened 16 times. The average participation rate of Board members in these meetings was 99 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 November 1, 2001, the company's Managing Director has been Juha Sivonen.

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 2006, the Managing Director's salary, including bonuses, was EUR 188 420.

Heikki Vauhkonen has been Deputy Managing Director as of July 21, 2006.

In addition to their statutory pensions, supplementary pension plans entitle the Managing Director and Deputy Managing Director to retire at the age of 60.

In the management and planning of line operations, the Managing Director is assisted by the Management Team, whose members are the Purchasing Director, Ceramic Products Director, the Marketing Director, the Financing Director, the Financial Director, the Production Manager, 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 of the Helsinki Stock Exchange, which came into force on January 1, 2006. The Board has defined the organization and procedures applicable to Tulikivi's insider administration. The company'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 April 6, 2006, PricewaterhouseCoopers Oy, Authorized Public Accountants, was appointed as the company's auditor. In 2006, PricewaterhouseCoopers Oy received a total of EUR 143 938 in remunerations. The audit accounts for EUR 62 348 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.

COMMUNICATION

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.

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 November 1, 2001. Has worked for Tulikivi since 1987.

Positions of trust: Chairman of the Board of Directors of North Karelia's Enterprise Agency. Board Member of the Finnish Natural Stone Association.

Primary work experience: Development engineer at Suomen Vuolukivi Oy, 1987–1988, sales engineer, 1988–1989 and Production Manager, 1989-1990; Project Manager at The New Alberene Stone Co Virginia USA, 1991, and President, 1992; Production Manager at Tulikivi Oy, 1993–1996; Product Manager at Exel Oy, 1997; Marketing Director at Tulikivi Corporation, 1998–1999, Business Unit Manager, 2000-2001, Managing Director, 2001–.

Tulikivi Corporation share ownership:
Series K shares 100 000

HEIKKI VAUHKONEN, (b. 1970)
LLB and BBA. Marketing Director of the Fireplace Business. Member of the Management Team since 2001. Has worked for Tulikivi since 1997.

Positions of trust: Vice Chairman of the Board of Directors of Tulikivi Corporation, and Member of the Board since 2001. Board Member of Stone Pole Oy.

Primary work experience: Vice President of Tulikivi U.S. Inc, 1997–2001; Marketing Director at Tulikivi Corporation, 2002–.

Tulikivi Corporation share ownership:
Series K shares 2 957 000
Series A shares 40 706

ARJA LEHIKOINEN, (b. 1954)
M.Sc. (Econ.), MBA. Financing Director. Member of the Management Team since 1984. Has worked for Tulikivi since 1984.

Positions of trust: Board Member of the Finnish Stone Research Foundation.

Primary work experience: Office Manager at accounting firm Tietokate Oy, 1979–1982; Office Manager at Juuan Tili- ja kiinteistötoimisto accounting and real-estate firm, 1982–1984; Financial Director for Tulikivi Corporation and the Tulikivi Group, 1984–2001; Financing Director for the Tulikivi Group, 2001–.

Tulikivi Corporation share ownership:
Series A shares 65 620

JOUKO TOIVANEN, (b. 1967)
D.Sc. (Tech.), M.Sc. (Eng.). Financial Director and Director of Natural Stone Products. Member of the Management Team since 1995. Has worked for Tulikivi since 1993.

Positions of trust: No other positions of trust.

Primary work experience: Accounting Manager at Tulikivi Corporation, 1995-1997; Financial Manager at Tulikivi Corporation, 1997–1999; Manager, operational accounting and management systems for the Tulikivi Group, 1999–2001; Tulikivi Group's Financial Director and Director of Natural Stone Products, 2002–.

Does not own shares in Tulikivi Corporation.

ANU VAUHKONEN, (b. 1972)
M.A., Communication management training at The Institute of Marketing. Corporate Communications Director. Member of the Management Team since 2001. Has worked for Tulikivi since 1997.

Positions of trust: Board Member of the Family Business Network Finland and Chairman of its PR work group. Member of the editorial committee for the journal of the Finnish Natural Stone Association.

Primary work experience: PR for Wärtsilä Diesel Oy, 1995–1997; PR for Tulikivi Corporation, 1998: PR and Communications Manager at Tulikivi U.S. Inc., 1998 – 2001; Communications Director at Tulikivi Corporation, 2001–.

Tulikivi Corporation share ownership:
Series K shares 500

PEKKA HORTTANAINEN, (b. 1963)
M.Sc. (Eng.). Product Development Director. Member of the Management Team since 2003. Has worked for Tulikivi since 2001.

Positions of trust: No other positions of trust.

Primary work experience: Product development engineer at Halton Oy, 1988–1999 and Project Manager, 1989–1991; Product Development Manager at Halton Bethune S.A. France, 1992–1994; technical expert at Halton Oy, 1994–1997 and Product Manager, 1997 – 2001; Product Development Director at Tulikivi Corporation, 2002–.

Does not own shares in Tulikivi Corporation.

The members of the Management Team from left to right:

Pekka Horttanainen, Anu Vauhkonen, Pentti Kähkölä, Jouko Toivanen, Teemu Voutilainen, Arja Lehikoinen, Petri Huhti, Heikki Vauhkonen and Juha Sivonen.

TEEMU VOUTILAINEN. (b. 1953)
B.Sc. (Eng.). Production Director. Member of the Management Team since 2003.

Positions of trust: No other positions of trust.

Primary work experience: Production Manager at Finncombi ky, 1980–1983; Production/Materials Manager at Suomen Vuolukivi Oy, 1985–1992; Project Planner for the City of Joensuu, 1996–2000; Project Manager/ Plant Manager at Tulikivi Corporation's custom-made products factory, 2000–2005, Tulikivi Corporation's Production Director, 2005–.

Does not own shares in Tulikivi Corporation.

PENTTI KÄHKÖLÄ, (b. 1948)
M.Sc. (Eng.). Purchasing Director. Member of the Management Team since 2005. Has worked for Tulikivi since 1997.

Positions of trust: No other positions of trust.

Primary work experience: Factory Manager at Paloheimo Oy's Lappila brick factory, 1981–1987; Production Manager at Hackman Ltd's Nuutajärvi Glass, 1987–1996; Quality Manager at Iittala's glass factory, 1996–1997; Production/Plant Manager at Tulikivi Corporation's standard fireplace factory, 1997–2005; Tulikivi Corporation's Purchasing Director, 2005–.

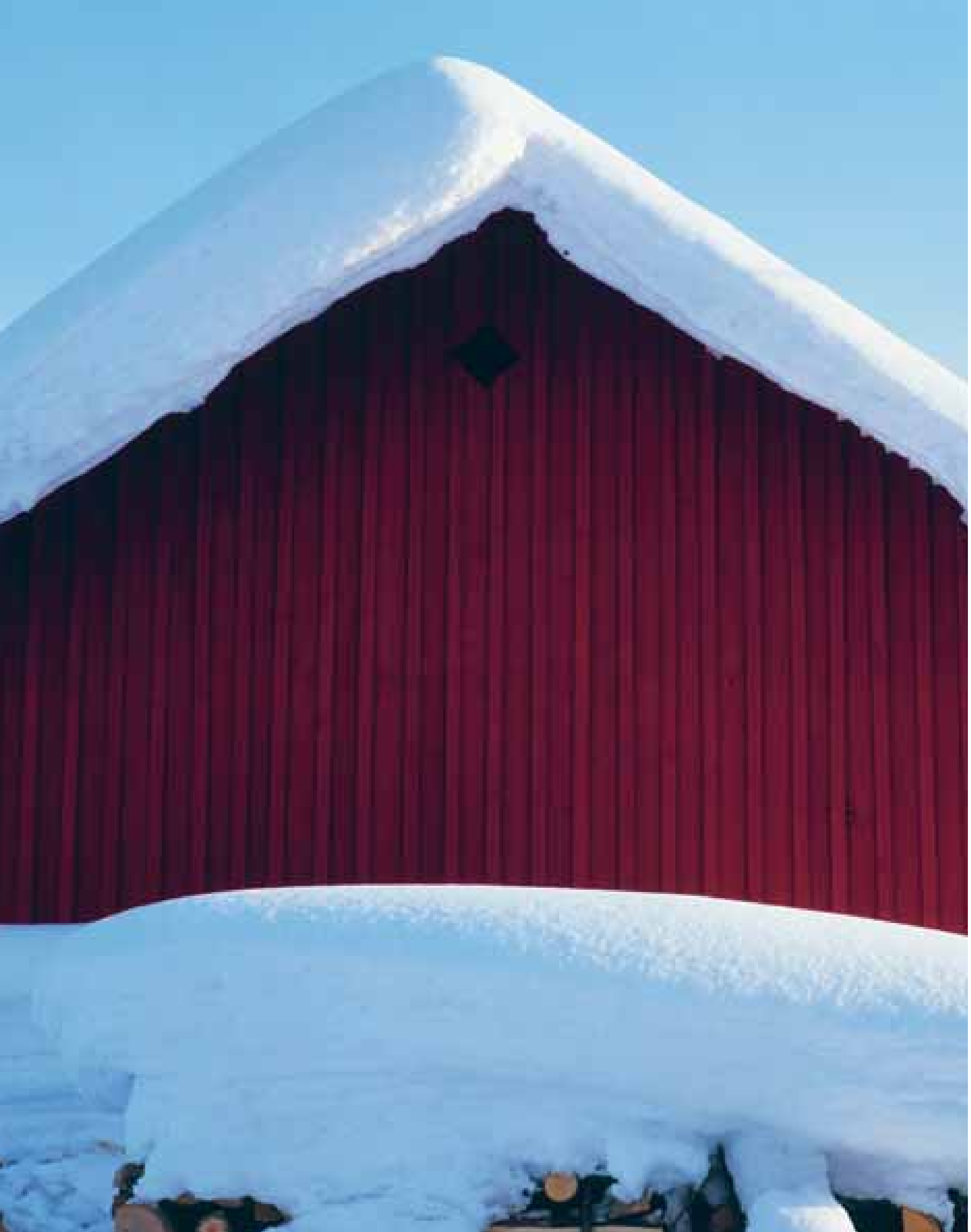
Does not own shares in Tulikivi Corporation.

PETRI HUHTI, (b. 1971)
B.Sc. (Eng.). Ceramic Products Director. Member of the Management Team as of June 5, 2006. Joined Tulikivi in 2006.

Positions of trust: No other positions of trust.

Primary work experience: Laboratory engineer at Amerplast Oy, 1996–1997, production engineer, 1997–1999 and Plant Manager (Poland), 1999–2000; Project Manager at Elcoteq Network Corporation (Poland), 2000–2002; Production Manager at Perlos Corporation, 2002–2004, and Plant Manager, 2004–2006; Ceramic Products Director at Kermansavi Oy, Tulikivi Group, 2006–.

Does not own shares in Tulikivi Corporation.



Information for Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Tulikivi Corporation will be held in the Kivikylä auditorium in Nunnanlahti, Juuka, on April 13, 2007, starting at 12:00. Financial statement documents will be available for inspection at the company's Internet site and head office in Nunnanlahti as from March 21, 2007. 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 April 3, 2007 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 April 3, 2007, either by telephoning Kaisa Toivanen at +358 207 636 251, 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 2006:

On Series A shares	EUR 0.090/share
On Series K shares	EUR 0.088/share

Dividends decided by the Annual General Meeting 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 April 18, 2007. The Board of Directors proposes to the Annual General Meeting that the dividend payout date be April 25, 2007.

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 bookentry securities account.

FINANCIAL REPORTS

Tulikivi Corporation will publish the following financial reports in 2007:

Financial statement bulletin for 2006	February 7, 2007
Annual Report for 2006	week 12
Interim Report for January-March	April 20, 2007
Interim Report for January-June	July 20, 2007
Interim Report for January-September	October 22, 2007

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 +358 207 636 254. If you have questions concerning investor relations, please contact the company's Financing Director Arja Lehikoinen at tel. +358 207 636 260.

Analysts following Tulikivi Corporation:
Mika Karppinen / Evli Equity Research,
tel. +358 9 4766 9643, mika.karppinen@evli.com;
Robin Santavirta / FIM Securities,
tel. +358 9 6134 6354, robin.santavirta@fim.com and
Mika Metsälä / Kaupthing Research,
tel. +358 9 4784 0241, mika.metsala@kaupthing.fi.

Tulikivi Corporation's Stock Exchange and Press Releases in 2006

January 4	Tulikivi to invest in factory extension in Juuka
January 9	Tulikivi expands ISO 9001 Quality Certificate to the whole Group
January 10	Kivia brand phased out at the beginning of 2006
January 10	New Tulikivi Pro fireplace collection for construction industry companies
January 19	Tulikivi receives permit for the utilization of soapstone in the Republic of Karelia
January 30	Invitation to Tulikivi Corporation's press conference
February 7	Annual General Meeting
February 7	Financial statement bulletin, January-December 2005
February 10	Everyone will find Tulikivi's soapstone paving stones easy to work with
February 10	Smarten up your garden with Tulikivi's new paving stones
February 10	Beautiful cladding for perimeter walls, plinths and dry walls
February 10	A new look for internal and external walls with Decorative slate cladding
February 17	Invitation to the Annual General Meeting of Tulikivi Corporation
March 21	Annual Report
March 21	Tulikivi to introduce new generation of fireplaces
April 3	Tulikivi acquires Kermansavi Oy
April 6	Resolutions of the Annual General Meeting of Tulikivi Corporation
April 20	Quadruple (split) increase in the number of Tulikivi Corporation shares
April 21	Interim Report, January-March 2006
April 28	Tulikivi Corporation and Isku Keittiöt Oy to cooperate
May 2	Tulikivi proactive in supporting Finnish stone sales
May 23	Petri Huhti appointed Director, Ceramics Business at Tulikivi Corporation
May 23	New appointments in the Tulikivi Group
June 15	Tulikivi's new generation of fireplaces: the union of fire and stone
June 21	Tulikivi Corporation increases its share capital
June 30	Tulikivi Corporation's share capital increase registered in the Trade Register
June 30	Tulikivi show home displays all the different facets of stone
July 21	Deputy to the Managing Director
July 21	Interim Report, January-June 2006
August 16	30th anniversary for Finnish company Kermansavi
August 21	The Hotpot Arina - a fabulously crisp base for baking
August 31	Spice up your day with a text mug
September13	Environmental effects of quarrying in Vaaralampi to be evaluated
September 26	Joutsen and Viola: two new fireplaces from Kermansavi
October 20	Interim Report, January-September 2006
October 30	Specialized showrooms to handle the Tulikivi Group's Finnish fireplace sales starting in 2007
November 2	Inauguration of Tulikivi's new production facility
November 14	2006 Fine Particle Achievement of the Year to Tulikivi Corporation
December 12	The Hotpot warmer keeps food hot
December 12	A café au lait mug and handless mug for the Oliivi collection
December 12	Kermansavi's Iiris collection: honouring the art of ceramics
December 12	Kermansavi's flagship store opened in IdeaPark
December 14	Tulikivi Corporation's Annual General Meeting and financial releases in 2007

Financial Statements and Board of Directors' Report of Tulikivi Corporation for Year 2006

These are the financial statements of Tulikivi Corporation, that have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations upon force as at December 31, 2006.

The term IFRS refers to the standards and interpretations upon these in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

The consolidated financial statements are presented in thousands of euros.

BUSINESS ENVIRONMENT

Fireplace demand grew during the financial year now ended. The factors underlying growth in demand were the high price of energy, uncertainty regarding energy distribution and brisk construction in Tulikivi's main markets. The Group met demand by maintaining a high production volume in soapstone products, acquiring Kermansavi Oy to expand its product portfolio and launching a new product collection. Production investments focused on the construction of the new fireplace factory. Outlays were made on upgrading distribution channels in different market areas. A new distribution channel was ready for deployment in Finland at the turn of the year.

CHANGES IN THE GROUP'S STRUCTURE AND SEGMENT REPORTING

Tulikivi Corporation acquired all the shares in Kermansavi Oy on April 3, 2006. The Group's business operations were divided into three business segments in 2006, namely Soapstone Fireplaces, Natural Stone Products and Ceramic Products. The Soapstone Fireplaces Business supplies soapstone fireplaces and stone lining for heaters. The Natural Stone Products Business supplies interior stone products and delivers stone to construction sites. The Ceramic Products Business produces Kermansavi fireplaces and utensils.

SALES AND RESULT

The Tulikivi Group's sales rose by 40.1 per cent in 2006 and amounted to EUR 82.1 million (EUR 58.6 million in 2005). Ceramic Products accounted for EUR 13.5 million of consolidated sales, and thus growth in comparable sales was 17.1 per cent. The Soapstone Fireplaces Business posted sales of EUR 61.3 (52.2) million, up 17.6 per cent. Sales of the Natural Stone Products Business grew by 13.2 per cent to EUR 7.3 (6.4) million.

The share of sales accounted for by exports was EUR 41.9 (30.7) million, or 51.1 (52.4) per cent. The largest countries for exports were Germany and Sweden. The greatest relative growth was achieved in the Baltic countries, France, Russia and Germany. Domestic sales were EUR 40.2 (27.9) million.

The Group's operating profit was EUR 8.2 (6.3) million. Soapstone Fireplaces had an operating profit of EUR 9.8 (8.8) million. The earnings of Soapstone Fireplaces are burdened by EUR 0.3 million in expenses due to the distribution channel change in the fourth quarter, the recognition of environmental provisions amounting to EUR 0.2 million and the start-up expenses of the new plant built in Juuka. The launch of the new product generation and the forging of the new distribution channel solution in Finland increased the Group's marketing expenses substantially. Natural Stone Products posted an operating profit of EUR 0.3 (0.2) million and Ceramic Products an operating profit of EUR 1.2 million, while unallocated expenses totalled EUR 3.1 (2.7) million.

Profit before taxes improved by 28.6 per cent to EUR 7.8 (6.1) million, representing 9.5 per cent of sales. The acquisition of Kermansavi Oy had an effect of EUR 0.8 million on pre-tax profits. The Group's return on investment was 21.7 (20.7) per cent. Earnings per share amounted to EUR 0.16 (0.12).

CASH FLOW AND FINANCING

The Group's financial position remained good. Cash flow from operating activities before investments amounted to EUR 12.0 (10.5) million. Current ratio was 1.5 (1.6). The equity ratio was 46.4 (63.0) per cent. The ratio of interest-bearing net debt to shareholders' equity, or gearing, was 40.9 (-3.1) per cent. Shareholders' equity per share amounted to EUR 0.83 (0.70). Financial income during the review period amounted to EUR 0.2 million and financial expenses to EUR 0.6 million.

INVESTMENTS AND DEVELOPMENT

During the report period, the company acquired all of Kermansavi Oy's shares in order to expand its product range and potential clientele, among other things. The acquisition cost was EUR 13.5 million, of which EUR 0.4 million comprised expert fees and transfer tax.

The Group's other investments amounted to EUR 10.6 (5.2) million. The most significant capital item was the investment in a factory in Juuka, valued at about EUR 6 million. The plant mainly uses leftover small blocks as raw material.

R&D expenditure totalled EUR 1.8 (1.7) million and its relative share of sales was 2.2 (2.8) per cent. The main thrust in product development was on the development of the new generation of soapstone fireplaces. Sales and deliveries of the new fireplace collection to customers began in the autumn. The new products feature peerless combustion technology and efficiency.

Tulikivi sought stone reserves in Finland and Russia. Tulikivi is continuing its prospecting operations in new areas of Russian Karelia in cooperation with the Geology Institute of the Karelian Scientific Centre of the Russian Academy of Sciences and the Geological Survey of Finland.

PERSONNEL

The Group employed an average of 664 people during the financial period (2005: 514; 2004: 513) and 765 (537; 535) at its end. Of the personnel, 579 (487; 490) were employed in Soapstone Fireplaces, 54 (50; 45) in Natural Stone Products and 132 in Ceramic Products. 86.8 per cent of the employment relationships are permanent and 13.2 per cent temporary. Salaries and bonuses during the financial year totalled EUR 22.3 (16.7; 16.0) million. Incentive pay will be paid to employees from the Group's result for 2006, which had an impact on earnings of EUR 0.9 (0.7; 0.7) million including social expenses. All personnel who were in the Group's employ during the whole financial year are covered by the incentive pay scheme, as set out in the plant-specific accounting rules.

Occupational safety has developed well. The number of work accidents per one hundred thousand working hours was 0.06 (0.1; 0.08).

BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITORS

At Tulikivi Corporation's Annual General Meeting held on April 6, 2006, the following members were elected to the Board of Directors: Bishop Ambrosius, Juhani Erma, Eero Makkonen, Aimo Paukkonen, Heikki Vauhkonen, Reijo Vauhkonen and Matti Virtaala. From amongst its members, the Board of Directors elected Matti Virtaala chairman and Heikki Vauhkonen vice chairman. Tulikivi Corporation's managing director is Juha Sivonen. The firm of authorized public accountants Pricewaterhouse-Coopers Oy is the company's auditor.

NUMBER OF SHARES, INCREASE IN THE SHARE CAPITAL AND BOARD AUTHORIZATIONS

The number of Tulikivi Corporation's shares was quadrupled during the report period without raising the share capital by dividing each old share into four new shares. The share's new nominal value is EUR 0.17. The increase in the number of shares entered into force on April 21, 2006.

Tulikivi Corporation's share capital was raised by EUR 122 133.10, the equivalent of 718 430 new Series A shares, through a directed share issue as part of the payment for the shares acquired in Kermansavi Oy. The fair value of the conveyed Series A shares is EUR 2.105 million. Their value was measured at the price of the Series A share on the stock exchange, adjusted for expected dividends, and amounted to EUR 2.93 per share. The new Series A shares were made available for trading on the stock exchange list on July 3, 2006.

Tulikivi Corporation's share capital, which has been paid and entered in the Trade Register, amounted to EUR 6 314 474.90 on December 31, 2006. The number of shares is 37 143 970, of which 27 603 970 are Series A and 9 540 000 Series K shares. According to the Articles of Association, the dividend payable for Series A shares shall be at least one percentage point higher than the dividend paid on Series K shares, as calculated from the nominal value of the shares. Each Series K share confers 10 votes at a general meeting, while each Series A share confers one vote. The Series A share is listed on the Helsinki Stock Exchange and its trading code is TULAV.

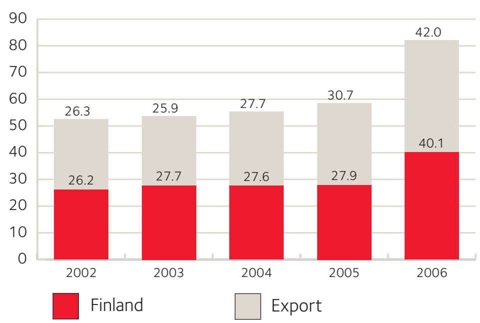
The Board of Directors has an authorization to buy and, similarly, to transfer treasury shares. A maximum of 2 688 552 Series A shares and a maximum of 954 000 Series K shares can be bought back. The authorization is valid until April 6, 2007. The company did not own any of its own shares on the closing date.

The Board of Directors has an authorization to increase the share capital, so that the share capital can be increased by a maximum of EUR 1 238 468 by offering a maximum of 7 285 108 new Series A shares for subscription at the price determined by the Board of Directors and under the terms set by the Board. The authorization includes the right to waive the pre-emptive subscription right of shareholders provided there are weighty financial reasons for the company to do so. The authorization is valid until April 6, 2007.

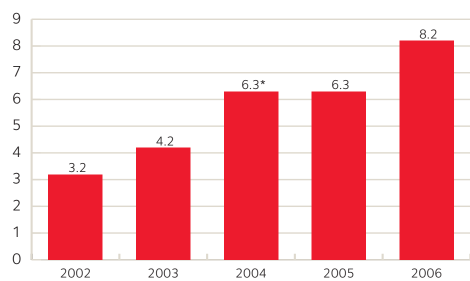
RATE DEVELOPMENT AND EXCHANGE OF SERIES A SHARES

In 2006, 7.5 million of Tulikivi Corporation's Series A shares were traded on the Helsinki Stock Exchange. The value of share turnover was EUR 23.8 million. The highest rating for the share was EUR 4.05 and the lowest was EUR 2.04. The closing rate on the last day of trading was EUR 3.51.

DEVELOPMENT OF NET SALES, MEUR

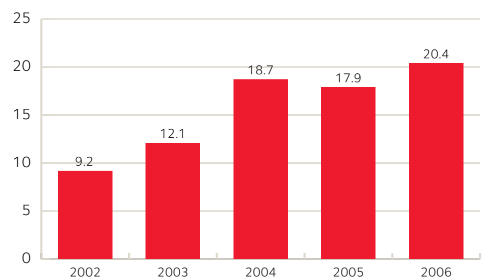


OPERATING PROFIT, MEUR



* Comparable operating profit in 2004, 5.1 MEUR

RETURN ON EQUITY, %



MAJOR BUSINESS RISKS

At the Tulikivi Group, risk analysis and risk management are part of the regular strategic planning process that is performed annually. Anything that may prevent or hinder the Group from achieving its objectives is designated as a risk. Risks may constitute threats, uncertainties or lost opportunities related to current or future operations. In the assessment of risks, their probability and impact are taken into account. Euro-denominated risk limits are used in evaluating their impacts.

After their analysis, means of preventing and controlling risks have been overviewed on the basis of their impact and probability. Risk analysis contributes to the strategic choices of the Group and the annual action plans.

Risk management seeks to ensure that the Tulikivi Group's business risks are identified and managed as effectively as possible so that the Group's strategic and financial objectives are achieved. The Board of Directors of Tulikivi Corporation and its subsidiaries is responsible for the companies' and Group's risk management policy and oversees its implementation. The managing director and the Management Team are responsible for establishing risk management procedures. The managing director is responsible for ensuring the due organization of risk management. The business units are responsible for the management of their business risks. The Group's risks are divided into strategic and operational risks, damage, casualty and loss risks and financial risks.

Strategic risks are related to the nature of business operations and concern, but are not limited to, the Group's raw material reserves, amendments to laws and decrees, business operations as a whole, the market position, the reputation of the company and the raw materials and large investments. Operational risks are related to products, distribution channels, personnel, operations and processes. Damage, casualty and loss risks include fires, serious machinery breakdowns and other damage to assets that may also lead to interruption of business. Such risks also include occupational safety and protection risks, environmental risks and accident risks. The Group's financial risks include liquidity risks, credit risks and the market risks of financial instruments.

Risks and the means of preventing and controlling them are presented in greater detail in note 36 to the consolidated financial statements.

ENVIRONMENTAL OBLIGATIONS

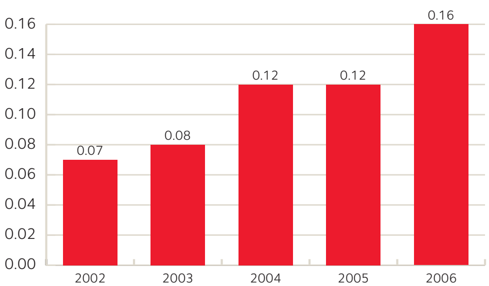
Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in the specified areas. The Group operates in line with environmental permits and complies with the requirements of the authorities and environmental protection.

The company shoulders its responsibilities for the environmental impacts of its operations. On the basis of the Mining Act and environmental legislation, the Tulikivi Group has landscaping obligations that must be met during operations and when quarries and plants are eventually shut down. The Group's operations do not burden the environment with hazardous or poisonous substances. The content and recognition principles of environmental management expenditure are presented in greater detail in note 33 and the key figures for environmental responsibilities in note 34.

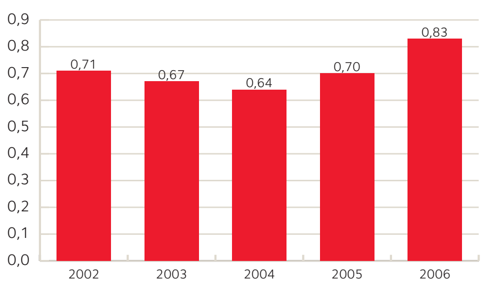
All of Tulikivi Corporation's quarries have the required environmental permits. In addition, renewal processes are under way. A procedure for the evaluation of environmental impacts was performed in connection with the founding of the soapstone quarry in Vaaralampi, Juuka. The procedure not only evaluated impacts in the Vaaralampi mining district, but also accounted for the potential combined impacts on the environment from other quarrying operations in Nunnanlahti.

The Group is neither party to judicial or administrative procedures concerning environmental issues nor is it aware of any environmental risks that would have a significant effect on its financial position.

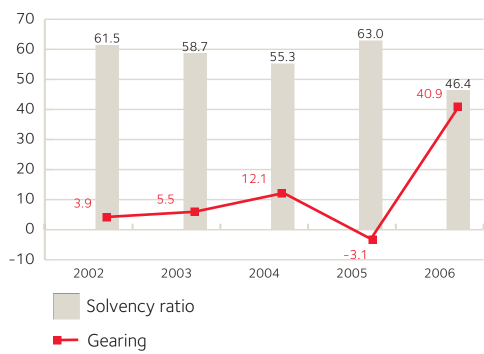
EARNINGS PER SHARE, EUR



EQUITY PER SHARE, EUR



SOLVENCY RATIO, % AND GEARING, %



OUTLOOK FOR THE FUTURE

The positive trend in the economy and brisk construction will continue in Tulikivi's main market areas and demand for fireplace products is expected to remain solid. Consolidated sales and earnings will develop favourably at the annual level. The start-up of the new distribution channel in Finland and plant will burden the earnings trend in the first part of the year.

The Tulikivi Group has set annual organic growth of over 5 per cent in the long term as its strategic objective. In addition, growth is sought through acquisitions. Other objectives are return on investment of over 20 per cent and the improvement of relative profitability by two percentage points per year. During the financial year now ended, relative profitability remained at the previous year's level due to the investment-related cost items referred to above.

GROUP STRUCTURE

The companies included in the Group are the parent company Tulikivi Corporation, its fixed establishment in Germany, Tulikivi Oyj Niederlassung Deutschland, and the subsidiaries Kermansavi Oy, Kivia Oy, AWL-Marmori Oy, Tulikivi U.S., Inc. and OOO Tulikivi. The Group's associated companies are Stone Pole Oy and Leppävirran Matkailukeskus Oy. Group companies also include Tulikivi Vertriebs GmbH and The New Alberene Stone Company, Inc..

THE BOARD'S DIVIDEND PROPOSAL

The parent company's distributable equity amounts to EUR 10 903 thousand, of which the profit for the period accounts for EUR 3 735 thousand.

The Board of Directors will propose to the Annual General Meeting that the distributable equity be used as follows:

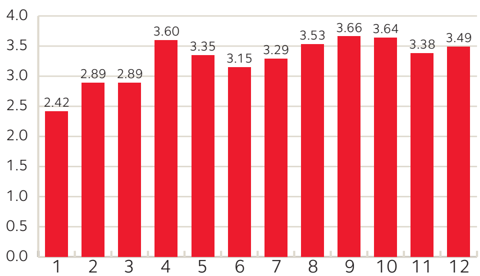
Dividend payout:
EUR 0.090 / share on Series A shares
EUR 0.088 / share on Series K shares
to a total of EUR 3 324 thousand

Charitable purposes as decided by the Board of Directors EUR 150 thousand.

Retained in equity EUR 7 429 thousand.

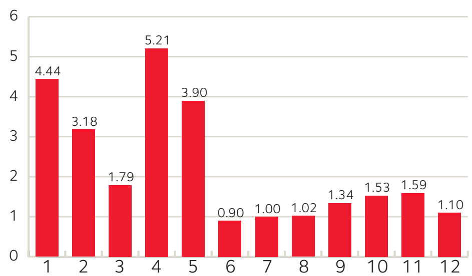
No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good and in the view of the Board of Directors the proposed dividend payout does not jeopardize the company's solvency.

MONTHLY DEVELOPMENT OF THE AVERAGE PRICE OF THE A SHARE, EUR



The Split of A shares, in April, has been taken into account in the calculation of the average share price beginning on January 1, 2006.

MONTHLY DEVELOPMENT OF THE TRADING VOLUME OF THE A SHARE, %



The Split of A shares, in April, has been taken into account in the calculation of the average trading volume beginning on January 1, 2006.

Consolidated Financial Statements, IFRS
Consolidated Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
Sales	2	**82 149**	58 642
Other operating income	5	601	330
Increase / decrease in inventories of finished goods and in work in progress		-331	-952
Production for own use		970	1 197
Raw materials and consumables		14 363	9 706
External services		10 502	6 658
Personnel expenses	6	28 745	21 027
Depreciation and amortisation	7	5 201	3 987
Other operating expenses	8	16 348	11 553
Operating profit		**8 230**	6 286
Financial income	9	207	134
Financial expenses	10	-635	-269
Share of loss (-) / profit (+) of associates		-2	-88
Profit before income tax		**7 800**	6 063
Income taxes expense	11	2 075	1 697
Profit for the year		**5 725**	4 366
Calculated from profit attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	**0,16**	0,12

Consolidated Balance Sheet

EUR 1 000	Note	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
Assets			
Non-current assets			
Property, plant and equipment	13	24 874	16 261
Goodwill	14	3 974	632
Other intangible assets	14	10 564	4 088
Investment properties	15	234	238
Other financial assets	17	63	37
Trade and other receivables	20	0	158
Deferred tax assets	18	542	532
Total non-current assets		**40 251**	21 946
Current assets			
Inventories	19	10 611	7 015
Trade and other receivables	20	10 410	7 447
Current income tax receivables	20	34	39
Cash and cash equivalents	21	4 913	4 141
Total current assets		**25 968**	18 642
Total assets		**66 219**	40 588
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	22	6 314	6 192
Share premium		7 334	5 351
Translation differences	22	-13	31
Retained earnings		17 076	13 943
Total equity		**30 711**	25 517
Non-current liabilities			
Deferred income tax liabilities	18	3 025	792
Provisions	25	622	322
Interest-bearing liabilities	26	14 739	1 811
Other liabilities	27	347	347
Total non-current liabilities		**18 733**	3 272
Current liabilities			
Trade and other payables	27	13 660	10 205
Current income tax liabilities		391	58
Short-term interest-bearing liabilities	26	2 724	1 536
Total current liabilities		**16 775**	11 799
Total liabilities		**35 508**	15 071
Total equity and liabilities		**66 219**	40 588

Consolidated Cash Flow Statement

EUR 1 000	Note	Jan. 1 – Dec. 31, 2006	Jan. 1 – Dec. 31, 2005
Cash flows from operating activities			
Profit for the period		5 725	4 366
Adjustments:			
Non-cash transactions	29	5 033	4 068
Interest expense and finance costs		635	264
Interest income		-196	-128
Dividend income		-5	-6
Income taxes	11	2 075	1 697
Changes in working capital:			
Change in trade and other receivables		112	93
Change in inventories		-772	440
Change in trade and other payables		1 223	1 129
Change in provisions		240	107
Interest paid		-491	-278
Interest received		110	105
Dividends received		5	4
Income tax paid		-1 741	-1 314
Net cash flow from operating activities		**11 953**	10 547
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-10 989	0
Acquisition of associates		0	-13
Purchases of property, plant and equipment (PPE)		-7 922	-3 221
Grants received for PPE		278	0
Purchases of intangible assets		-2 181	-1 854
Grants received for intangible assets		359	174
Proceeds from sale of PPE		234	1
Proceeds from sale of intangible assets		0	94
Disposal of other financial assets		149	0
Disposals on financial assets at fair value through profit or loss		0	756
Loans granted to associates fair value through profit or loss		0	-75
Net cash flow from investing activities		**-20 072**	-4 138
Cash flows from financing activities			
Proceeds from borrowings		15 350	0
Repayments of borrowings		-3 828	-5 299
Dividends paid		-2 608	-2 071
Net cash flow from financing activities		**8 914**	-7 370
Net decrease (-) / increase (+) in cash and cash equivalents		795	-961
Cash and cash equivalents at the beginning of the year		4 141	5 086
Exchange gains (+) / losses (-)		-23	16
Cash and cash equivalents at the end of the year	21	**4 913**	4 141

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company	Share capital	Share premium fund	Translation differences	Retained earnings	Total equity
EUR 1 000					
Equity					
Balance at January 1, 2005	6 192	5 351	-22	11 645	23 166
Translation differences			53		53
Profit for the year				4 366	4 366
Dividends paid				-2 068	-2 068
Balance at December 31, 2005	6 192	5 351	31	13 943	25 517
Translation differences			-44		-44
Issue of shares	122	1 983			2 105
Charitable contribution				-62	-62
Profit for the year				5725	5 725
Dividends paid				-2 530	-2 530
Balance at December 31, 2006	**6 314**	**7 334**	**-13**	**17 076**	**30 711**

Notes to the Consolidated Financial Statements

BASIC INFORMATION OF THE GROUP

Tulikivi's objective is to be the leading company specialized in branded heating products and natural stone products for homes in selected market areas. The Group's business is divided into three business segments: Soapstone Fireplaces, Natural Stone Products and Ceramic Products. The Soapstone Fireplaces Business comprises soapstone quarrying, production, design, sales and marketing. Its products are soapstone fireplaces and stone lining for heaters. The Natural Stone Products Business comprises household interior stone products and deliveries of stone to construction sites, and purchases, sales and marketing of natural stone. The Ceramic Products Business includes the production, design, sale and marketing of ceramic fireplaces and ceramic products. It produces Kermansavi fireplaces and utensils. The Group exports its products to almost 20 countries.

The parent company is Tulikivi Corporation and it is domiciled in Juuka. Its registered address is 83900 Juuka.

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

Tulikivi Corporation's Board of Directors has approved these financial statements for publication at its meeting held on February 7, 2007. Under the Finnish Companies Act, shareholders may approve or reject the financial statements at the Annual General Meeting held after publication. The Annual General Meeting may also revise the financial statements.

1. ACCOUNTING PRINCIPLES

1.1. BASIS OF PREPARATION

These are the financial statements of the Group, that have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at December 31, 2006. The term IFRS refers to the standards and interpretations that are approved for adaptation in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

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

The group has adopted the following standards and amendments (and interpretations) beginning on or after January 1, 2006.

- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRS 1 (Amendment), First-time Adoption of IFRS and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources

The change in the accounting policy has been adopted according to the transitional provisions. Exploration and evaluation costs capitalised are presented as a separate item within intangible assets. Previously the assets were presented within other intangible assets. The adoption does not have an impact on earnings per share or asset's carrying amount for the current period or previous period.

The following IASB published new standards, amendments and interpretations to existing standards adopted by the group did not have an effect on the 2006 consolidated financial statements:

- IFRSC 9, Reassessment of Embedded Derivatives (effective June 1, 2006)
- IFRIC 8, Scope of IFRS 2 (effective May 1, 2006)
- IAS 21 (Amendment), Net Investment in a Foreign Operation (effective January 1, 2006)
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective March 1, 2006)
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective December 1, 2005)
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective January 1, 2006)
- IAS 39 (Amendment), The Fair Value Option (effective January 1, 2006)
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective January 1, 2006)
- IAS 19 (Amendment), Employee Benefits (effective January 1, 2006)
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective January 1, 2006)
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective January 1, 2006)

Tulikivi has not early adopted the following new standards, amendments or interpretations to existing standards published before December 31, 2006.

- IFRS 8, Operating Segments (effective January 1, 2009)
- IFRIC 12, Service Concession Arrangements (effective January 1, 2008)
- IFRIC 11, IFRS 2 – Group and Treasure Share Transactions (effective March 1, 2007)
- IFRIC 10, Interim Financial Reporting and Impairment (effective November 1, 2006)
- IFRS 7, Financial instruments: Disclocures (effective January 1, 2007)
- IAS 1 Capital disclosures (effective January 1, 2007)

Management estimates that the above new standards, amendments and interpretations to existing standards will not have an effect on the 2007 financial statements. Management is currently assessing the impact of IFRS 8.

The preparation of the consolidated financial statements in conformity with IFRS requires the management use of certain estimates and exercise of judgment in the process of applying the Company's accounting policies. Information about the areas where the management has exercised judgment in the application of the Group accounting principles is presented under "Critical Accounting Judgments in applying the Entity's Accounting Principles".

1.2. CONSOLIDATION PRINCIPLES

SUBSIDIARIES

The consolidated financial statements include the parent company Tulikivi Corporation and all its subsidiaries. Subsidiaries are companies, over which the Group has control. All subsidiaries are fully owned by Tulikivi Corporation. Intragroup share holding has been eliminated according to the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group. Intragroup transactions, balances and unrealized gains on transactions between group companies, and intragroup distribution are eliminated. Unrealized losses are also eliminated unless the loss is due to impairment.

ASSOCIATED COMPANIES

Associated companies are all entities over which the Group has significant influence. Significant influence is realized when the Group holds over 20 per cent of the voting rights or otherwise has significant influence, but no control. Investments in associates are accounted for using the equity method. When the Group's proportionate share of the associated company's result exceeds the book value, the investment is recognized in the balance sheet to zero value and the exceeding losses are not recognized unless the Group has incurred obligations or made payments on behalf of the associate company.

FOREIGN CURRENCY TRANSLATION

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

Transactions in foreign currencies are translated into functional currency using the exchange rates prevailing at the transaction date. In practice, exchange rates close to the rates prevailing at the dates of the transactions are usually used. Monetary items are translated into functional currency using the exchange rates prevailing at the balance sheet date. Non-monetary items are translated into functional currency at the exchange rates prevailing at the transaction date. Exchange differences of transactions in foreign currencies and translation of monetary items are recognized in the income statement. Exchange differences resulting from operations are recognized in the income statement as part of the operating profit. Gains or losses arising from loans and cash in bank are presented in the income statement within finance income and expense.

The income statements of subsidiaries are translated into the Group reporting currency using the average exchange rates for the year and the balance sheets are translated using the exchange rates at the balance sheet date. Exchange differences arising from the translation of the income statement and the balance sheet with different exchange rates results in translation difference that is recognized in equity. Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the accumulated equity are recognized in equity. Translation differences that have arisen before January 1, 2004 which was the date of transition to IFRS, were recognized in retained earnings on transition to IFRS-standards according to the exemption of IFRS 1. Translation differences arising after January 1, 2004 are presented in equity as separate item.

PROPERTY, PLANT AND EQUIPMENT

Tangible assets have been recorded in the balance sheet at cost less accumulated depreciation and impairment charges.

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

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

Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to10 years
Motor vehicles	5 to 8 years
Other property, plant and equipment	3 to 5 years

The acquisition cost of the equipment is amortised by 25 per cent outlay residue write-offs. Investment property buildings have a depreciation period of 10 to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property, plant and equipment are included in either other operating profits or losses.

BORROWING COSTS

Borrowing costs are expensed as occurred.

PUBLIC GRANTS

Government or other public grants related to the purchase of property, plant and equipment or intangible assets are deducted from the carrying amount of the asset when there is a reasonable assurance that the grant will be received and the group will comply with attached conditions. The grants are recognized in the income statement during the useful life of the asset in the form of lower depreciation on the asset in question. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants are presented within other operating income.

INVESTMENT PROPERTIES

Investment properties are properties held in order to obtain rental revenues or capital appreciation. Investment properties are valued at cost less accumulated depreciation.

INTANGIBLE ASSETS

Goodwill represents the excess of the cost of the business combination over the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising from acquis-tions before January 1, 2004 represents the carrying amount of goodwill at the date of transition to IFRS based on the previous accounting principles.

Goodwill is not amortised but tested annually for impairment. For this purpose the goodwill has been allocated to cash generating units. The goodwill is valued at historical acquisition cost less impairment.

RESEARCH AND DEVELOPMENT COSTS

Research costs are recognized as expenses in the income statement. Development costs arising from planning of new or improved products are capitalized as intangible assets in the balance sheet when the entity can demonstrate the technological and commercial feasibility of the product. Capitalised development costs compromise material, labour and test costs incurred in bringing the assets capable of operating in the manner intended by management. Development costs previously expensed cannot be capitalized later.

Depreciations of an asset are started when the asset is available for use. Assets not available for use are annually tested for impairment. After initial recognition, intangible assets shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The useful life of the capitalized development costs is 5 to 10 years during which the capitalized assets are recognized as expenses using the straight-line method.

COSTS OF EXPLORATION AND EVALUATION OF MINERAL RESOURCES

Costs of exploration and evaluation of soapstone are mainly capitalised. However, costs of exploration and evaluation of soapstone are expensed when there is significant uncertainty related to commercial viability. Elements of cost of exploration and evaluation are geographical studies, exploration drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. After recognition entity applies the cost model and assets are amortised between 5 – 10 years. Exploration and evaluation assets are classified as a separate intangible asset until technical feasibility and commercial viability is demonstrable. Afterwards the exploration and evaluation assets are classified to other intangible assets. The Exploration and evaluation activities start when the Ministry of Trade and Industry has granted a right of appropriation.

OTHER INTANGIBLE ASSETS

Intangible assets should be recognized in the balance sheet only if the cost of the item can be measured reliably and it is probable that the future economic benefits associated with the asset will flow to the entity.

Costs arising from establishing the quarries and construction of roads, dams and other site facilities related to the quarry are also capitalised. It can take years to establish a quarry. The depreciation of the quarrying areas is started when the quarry is ready for production use and depreciations are made over its useful life, though 10 years at its most. The depreciation of construction expenses of roads and dams is started in the construction year.

Intangible assets with a finite useful life are amortised over their useful life using the straight-line method.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Amortisations of intangible assets are as follows:

Patents	5 to 10 years
Development costs	5 to 10 years
Distribution channel	10 years
Mineral resource exploration and evaluation assets	5 to 10 years
Quarrying areas	5 to 10 years
Quarrying area roads and dams	5 years
Computer software	3 to 5 years
Others	5 years

The useful life of trademarks related to ceramic business segments has been assessed to be indefinite, because there is no foreseeable limit to the period which these assets are expected to generate net cash inflows.

INVENTORIES

Inventories are valued at cost or at lower probable net realisable value. The cost is determined using the weighted average cost method. The acquisition cost of quarried blocks is affected by the stone yield percentage. The cost of finished goods and work in progress consists of raw materials, direct labor, other direct costs and related variable and fixed production overheads allocated on a reasonable basis on a normal capacity of the production facilities. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling expenses.

LEASES

GROUP AS LESSEE

The lease agreements of the Group are agreements under which substantially all the risks and rewards incident to the leased assets is retained by the lesser and the agreements are therefore classified as operating leases. Payments made under operating leases are charged to the income statement as rental expenses on a straight-line basis over the period of the lease.

GROUP AS LESSER

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

IMPAIRMENT

It is assessed at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is assessed. The recoverable amount is annually tested for impairment for the following assets independent of the existence of indicators of impairment: goodwill and intangible assets in progress. Mineral resource exploration and evaluation assets are tested always before a change in classification of the assets in question. For the purpose of assessing impairment assets are grouped at the lowest levels for which there are separately identifiable cash generating units with separately identifiable cash flows.

The recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. A pre-tax rate, which reflects the market view on the time value of money and asset specific risks is used as discount rate.

The impairment loss is recognized when the carrying amount exceeds the recoverable amount. The impairment loss is immediately recognized in the income statement. If an impairment loss is allocated to a cashgenerating unit, it is first recognised as deduction of the goodwill allocated to the unit and then on prorata basis to unit's other assets. By recognition of impairment loss the useful life of the asset to be depreciated is reassessed. For other assets except goodwill, impairment loss is reversed in case there is a change in those estimates that were used when recoverable amount of the assets was determined. The increased carrying amount must not, however, exceed the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Previously recognized impairment loss of goodwill is not reversed under any conditions.

EMPLOYMENT BENEFITS

PENSION OBLIGATIONS

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

PROVISIONS

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. A warranty provision is recognized when the product subject to the warranty is sold. The amount of the warranty provision relies on the statistical information of historical warranty realization. A provision of onerous contracts is recognized when the incremental costs exceed the benefits received from the contract.

Based on environmental legislation the group has restoration obligations related to factory and quarry areas. A provision is recognised in the consolidated financial statements for the estimable environmental obligations.

INCOME TAXES

Tax expense is the aggregate amount included in the determination of profit and loss for the period in respect of current tax and deferred tax. Tax expense is recognised in the income statement with the exception of items recognised directly in equity, when the tax consequence is recognised also in equity. Current tax is the amount of income taxes payable in respect of the taxable profit for the period and is calculated on the basis of the local tax legislation. Current tax is adjusted by possible tax items related to previous periods.

Deferred taxes are calculated on all temporary differences between the carrying amounts of balance sheet items and their taxable values. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxes are not recognised related to goodwill that is not tax deductible. Deferred taxes are not recognised for the part of the temporary difference related to subsidiaries' retained earnings that is not estimated to be reversed in foreseeable future. Most significant temporary differences arise from depreciation of property, plant and equipment, measuring derivatives to fair value, defined benefit pension arrangements, tax losses carried forward and fair value measurement associated to acquisitions. Deferred tax is determined using tax rates that have been enacted by the balance sheet date. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

REVENUE RECOGNITION

Revenue includes the consideration received from sale of goods and services adjusted with indirect taxes, rebates, and translation differences from sales in foreign currency.

SOLD GOODS AND PRODUCED SERVICES

Revenues of sold goods are recognized when the risks and rewards of ownership of the goods have been transferred to the buyer. The domestic installations of fireplaces are outsourced to subcontractors. The profits and losses from these installations are recognized when the good is delivered.

CONSTRUCTION CONTRACTS

Construction contract revenues and costs are recognized based on the percentage of completion method when the amount of revenue can be measured reliably. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, the contract costs shall be recognised as an expense in the period in which they are incurred and revenue shall be recognised only to the extent of contract costs incurred that it is probable will be recoverable. An expected loss on the construction contract shall be recognised as an expense immediately.

Costs incurred in the year in connection with future activity on a contract are presented as inventories of contracts in progress. For contracts in progress where costs incurred plus recognised profits exceed progress billings the gross amount due from customers is presented in "trade and other receivables". For contracts in progress for which progress billing exceed costs incurred plus recognised profit the gross amount due to customers is presented in "trade and other payables".

INTEREST AND DIVIDENDS

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

FINANCIAL ASSETS AND LIABILITIES

The Group classifies its financial assets in the following categories in accordance with IAS 39 – Financial Instruments: Recognition and Measurement: financial assets measured at fair value through profit or loss, loans and other receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial asset was acquired and is made at initial acquisition. Assets at fair value through profit or loss are financial assets held for trading or financial assets which are classified at initial recognition in this category. The assets in the latter group are managed based on fair values.

The financial assets measured at fair value through profit or loss includes the financial assets held-for-sale.

The financial assets held-for-sale due for settlement within twelve months are acquired in order to achieve short-term market gains and are included in the current assets. The items are measured at fair value. Unrealized and realized gains and losses from changes in fair value are recognized in the income statement in the active period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. Loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are included in trade and other receivables and are classified as current or non-current based on their nature, to the latter if they have a maturity of more than 12 months.

The financial assets available for sale are non-derivative financial assets, that are specifically defined to this group of assets or that are not classified into any other category. They are recognized as non-current assets in the balance sheet except when the management intends to dispose of the investment within 12 months from the reporting date. In this case the investment is classified as current asset. Available-for-sale financial assets can contain investments on shares and interest-bearing investments. Available-for-sale financial assets are carried at fair value, or when the fair value can not be measured reliably, at cost. Changes in the fair value of investments classified as available for sale are recognised in fair value reserve in equity deducted by tax effect. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Credit accounts are included in current interest-bearing liabilities and are presented as a net amount, because the Group has a contractual right to set-off or in other ways settle the amount to be paid to the creditor either partly or as a whole on a net basis.

Transaction costs are included in the initial value of all the financial assets not carried at fair value through profit or loss. Regular purchases and sales of financial assets are recognised on the trade-date. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at fair value on the basis of the consideration received. Subsequently, all financial liabilities are measured at amortized cost using the effective interest rate method. Financial liabilities may comprise of current and non-current, and interestbearing and non-interest-bearing items.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss previously recognized in profit or loss is removed from equity and recognized through the income statement.

The group recognises an impairment loss when there is objective evidence that the trade receivables are not collectible in full. Significant financial difficulties of a debtor, probability of bankruptcy or delay of payments exceeding 90 days are considered as evidence of the impairment of trade receivables. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed through profit or loss.

DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

The Group has entered into interest rate swap contracts. The hedge accounting, as set out in IAS 39, is not applied in the Group. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured their fair value.

Changes in the fair value of derivatives are recognized directly to the finance income and expenses. The fair value of the derivative is disclosed in the balance sheet in the current receivables or liabilities depending of its positive or negative value.

OPERATING PROFIT

The IAS 1 Presentation of financial statements- standard does not define the concept of operating profit. The Group has defined it as following: The operating profit is the net amount attained when the sales are added by other operating income, deducted by costs of goods sold and costs of production for own use, by employee benefit expenses, by depreciations, by possible impairment charges and by other operating expenses. All other items are presented below operating profit in the income statement. Exchange rate differences are included in operating profit if they result from operations, otherwise they are recognised in the financial items.

CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING PRINCIPLES

In preparing the consolidated financial statements critical assumptions and judgments are made, the actual outcome of which might differ from the assumptions and estimates made previously. In addition, judgment is exercised in applying the accounting principles. Judgments and assumptions are based on the Directors best estimate as at the reporting date. Possible changes in the estimates and assumptions are recognized as expenses during the period they occurred and during the periods following.

The estimates of the future and assumptions as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Determination of the Fair Values of Assets Acquired in Business Combinations

The Group has used external advisor in valuation of fair values of tangible and intangible assets in significant business combinations. For tangible assets' part comparisons have been made to comparable assets taking into account the decrease in value due to age, wearing and other corresponding factors. For all assets it has not been possible to use market values. In these cases the valuation has been based to original cost from which the estimated decrease in value due to age, wearing and other corresponding factors has been deducted. The determination of the fair value of intangible assets is based on the estimates on the cash flows related to the assets. Further information on the valuation of intangibles acquired as part of business combination is presented in the Note 3.

The management believes that the estimates and assumptions used in the determination of the fair value are reliable. The Group assesses at each reporting date whether there is any indication that a tangible or intangible asset may be impaired.

IMPAIRMENT TESTING

At each reporting date the Group tests goodwill and intangible assets under progress for potential impairment and estimates the indicators of impairment according to the abovementioned accounting policies. In addition, for mineral resource exploration and evaluation assets' part impairment tests are performed when the classification of the assets changes.The recoverable amounts of cash generating units are assessed based to their value in use. The assessment of these values requires the use of estimates.

Further information on the sensitivity of the recoverable amount to the changes in the assumptions used is in Note 14.3.

EUR 1 000

2. Segment reporting

Segment information is presented for the Group's business segments and geographical segments. The Group's primary reporting format is business segments. Business segments are based on the Group's internal organisational structure and internal financial reporting. Segment assets and liabilities are operative items, which are used in segment operations and can be reasonably allocated to segments. Unallocated items include tax and financing items and items common to the whole of the company. Capital expenditure consists of additions to tangible and intangible assets, that are used in more than one financial period.

Business segments	
Soapstone fireplaces business	
Natural stone products business	
Ceramic products business (since April 3, 2006)	
Geographical segments	
Finland	
Rest of Europe	
USA	

2.1. Business segments 2006	**Soapstone fireplaces business**	**Natural stone products business**	**Ceramic products business**	**Unallocated**	**Group total**
Sales	61 348	7 317	13 484		82 149
Operating profit	9 769	344	1 169	-3 052	8 230
Finance income / expense, share of profit of associates and income taxes				-2 505	-2 505
Profit for the year					5 725
Assets by segment	36 957	5 500	17 863	5 899	66 219
Liabilities by segment	10 925	727	1 937	21 919	35 508
Capital expenditure	8 043	365	14 706	629	23 743
Depreciation and amortisation expenses	3 760	304	873	264	5 201

2.2. Business segments 2005	**Soapstone fireplaces business**	**Natural stone products business**		**Unallocated**	**Group total**
Sales	52 184	6 458			58 642
Operating profit	8 770	225		-2 709	6 286
Finance income / expense, share of profit of associates and income taxes				-1 920	-1 920
Profit for the year					4 366
Assets by segment	31 026	4 712		4 850	40 588
Liabilities by segment	9 742	710		4 619	15 071
Capital expenditure	4 654	194		302	5 150
Depreciation and amortisation expenses	3 501	248		207	3 956
Impairments	31				31

2.3. Geographical segments 2006	**Finland**	**Rest of Europe**	**USA**		**Group total**
Sales	40 196	40 119	1 834		82 149
Assets by segment	65 547	193	479		66 219
Capital expenditure	23 718	25			23 743

2.4. Geographical segments 2005	**Finland**	**Rest of Europe**	**USA**		**Group total**
Sales	27 902	29 143	1 597		58 642
Assets by segment	40 019	86	483		40 588
Capital expenditure	5 090	60			5 150

Geographical segment sales are presented based on the country in which the customer is located and assets are presented based on location of the assets.

EUR 1 000

3. Business combinations

The Group acquired all shares of Kermansavi Oy on April 3, 2006. Kermansavi Oy is a manufacturer of ceramic fireplaces and ceramic utensils. The purchase consideration was EUR 13.1 million, of which EUR 11 million was paid in cash and the remaining amount by transferring 718 430 A-shares of Tulikivi Oyj. The fair value of the transferred A-shares is EUR 2.105 million. The basis for the valuation is the stock exchange price of A-shares, that is, the closing price on March 31, 2006 (EUR 3.00 per share) adjusted with the proposed dividends (EUR 0.07 per share) i.e. EUR 2.93 per share. In addition to the purchase price, lawyers' and other professional advisors' fees as well as asset transfer tax totalling EUR 0.4 million were included in the cost of acquiring the shares of Kermansavi. Nine months result of Kermansavi Oy, EUR 0.8 million, is included in the group income statement for the year 2006. The goodwill of EUR 3.3 million is attributable to the expertise of the personnel of Kermansavi Oy and to the expected synergy benefits of the business combination. If Kermansavi Oy was consolidated to the group financial statements from the beginning of the reporting period 2006, the group net sales would have been EUR 86.0 million and the result EUR 5.6 million.

The following assets and liabilities of the acquiree were recognised:	Note	Fair values recognised in business combination	Carrying amount before combination
Property, plant and equipment	13	5 048	3 244
Trade mark	14	3 191	0
Distribution channel/customer contracts and relationships	14	2 957	0
Other intangible assets	14	218	59
Shares in group companies	16	25	25
Other shares	16	146	146
Deferred tax assets		76	76
Inventories	19	2 825	2 571
Trade and other receivables	20	1 867	1 867
Cash and cash equivalents	21	750	750
Total assets		17 103	8 738
Deferred tax liabilities	18	2 175	0
Interest bearing liabilities	27	2 593	2 593
Other liabilities	28	2 178	2 178
Total liabilities		6 946	4 771
Net assets		10 157	3 967
Cost of acquiring the shares		13 499	
Goodwill		3 342	
Purchase consideration paid in cash		11 000	
Cash and cash equivalent in subsidiary acquired		-750	
Cash flow effect		10 250	

The acquired property, plant and equipment have been valued to fair value based on the market prices of comparable assets taking into account the age, wearing and other corresponding factors relating to the acquired assets.

The acquired intangible assets have been recognised separately from goodwill at acquisition date fair value, if the fair value of the assets can be reliably measured. The fair value of the acquired trademark has been determined based on the estimated discounted royalty payments (normalised cash flow), which have been avoided by owning the trademark in question. An estimate of a market based reasonable royalty percentage that an external party would have been willing to pay for a licence agreement has been made in fair value determination. The terminal growth rate is determined based on prudence principle and it is estimated to be lower than realised long-term industry growth rate. The fair value of the distribution channel and the customer relationships related to it have been determined based on the estimated duration of the customer relationships and the discounted net cash flows resulting from the existing customer relationships.

4. Construction contracts

Group's revenue for 2006 does not include revenue from construction contracts (EUR 0.2 million in 2005).

EUR 1 000	2006	2005
5. Other operating income		
Proceeds from sale of PPE	127	6
Rental income from investment properties	29	29
Public grants	359	90
Other income	86	205
Other operating income, total	601	330
6. Employee benefit expense		
Wages and salaries	22 336	16 720
Pension costs – defined contribution plans	4 035	2 648
Other social security expenses	2 374	1 659
Employee benefit expense, total	28 745	21 027
6.1. Group's average number of personnel for the financial period		
Soapstone fireplaces business	489	444
Natural stone products business	49	48
Ceramic products business	105	0
Unallocated	21	22
Personnel, total	664	514
7. Depreciation, amortisation and impairment		
Depreciation and amortisation by class of assets		
Intangible assets		
Capitalised development costs	55	8
Other intangible assets	1 327	875
Depreciation of intangible assets, total	1 382	883
Tangible assets		
Buildings	526	441
Machinery and equipment	2 786	2 168
Motor vehicles	276	244
Land areas	34	15
Other tangible assets	193	201
Depreciation of tangible assets, total	3 815	3 069
Investment property		
Buildings	4	4
Impairment by class of assets		
Investments	0	31
Total depreciation, amortisation and impairment	5 201	3 987

EUR 1 000	2006	2005
8. Other operating expenses		
Losses on sales of tangible assets	7	15
Research and development expenses	184	122
Rental expenses	1 193	660
External services	141	104
Marketing expenses	4 784	3 702
Other variable production costs	5 588	3 545
Other expenses	4 451	3 405
Other operating expenses, total	16 348	11 553
8.1. Research and development expenditure		
Research and development costs expensed in 2006 totalled EUR 1 567 thousand (EUR 1 275 thousand in 2005).		
9. Finance income		
Interest income	76	72
Changes in fair values of derivative contracts	68	0
Dividend income	5	4
Gain on sale of investments in available-for-sale assets	6	2
Foreign exchange transaction gains	52	54
Change in fair value of assets recognised at fair value through profit or loss	0	2
Finance income, total	207	134
10. Finance expense		
Interest expenses	549	216
Foreign exchange transactions losses	74	40
Other finance expense	12	13
Finance expense, total	635	269
11. Income taxes		
Current tax	2101	1426
Tax carried from previous years	-3	22
Deferred tax	-23	249
Income taxes, total	2075	1 697
The reconciliation between Income statement tax expense and tax calculated based on Group's domestic tax base (26%).		
Profit before tax	7800	6063
Tax calculated at domestic tax rates	2028	1576
Effect of foreign subsidiaries and branch offices different tax bases	-27	9
Income not subject to tax	-2	-3
Expenses not deductible for tax purposes	83	75
Tax losses for which no deferred income tax asset was recognised	-2	-1
Tax carried from previous years	-3	22
Other	-2	19
Income statement tax expense	2 075	1 697
12. Earnings per share		
Earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.		
Profit attributable to equity holders of the parent company (EUR 1 000)	5 725	4 366
Weighted average number of shares for the financial period	36 784 755	36 425 540
Basic/diluted earnings per share (EUR)	0.16	0.12

1 000 euro

13. Property, plant and equipment 2006	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1, 2006	1 058	11 564	32 130	3 325	1 409	95	49 581
Additions	0	1 618	5 167	80	615	15	7 495
Business combinations	3	1 642	3 173	188	42	0	5 048
Disposals	0	0	99	323	0	0	422
Cost December 31, 2006	1 061	14 824	40 371	3 270	2 066	110	61 702
Accumulated depreciation and impairment January 1, 2006	119	5 332	24 764	2 435	670	0	33 320
Depreciation	34	526	2 786	276	193	0	3 815
Depreciation related to the disposals	0	0	88	219	0	0	307
Accumulated depreciation and impairment December 31, 2006	153	5 858	27 462	2 492	863	0	36 828
Property, plant and equipment, Net book amount January 1, 2006	939	6 232	7 366	890	739	95	16 261
Property, plant and equipment, Net book amount December 31, 2006	908	8 966	12 909	778	1 203	110	24 874

The group received grants totaling to EUR 1 345 thousand for machinery and equipment. The grants have been recognised as deduction of the carrying amount.

The Group's production machinery within property, plant and equipment has carrying amount of EUR 11 287 thousand (EUR 7 691 thousand in 2005).

Property, plant and equipment 2005	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1, 2005	1 058	11 098	29 704	3 222	1 234	186	46 502
Reclassifications	0	0	0	0	53	0	53
Additions	0	489	2 445	112	122	0	3 168
Disposals	0	23	19	9	0	91	142
Cost December 31, 2005	1 058	11 564	32 130	3 325	1 409	95	49 581
Accumulated depreciation and impairment January 1, 2005	104	4 903	22 614	2 198	432	0	30 251
Reclassifications	0	0	0	0	37	0	37
Depreciation	15	441	2 168	244	201	0	3 069
Depreciation related to the disposals	0	12	18	7	0	0	37
Accumulated depreciation and impairment December 31, 2005	119	5 332	24 764	2 435	670	0	33 320
Property, plant and equipment, Net book amount January 1, 2005	954	6 195	7 090	1 024	802	186	16 251
Property, plant and equipment, Net book amount December 31, 2005	939	6 232	7 366	890	739	95	16 261

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2006	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible	Mineral resource exploration and evaluation	Other intangible assets	Total
Cost January 1, 2006	1 459	434	484	8 141	100	5 160	15 778
Additions	0	35	0	466	64	662	1 227
Capitalised development costs	0	0	265	0	0	0	265
Business combinations	3 342	3 191	0	0	0	3 175	9 708
Cost December 31, 2006	4 801	3 660	749	8 607	164	8 997	26 978
Accumulated amortisation January 1, 2006	827	328	8	6 138	29	3 728	11 058
Depreciation	0	18	55	613	42	654	1 382
Accumulated amortisation December 31, 2006	827	346	63	6 751	71	4 382	12 440
Goodwill and other intangible assets, Net book amount January 1, 2006	632	106	476	2 003	71	1 432	4 720
Goodwill and other intangible assets, Net book amount December 31, 2006	3 974	3 314	686	1 856	93	4 615	14 538

The group received grants totaling to EUR 251 thousand for development costs and EUR 43 thousand for other intangible assets. The grants have been recognised as deduction of the carrying amount.

Internally generated intangible assets are mainly costs incurred from opening new quarries. The carrying amount of intangible assets includes costs incurred from opening quarries EUR 2.7 million in total.

There were no classification changes relating to the mineral resources exploration and evaluation assets, that is, there were no transfers to other intangible assets during the reporting period or comparative period. EUR 153 thousand (55) of expenditures relating to mineral resources exploration and evaluation have been recognised directly as an expense in the income statement.

Goodwill and other intangible assets 2005	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible	Mineral resource exploration and evaluation	Other intangible assets	Total
Cost January 1, 2005	1 459	423	140	7 440	85	4 391	13 938
Reclassifications	0	0	0	0	0	-53	-53
Additions	0	0	344	0	0	0	344
Capitalised development costs	0	11	0	701	15	911	1 638
Disposals	0	0	0	0	0	89	89
Cost December 31, 2005	1 459	434	484	8 141	100	5 160	15 778
Accumulated amortisation January 1, 2005	827	310	0	5 568	0	3 507	10 212
Reclassification	0	0	0	0	0	-37	-37
Depreciation	0	18	8	570	29	258	883
Accumulated amortisation December 31, 2005	827	328	8	6 138	29	3 728	11 058
Goodwill and other intangible assets, Net book amount January 1, 2005	632	113	140	1 872	85	884	3 726
Goodwill and other intangible assets, Net book amount December 31, 2005	632	106	476	2 003	71	1 432	4 720

EUR 1 000

14.2. Goodwill allocation

For impairment test purposes, EUR 3.3 million of goodwill has been allocated to the fireplaces unit of the ceramic products business segment and EUR 0.6 million to natural stone products business segment, which form separate cash generating units. Kermansavi trademark, EUR 3.2 million, which was acquired as part of the Kermansavi Oy acquisition belongs to the ceramic products business segment. The useful life of the trademark has been estimated to be indefinite, because it is estimated to affect in generating cash flows for an undefined period of time.

The carrying amounts of goodwill and trade mark were allocated as follows:	Natural stone products	Ceramic products
2006		
Goodwill	632	3 342
Trademark	0	3 191
Total	632	6 533
2005		
Goodwill	632	0

14.3. Impairment testing

In impairment tests the recoverable amounts of ceramic products and natural stone products business segments has been determined based on the value in use. The cash flow estimates cover a five-year period and they are based on forecasts approved by management. The pre-tax discount rate used is 8 percent, which corresponds to the weighted average cost of capital. The cash flows after the forecast period approved by management have been extrapolated by using a flat 1 percent growth rate in the business in question. The growth factor used does not exceed the long-term actual growth rate in the industry.

The key assumptions used in value in use calculation:

1. Budgeted sales margin – Determined based on previous year actual sales margin. No material changes in sales margin are estimated during the forecast period.

2. Budgeted market share – Determined based on previous year actual market share. The value of the variable is based on actual development. The market share is not estimated to change materially, when continuous product development and anticipated tightening of competition is taken into account.

3. Budgeted royalty percentage - meaning the amount that an outsider would be willing to pay for a license agreement, determined based on actual data in the industry.

4. Discount rate – Determined based on weighted average cost of capital, which reflects the total cost of equity and debt capital taking into account the asset specific risks.

Sensitivity analysis of impairment tests

When estimating the recoverable amounts of the ceramic products and the natural stone products business units, changes in any key assumption used that would be reasonably estimable would not lead to a situation where the recoverable amounts of the units would be lower than their carrying amounts. Thus, based on impairment tests, there was no need to recognise impairment loss charges.

Mineral resource exploration and evaluation assets

Mineral resource exploration and evaluation assets belong to the soapstone fireplaces business segment. The carrying amount of capitalised exploration and evaluation expenditure is EUR 93 thousand (EUR 71 thousand). Impairment tests are performed always when the classification of assets in question changes and if there is an indication of impairment. Change in classification is dealt with more thoroughly in the accounting principles, section Mineral resource exploration and evaluation assets.

EUR 1 000		2006		2005
15. Investment property	**Land**	**Buildings**	**Land**	**Buildings**
Acquisition cost January 1 and December 31	188	115	188	115
Accumulated depreciation and impairment January 1	0	65	0	61
Disposals	0	4	0	4
Accumulated depreciation and impairment December 31	0	69	0	65
Net book amount January 1	188	50	188	54
Net book amount December 31	188	46	188	50
Fair value *)		280		280
Pledged property		34		34

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

16. Investments in associates		
Shares and interest in associates	2006	2005
Acquisition cost January 1	0	32
Additions	25	13
Impairment loss	0	-44
Share of the loss/profit of associates	-1	-1
Acquisition cost December 31	24	0
Other investments in associates January 1		
Additions	0	75
Impairment loss	0	-75
Share of the loss/profit of associates	0	0
Other investments in associates December 31	0	0
Total investments in associates December 31	0	0

Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000): 2006	**Domicile**	**Assets**	**Liabilities**	**Sales**	**Profit/Loss**	**% of shares**
Leppävirran Matkailukeskus Oy	Leppävirta	78	2	73	-5	33.0
Stone Pole Oy	Juuka	266	277	313	1	27.3
Associates' financials are unaudited.						
2005						
Stone Pole Oy	Juuka	310	322	158	-120	27.3

Stone Pole Oy is a stone business development company. The aim for Leppävirran Matkailukeskus Oy is to lease and buy real estates related to tourism.

17. Other financial assets

Other financial assets consist of financial assets classified as available-for-sale, mainly investments in unquoted shares.

EUR 1 000				
18. Deferred tax assets and liabilities **18.1. Changes in deferred taxes during year 2006:**	**Jan. 1, 2006**	**Recognised through profit and loss**	**Acquired subsidiaries**	**Dec. 31, 2006**
Deferred tax assets:				
Provisions	84	63	15	162
Unused tax losses	284	-134	0	150
Accumulated negative depreciation difference	164	62	0	226
Other items	0	0	4	4
Deferred tax assets, total	532	-9	19	542
Deferred tax liabilities:				
Capitalisation of intangible assets	-124	-54	0	-178
Accumulated depreciation difference	-457	-117	0	-574
Other items	-211	203	-2 265	-2 273
Deferred tax liabilities, total	-792	32	-2 265	-3 025
18.2. Changes in deferred taxes during year 2005:	**Jan. 1, 2005**	**Recognised through profit and loss**		**Dec. 31, 2005**
Deferred tax assets:				
Provisions	56	28		84
Unused tax losses	441	-157		284
Accumulated negative depreciation difference	95	69		164
Pension obligations	18	-18		0
Other items	83	-83		0
Deferred tax assets, total	693	-161		532
Deferred tax liabilities:				
Capitalisation of intangible assets	0	-124		-124
Accumulated depreciation difference	-545	88		-457
Other items	-159	-52		-211
Deferred tax liabilities, total	-704	-88		-792

At December 31, 2006 deferred tax assets of EUR 390 thousand (EUR 390 thousand in 2005) retaling to unused tax losses and to accumulated negative depreciation difference were not recorded since it is not probable that future taxable profit will be available against which the unused tax losses can be utilised. These unused tax losses will expire in 2008-2013.

Deffered tax assets include current tax assets for EUR 130 thousand (EUR 88 thousand in 2005).

Deferred tax liabilities include current tax liabilities for EUR 180 thousand (EUR 48 thousand in 2005).

19. Inventories	2006	2005
Raw materials and consumables	6 126	3 671
Finished goods	4 485	3 344
Inventories, total	10 611	7 015
The cost of inventories recognized as expense amounted to EUR 45 687 thousand.		

A write-down of EUR 38 thousand was recognised during the financial year to lower the book value of the inventories to their net realisable value (EUR 45 thousand in 2005).

EUR 1 000			2006		2005
20. Trade and other receivables					
20.1. Non-current					
Trade receivables			0		158
20.2. Current					
Trade receivables			8 441		6 472
Trade receivables from associates			0		1
Current tax assets based on the taxable income for the financial period			34		39
Grant receivables			1 267		365
Prepayments			238		245
Other accrued income			154		233
Other receivables			310		131
Current receivables, total			10 444		7 486
21. Cash and cash equivalents					
Cash in hand and at bank			4 913		4 141
22. Notes to shareholders' equity					
Share series	**Number of shares*)**	**Nominal value, EUR**	**% of shares**	**% of voting rights**	**Share, EUR of share capital**
K shares (10 votes)	9 540 000	0.17	26.19	78,01	1 621 800
A shares (1 vote)	26 885 540	0.17	73.81	21,99	4 570 542
Total at January 1 and December 31, 2005	36 425 540		100.00	100,00	6 192 342
Stock issue in 2006, A share	718 430	0.17	1.93	0,58	122 133
K shares (10 votes)	9 540 000	0.17	25.68	77,56	1 621 800
A shares (1 vote)	27 603 970	0.17	74.32	22,44	4 692 675
Total at December 31, 2006	37 143 970		100.00	100,00	6 314 475

*) The number of shares was quadrupled during the report period without rising the share capital by dividing each old share into four new shares. The increase in the number of shares entered into force on April 21, 2006. The number of the shares in the table takes into account the share split.

Shares
All issued shares have been paid in full. Maximum amount of shares is 60 000 000. The minimum share capital is EUR 2.6 million and the maximum share capital is EUR 10.2 million .
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 values of the shares. A share is listed on the Helsinki Stock Exchange and its trading code is TULAV.

The shares entered in the company's book-entry account in accordance with Finnish Companies Act - the "joint account" - were sold in April-May 2003 on behalf of the shareholders. Shareholders and other right holders 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.

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

23. Group's distributable equity
Parent company's distributable equity was EUR 10 903 thousand (EUR 9 760 thousand in 2005)

Dividends
The Board of Directors has proposed after the balance sheet date that a dividend of EUR 0.090 per share will be paid for A series shares and EUR 0.088 per share to be paid for the K series shares. In addition the Board of Directors have proposed that EUR 150 000 be used for charitable purposes.

EUR 1 000

24. Pension obligations

All Group's pension plans were defined contribution plans at December 31, 2006. The obligation caused by the disability component of the Finnish statutory pension scheme was withdrawn as a result of a change in the disability obligations of the Finnish statutory pension schemes in 2006.

Balance sheet's defined benefit obligation is determined as follows:			2006	2005
Current value of unfunded obligations			0	27
Reduction of the plan			0	-27
Balance sheet pension liability			0	0
24.1. Income statement charge for defined benefit plans is determined as follows:				
Interest cost				27
The expected profit on the plan's assets				5
Loss/gain on the reduction of the plan				-27
Deferred Finnish pension liability				-74
Additional expense (+) / decrease in expense (-) of income statement				-70

25. Provisions	Environmental provision 2006	Environmental provision 2005	Warranty provision 2006	Warranty provision 2005
Provisions January 1	0	0	322	215
Business combinations	0	0	60	0
Increase in provisions	400	0	205	282
Effect of discounting	-160	0	0	0
Used provisions	0	0	-205	-175
Provisions December 31	240	0	382	322

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

A provision for Tulikivi Group's estimable environmental obligations has been recognised. The provision covers the costs from future closure of quarries related to monitoring waters, security arrangements and stacking area lining work. For the quarries open at the moment, the costs are estimated to incur on average in ten years from now. The discount rate used in determining the present value is 5 percent.

EUR 1 000	2006	2005
26. Interest-bearing liabilities		
Balance sheet value	17 463	3 347
26.1. Non-current		
Bank borrowings	12 357	1 811
Other non-current interest bearing liabilities	2 382	0
26.2. Current		
Current portion of non-current bank borrowings	2 711	1 536
Other current interest bearing liabilities	13	0
Non-current loans expire as follows:		
2006		1 536
2007	2 724	1 152
2008	3 035	490
2009	2 752	169
2010	2 535	
2011	2 203	
Later	4 214	
Total	17 463	3 347

Debt obligations are denominated in euro. Debts mainly have floating interest rate.

At December 31, 2006 interest-bearing non-current liabilities effective interest rate weighted average was 3.9 percent.

Fair values of interest-bearing liabilities:

The carrying amounts of financial liabilities are close to their fair values, because 97.9 % of the loans have floating interest rates and the company risk premium has remained unchanged. In order to manage the interest rate risk, interest rate swaps worth EUR 8.3 million have been made.

27. Trade and other payables		
27.1. Non-current		
Unpaid acquisition price of subsidiaries	347	347
27.2. Current		
Trade payable	3 446	1 787
Advances received	0	67
Accrued expenses		
Wages and social security expenses	5 608	4 380
Discounts and marketing expenses	1 294	1 471
External services	825	822
Quarry area fees	0	411
Other accrued expenses	937	504
Amounts due to associates	19	7
Other liabilities	1 531	756
Current trade and other payables, total	13 660	10 205

Other accrued expenses include amortised personnel and other business operation expenses.

28. Financial risk management

The Group's activities expose it to various financial risks. The objective of the Group's financial risk management is to minimize the unfavourable effects of the changes in the finance market to its profit for the period. The main financial risks to which the Group is exposed are electricity risk, liquidity risk and market risks. The Group finance has been centralised to Group level, and the financing of the subsidiaries is mainly taken care of by internal loans. The liquidity of the Group companies is centralised by consolidated accounts. The Group treasury takes care of investing the liquidity surplus.

Electricity risk: The price of the energy used by the Group in its activities is determined in the Nordic electricity exchange. The price risk related to the electricity is decreased by fixed-price electricity delivery contracts, which cover approximately 75 % of the electricity needed. The Group does not hedge the electricity risk by using derivative financial instruments.

Interest rate risk: At the balance sheet date the floating-rate loans which exposed the Group to the cash flow interest rate risk totalled to EUR 17.1 million comprising 97.9 % of the Group's interest-bearing debt. In order to hedge against interest rate risk the Group uses interest rate derivatives. At the end of the period the nominal amount of the interest rate derivatives was EUR 8.3 million or 48.3 % of the floating-interest bearing debt. No other derivative financial instruments were used during the period.

Foreign exchange risk: More than 90 % of the Group's cash flows are denominated in euros. Thus, the Group's exposure to foreign exchange risks is minor. The Group has certain investments to foreign operations, whose net assets are exposed to foreign currency translation risk. The Group does not hedge the foreign equity exposure.

Liquidity risk: In order to maintain a sufficient amount of liquid assets to finance the operations and repay the maturing loans, the Group assesses and monitors the amount of the funding required by the business activities on a constantly basis. The Group's liquid funds and investments amounted to EUR 4.9 million at the balance sheet date. At the balance sheet date the Group had unused committed credit lines totalling to EUR 4.3 million.

Special-terms financing: Total amount of EUR 5.2 million or 30.4 % of the Group's liabilities are under covenants and other conditions connected with the Group's solvency and profitability. The conditions do not directly restrict the Group's use of equity, but they might require negotiations with the financier and arranging additional collaterals to the loans.

Credit risk: Credit risk related to commercial activities has been reduced by client credit insurances. These covered 61 percent of the outstanding accounts at December 31, 2006. In addition, the development of the clients' profitability is constantly monitored. Business units are responsible for credit risk related to trade receivables.

Financial instruments are related with a risk that the counterparty is not able to fulfil its contractual obligations. Liquid assets are invested within set limits in targets with good credit standing. Foreign exchange and interest rate derivative agreements are always concluded with both domestic and foreign banks having a good credit standing.

Credit standing: The Company has not acquired a credit rating, because it has not found it necessary for the current finance condition.

29. Adjustments of cash generated from operations	2006	2005
Non-cash transactions:		
Depreciations and amortizations	5 201	3 956
Impairment	0	31
Change in pension obligations	0	-70
Share of loss / profit of associates	2	88
Exchange differences	-44	53
Other	-126	10
Non-cash transactions, total	5 033	4 068

30. Leases

Operating leases

30.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:

Not later than 1 year	885	468
Later than 1 year and not later than 5 years	188	93

The Group has leased several production and office facilities. The agreements are mainly made for the time being.
Fixed-term leases include an option to continue the agreement after the initial date of expiration.
The income statement for 2006 includes expensed lease rentals EUR 1 108 thousand (EUR 609 thousand in 2005).

30.2. Group as lesser

The Group has leased commercial spaces and offices from its own properties under cancellable operating leases.
In addition, the Group has subleased some of its offices.
Minimum lease payment under non-cancellable operating leases:

Not later than 1 year	45	35
Later than 1 year and not later than 5 years	41	42

EUR 1 000	2006	2005
31. Commitments		
Debt with related mortgages and pledges		
Loans from credit institutions	17 350	2 866
Credit limit accounts	4 300	4 300
Real estate mortgages given	7 617	5 826
Company mortgages given	6 167	4 701
Pledged mining rights	226	226
Pledged shares	11 000	0
Object of purchase	2 473	0
Pledged leaseholds	219	0
Total given mortgages and pledges	27 702	10 753
Other own liabilities for which guarantees have been given		
Letter of credit limit	150	150
Production and warranty guarantees	721	633
Other commitments	355	125
Other own liabilities for which guarantees have been given	1 226	908
Real estate mortgages given	115	1 716
Company mortgages given	2 052	0
Pledges given	10	10
Guarantees given on behalf of other own liabilities	2 177	1 726
Derivatives (Interest rate swaps)		
Derivatives, nominal value	8 250	0
Derivatives, fair value	68	0

32. 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 price are fulfilled, purchase price of EUR 0.3 million now included in other long-term liabilities will fall due in 2008.

33. Other contingent liabilities

Environmental obligations

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

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

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

Based on the environmental authorisations, the Group has given guarantees to the effect of EUR 118 600 in total. For other environmental obligations, the Group has given real estate mortgages for EUR 33 638.

EUR 1 000		Group	
34. Indicators relating to environmental obligation	**2006**	**2005**	**2004**
Use of energy, electricity MWh	17 897	14 934	14 778
Use of oil, m^3	1 115	811	978
Liquid gas, tn	619		
Fuel for vehicles was used in total 750 tn, explosives 110 tn and rape and pine oil 135 m^3 in 2006.			
Transfer of soil and use of raw material			
Soapstone, 1 000 fixed-m^3 gross	219	184	257
Soil and residual rock material, 1 000 m^3 (detached material)	935	680	926
The amount of soapstone used is affected by factory-specific capacity as well as yield of stone in the quarry and the factory in a given time.			
Acquired natural stone, 1 000 fixed-m^3	2	2	2

Leftover clippings from production are partly used as filling for earthwork sites, the rest is stacked in stacking areas or is transferred to a waste disposal site. Natural stone is bought from outside suppliers.
The ceramic production uses mainly natural materials, like clay, feldspar, quartz, different kind of cements and gravel as raw material. Components including heavy metals are used only in very insignificant amounts in production. Disposing of components including heavy metals takes place at hazardous waste disposal plants.

In the soapstone factory, 15 000 m^3 of new water is taken to the process in a year. The circulation waters of the process have a closed water circuit besides the Kuhmo plant. In Kuhmo and in the plants processing natural stone in Espoo and Taivassalo sedimentation basins are used for process water handling. Quarry waters are lead to water system through landing basins . In Kermansavi factories the amount of water used in the process amounts to 8 000 m^3. Process water is disposed through draining basins to water system.

35. Related-party transactions

The Group's related parties are the parent company, subsidiaries, associates, board members, managing director and deputy managing director. In addition, the Finnish Stone Research Foundation is included in the related parties.

35.1. The Group's parent company and subsidiaries have the following relation:	**Ownership interest (%)**	**Share of voting right (%)**
Tulikivi Oyj, Juuka, parent company		
Kermansavi Oy, Heinävesi	100	100
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
OOO Tulikivi, Russia	100	100
Associated companies		
Stone Pole Oy, Juuka	27	27
Leppävirran Matkailukeskus Oy, Leppävirta	33	33

EUR 1 000	2006	2005
35.2. Related party transactions:		
35.2.1. Sales of goods and services		
Sales of goods and services to associated companies	5	35
35.2.2. Purchases of goods and services		
Purchases of goods and services from associated companies	171	0
35.3. Transactions with key management		
Leases from related parties	103	84
Leases to related parties	2	3
At December 31, 2006, the Group had EUR 4 thousand in receivables from key management.		

35.4. Transactions with other related parties
Tulikivi Corporation is a founder member of the Finnish Stone Research Foundation (former Juuka Stone Museum and Stone Village Foundation). In 2006, the company has donated EUR 50 thousand (EUR 50 thousand in 2005) to the Foundation. In addition, the company has leased offices and storages from the property owned by the Foundation and North Karelia Educational Federation of Municipalities. The rent paid for these facilities was EUR 123 640 in 2006 (EUR 120 407 in 2005). The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation were EUR 37 740 in 2006 (EUR 35 422 in 2005). The services charged by the Foundation from Tulikivi Corporation were EUR 30 thousand. The company has EUR 38 in accounts receivables from the Foundation at December 31, 2006.

35.5. Key management compensation Salaries and other short-term employee benefits of the Board of Directors and the Managing Director and the deputy to managing director	469	434
Other long term employee benefits	77	43
Salaries and commissions		
Managing Director and the deputy to managing director	269	253
Members of the Board of Directors		
Erma Juhani	19	18
Makkonen Eero	12	11
Paukkonen Aimo	12	11
Bishop Ambrosius	12	11
Vauhkonen Heikki	37	11
Vauhkonen Reijo	29	43
Virtaala Matti	79	76

36. Major Risks and their Management

The Group's risks are divided into strategic and operational risks, damage, casualty and loss risks and financial risks. In the assessment of risks, their probability and impact are taken into account. After their analysis, means of preventing and controlling risks have been overviewed on the basis of their impact and probability.

STRATEGIC RISKS

Strategic risks are related to the nature of business operations and concern, but are not limited to, the Group's raw material reserves, amendments to laws and decrees, business operations as a whole, the market position, the reputation of the company and the raw materials and large investments.

Risks Related to Managing Soapstone Raw Materials

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

Changes in Legislation and Environmental Issues

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

Tulikivi keeps abreast of the development and preparation of regulations and exercise an influence on them both directly and through regional fireplace associations. In addition, our product development takes a long-term approach to ensuring that Tulikivi products measure up to local regulations. We secure product approval for our products in all our business countries.

Changes in the Market Situation

The fireplace cultures in Tulikivi's market areas range from countries where traditional heat-retaining fireplaces are preferred to countries with strong stove traditions. Globalization leads to a shift in the fireplace cultures of our business countries, too. Changes in consumer habits may affect the demand for certain products and thereby impact on profitability. In general, this is quite a slow process. Tulikivi focuses on understanding the needs of customers and meets them by, for instance, continuously developing products for new customer segments. Engaging in business in close to 20 countries balances out possible sales risks due to cyclical variations in the economy. However, an economic recession or a decline in construction in the company's main market areas may decrease demand for the products and thereby weaken profitability. Constant competition can also cut into profitability. If it so happens, that a competitor acts unethically, this may lead to a change in the market situation – which Tulikivi can influence through the openness, honesty and timeliness of its own communications.

Business Portfolio and Acquisitions

The management of Tulikivi's business operations accounts for development opportunities, new products and customer groups and new technological solutions. New business opportunities and markets involve risks that may affect not only profitability, but also the Tulikivi brand.

The Tulikivi Group's strategic objective is to seek growth through acquisitions as well. Successful acquisitions and mergers have a bearing on the implementation of growth plans. If an acquisition or merger fails, the company's competitiveness might suffer. On the other hand, acquisitions can change the company's risk profile. However, the Group only carries out acquisitions on the basis of precise business and financial analyses.

OPERATIONAL RISKS

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

Product Liability Risks

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

Operational and Process Risks

Operational risks are related to the consequences of human activities, failures in internal company processes or external events. The operational risks of factory operations are minimized by means such as compliance with the company's operating manual and systematic development efforts.

Dependence on key goods supplies might increase the Group's material costs or the costs of machinery or their spare parts or affect production. Energy procurements from external suppliers might influence the Group's energy costs or energy supply. On the other hand, the high price of energy supports demand for products. Changes in distribution channels and logistics systems might also disturb operations.

The Group's business relies on functional and reliable information systems. Steps taken to manage their risks include setting up backups for critical information systems and telecom connections, selecting cooperation partners carefully and standardizing the workstation configurations and software used in the Group as well as consistent information security practices.

In line with the nature of the Group's business, trade receivables and inventories are major balance sheet items. The credit loss risk of trade receivables is managed by means of a consistent credit granting policy, insuring receivables and effective collection. The Group's core expertise involves its core business processes, including sales, quarrying, manufacture, procurements and logistics, as well as the necessary support functions, which include information administration, finance, HR and communications. An unforeseen drain in the core expertise poses a risk. The company continuously seeks to step up the core expertise and other significant competence of its personnel by offering opportunities for on-the-job learning and training and by hiring competent new employees.

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

DAMAGE, CASUALTY AND LOSS RISKS

Most of the Group's production is capital-intensive and a large share of the Group's capital is committed to its production plants. A fire or serious machinery breakdown, for instance, could therefore cause major damage to assets or loss of profits as well as other indirect adverse impacts on the Group's operations. The Group seeks to protect itself against such risks by evaluating its production plants and processes from the perspective of risk management. Damage, casualty and loss risks also include occupational health and protection risks, environmental risks and accident risks. The Group regularly reviews its insurance coverage as part of overall risk management. Insurance policies are taken out to cover the risks that it is prudent to insure for business or other reasons.

There are no pending legal proceedings and the Board of Directors is not aware of any other legal risks involved in the company's operations that would have a significant effect on its result of operations.

FINANCIAL RISKS

The Group's business exposes it to a variety of financial risks. Risk management seeks to minimize the potential adverse effects of changes in the financial markets on the Group's result. The main financial risks are energy price risk, market risk, and liquidity risk. The management of financial risks is presented in greater detail in section 28 of the notes to the consolidated financial statements.

Development of the Group by Quartal and Business Area

MEUR	Q4/2006	Q3/2006	Q2/2006	Q1/2006	Q4/2005	Q3/2005	Q2/2005	Q1/2005
Sales	24.4	20.5	20.9	16.3	17.6	13.4	14.6	13.1
Soapstone fireplaces business	17.6	14.2	14.9	14.6	15.9	12.1	12.8	11.4
Natural stone products business	1.8	1.7	2.1	1.7	1.7	1.3	1.8	1.7
Ceramic products business	5.0	4.6	3.9					
Operating profit	2.4	2.4	1.7	1.7	2.7	1.8	1.5	0.3
Soapstone fireplaces business	2.5	2.2	2.8	2.3	3.2	2.5	2.1	0.9
Natural stone products business	0.0	0.2	0.0	0.1	0.1	-0.1	0.1	0.1
Ceramic products business	0.7	0.7	-0.2					
Unallocated	-0.8	-0.7	-0.9	-0.7	-0.6	-0.7	-0.7	-0.7

Key Figures Describing Financial Development

EUR 1 000					
Income statement	2002	2003	2004	2005	2006
	FAS	FAS	IFRS	IFRS	IFRS
Sales	52 462	53 611	55 291	58 642	82 149
Amendment, %	-10.6	2.2	3.1	6.1	40.1
Operating profit	3 160	4 224	6 283	6 285	8 230
% of turnover	6.0	7.9	11.4	10.7	10.0
Finance incomes and expenses and share of loss of associated companies	133	36	-161	-222	-430
Profit before taxes	3 292	4 269	6 122*)	6 063	7 800
% of turnover	6.3	8.0	11.1	10.3	9.5
Income taxes	1 043	1 239	1 772	1 697	2 075
Profit for the year	2 249	3 030	4 350	4 366	5 725
Balance sheet					
Assets					
Non-current assets	21 203	20 405	20 981	21 945	40 251
Inventories	6 304	6 955	7 455	7 015	10 611
Cash and cash equivalents	7 229	6 501	5 829	4 141	4 913
Other current assets	8 388	7 813	7 657	7 487	10 444
Equity and liabilities					
Equity	25 962	24 384	23 166	25 517	30 711
Interest bearing liabilities	8 251	7 836	8 647	3 347	17 463
Non-interest bearing liabilities	8 911	9 454	10 109	11 724	18 045
Balance sheet total	43 124	41 674	41 922	40 588	66 219

*) The comparable profit before taxes for 2004 is EUR 5.0 million. The difference is due to the non-recurring reduction of the disability pension obligation, amounting to 1.2 million, in 2004 due to the change in pension system under the Employees' Pension Act.

Financial Ratios 2002 – 2006

	2002	2003	2004	2005	2006
	FAS	**FAS**	**IFRS**	**IFRS**	**IFRS**
Return on equity, %	9.2	12.1	18.7	17.9	20.4
Return on investments, %	10.9	13.7	20.3	20.7	21.7
Solvency ratio, %	61.5	58.7	55.3	63.0	46.4
Net indebtness ratio, %	3.9	5.5	12.1	-3.1	40.9
Gross investments, EUR 1 000	3 923	2 916	3 937	5 150	24 118
% of turnover	7.5	5.4	7.1	8.8	29.4
Research and development costs, EUR 1 000	1 338	1 325	1 497	1 652	1 832
% of turnover	2.6	2.5	2.7	2.8	2.2
Development costs, capitalised, EUR 1 000	0	0	140	377	265
Order book, EUR million	3.9	7.1	5.4	9.2	10.4
Average personnel	578	555	513	514	664
Key indicators per share					
Earnings per share, EUR	0.07	0.08	0.12	0.12	0.16
Equity per share, EUR	0.71	0.67	0.64	0.70	0.83
Dividends					
Nominal dividend per share, EUR					
A share	0.118	0.128	0.058	0.070	0.090*)
K share	0.113	0.125	0.055	0.068	0.088*)
Dividend per earnings, %	172.6	151.2	47.6	58.0	58.1
Effective dividend yield, %/A shares	11.8	9.8	3.6	3.4	2.6
Price/earnings ratio, (P/E)	14.9	15.4	13.2	17.0	22.6
Highest share price, EUR	1.18	1.42	2.05	2.25	4.05
Lowest share price, EUR	0.85	0.87	1.31	1.39	2.04
Average share price, EUR	1.04	1.09	1.69	1.79	3.18
Closing price, EUR	1.00	1.30	1.58	2.04	3.51
Market capitalization, EUR 1 000	36 426	47 171	57 552	74 308	130 375
(supposing that the market price of the K share is the same as that of the A share)					
Number of shares traded, (1 000 pcs)	5 252	6 041	5 334	4 866	7 454
% of the total amount	19.5	22.5	19.8	18.1	27,0
The average issue-adjusted number of shares for the financial year (1 000 pcs)	35 973	36 426	36 426	36 426	36 785
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	36 426	36 426	36 426	36 426	37 144
*) According to the proposal of the Board of Directors.					

Calculations of Key Ratios

Key figures describing financial development		
Return on equity (ROE), % =	100 x	$\frac{\text{Profit for the year}}{\text{Average shareholders' equity during the year}}$
Return on investments (ROI), % =	100 x	$\frac{\text{Operating profit/loss – taxes + interest and other finance expenses}}{\text{Balance sheet total – non-interest bearing liabilities (mean value of beginning and end of the year)}}$
Solvency ratio, % =	100 x	$\frac{\text{Shareholder equity}}{\text{Balance sheet total – advance payments}}$
Net indebtness ratio, % =	100 x	$\frac{\text{Interest-bearing liabilities – assets}}{\text{Shareholder equity}}$
Key figures per share		
Earnings per share =		$\frac{\text{Profit for the year}}{\text{Average issue-adjusted number of shares for the financial year}}$
Equity per share =		$\frac{\text{Share capital}}{\text{Issue-adjusted number of shares at balance sheet date}}$
Dividend per share =		$\frac{\text{Dividend paid for the year}}{\text{Issue-adjusted number of shares at balance sheet date}}$
Dividend per earnings, % =	100 x	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield, % =	100 x	$\frac{\text{Issue-adjusted dividend per share}}{\text{The closing price of A- share at balance sheet date}}$
Price/ Earnings ratio (P/E)=		$\frac{\text{The closing price of A-share at balance sheet date}}{\text{Earnings per share}}$

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	2006	2005
Net Sales	1.1.	**64 998**	55 166
Increase (+) / decrease (–) in inventories			
in finished goods and in work in progress		49	-662
Production for own use		581	780
Other operating income	1.2.	1 020	853
Materials and services	1.3.	18 262	15 585
Personnel expenses	1.4.	23 933	20 165
Depreciation and value adjustments	1.5.	3 926	3 896
Other operating expenses		14 216	11 605
Operating profit		**6 311**	4 886
Financial income and expenses	1.6.	-319	-208
Profit before extraordinary items		**5 992**	4 678
Extraordinary items	1.7.	0	61
Profit before untaxed reserves and income taxes		**5 992**	4 739
Untaxed reserves	1.8.	-737	41
Income taxes	1.9.	-1 520	-1 405
Profit for the year		**3 735**	3 375

Balance Sheet

EUR 1 000	Note	2006	2005
Assets			
Fixed asset and other non-current investments			
Intangible assets	2.1.	3 197	3 153
Goodwill	2.1.	0	47
Tangible assets	2.2.	18 648	14 856
Investments			
Shares in group companies	2.3.	14 396	572
Group receivables	2.4.	524	524
Participating interests		1	1
Other investments	2.5.	37	37
Fixed assets and other non-current investments, total		**36 803**	19 190
Current assets			
Inventories	2.6.	7 420	6 484
Non-current receivables	2.7.	880	1 040
Deferred tax assets	2.8.	142	80
Current receivables	2.9.	8 636	6 906
Cash in hand and at banks		2 884	3 958
Total current assets		**19 962**	18 468
Total assets		**56 765**	37 658
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock	2.10.	6 314	6 192
Share premium fund	2.10.	7 334	5 351
Retained earnings	2.10.	7 168	6 385
Profit for the year	2.10.	3 735	3 375
Total shareholders' equity		**24 551**	21 303
Untaxed reserves			
Accelerated depreciation		3 806	3 069
Provisions	2.12.	547	307
Liabilities			
Non-current liabilities	2.13.	14 329	2 055
Current liabilities	2.14.	13 532	10 924
Total liabilities		**27 861**	12 979
Total liabilities and shareholders' equity		**56 765**	37 658

Cash Flow Statement

EUR 1 000	2006	2005
Cash flow from operating activities		
Profit before extraordinary items	5 992	4 678
Adjustments for:		
Depreciation	3 926	3 896
Other non-payment-related expenses	240	107
Financial income and expenses	319	208
Other adjustments	-82	9
Cash flow before working capital changes	10 395	8 898
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	-425	226
Increase (-) / decrease (+) in inventories	-936	141
Increase (+) / decrease (-) in current non-interest bearing liabilities	1 379	1 221
Cash generated from operations before financial items and income taxes	10 413	10 486
Interest paid and payments on other financial expenses from operations	-455	-271
Dividends received	5	4
Interest received	111	123
Income taxes paid	-1 373	-1 314
Cash flow before extraordinary items	8 701	9 028
Extraordinary items paid	0	61
Net cash flow from operating activities	**8 701**	9 089
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-8 709	-3 969
Investment grants received	36	6
Proceeds from sale of tangible and intangible assets	92	94
Loans given	-635	-250
Acquired subsidiary companies	-11 719	-2
Other investments	0	-87
Repayments of loan receivables	642	500
Proceeds on other investments	0	756
Interest received	36	15
Net cash used in investing activities	**-20 257**	-2 937
Cash flow from financing activities		
Long-term borrowing	15 349	0
Repayment of long-term loans	-2 260	-4 977
Dividends paid	-2 608	-2 071
Net cash flow from financing activities	**10 481**	-7 048
Net increase (+) / decrease (-) in cash and cash equivalents	-1 075	-896
Cash and cash equivalents at the beginning of the financial year	3 959	4 855
Cash and cash equivalents at the end of the financial year	**2 884**	3 959

Notes to the Financial Statements of the Parent Company

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

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

	Depreciation period
Intangible rights and other long-term expenditure	5 to 10 years
Goodwill	5 years
Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 10 years
Motor vehicles	5 to 8 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 natural stone business, which require a long production time. The revenue generated by these contracts has been of percentage of completion method. The stage of completion of these projects has been determined based on the costs occurred on the project in relation to its estimated costs of the project.

Research and Development Cost
Research and development expenditure has been recorded as annual costs when incurred. Costs incurred from drilling exploration in quarry areas have been capitalised for their main part and they are depreciated over their useful lives. However, drilling exploration costs are expensed when there is significant uncertainty involved in the commercial utilization of the soapstone reserves in question.

Retirement Costs
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.

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 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 divided 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.

Notes to the Income Statement

EUR 1 000	2006	2005
1.1. Net sales		
1.1.1. Net sales per business area		
Soapstone fireplaces business	57 681	48 705
Natural stone products business	7 317	6 461
Total net sales per business area	64 998	55 166
1.1.2. Net sales per geographical area		
Finland	23 788	24 998
Rest of Europe	39 971	29 069
USA	1 239	1 099
Total net sales per geographical area	64 998	55 166
Group's revenue for 2006 does not include revenue from construction contracts (EUR 0.2 million in 2005).		
1.2. Other operating income		
Rental income	59	65
Charges for intergroup services	465	321
Government grants	288	386
Proceeds from sale of ficed and other non-current investments	88	4
Other income	120	77
Total other operating income	1 020	853
1.3. Materials and services		
Materials and supplies (good)		
Purchases during the fiscal year	12 502	10 009
Change in inventories, increase (-) / decrease (+)	-888	-521
External charges	6 648	6 097
Total materials and services	18 262	15 585
1.4. Personnel expenses and number of employees		
1.4.1. Personnel expenses		
Salaries and wages	18 846	16 135
Pension expenses	3 430	2 622
Other social security expenses	1 657	1 408
Total personnel expenses	23 933	20 165
1.4.2. Salaries and fees paid to Directors		
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director and of the deputy to managing director	469	434
Other long term employee benefits	77	43
Salaries and wages		
Managing Director and the deputy to managing director	269	253
Members of the Board		
Erma Juhani	19	18
Makkonen Eero	12	11
Paukkonen Aimo	12	11
Bishop Ambrosius	12	11
Vauhkonen Heikki	37	11
Vauhkonen Reijo	29	43
Virtaala Matti	79	76

EUR 1 000	2006	2005
1.4.3. Average number of employees during the fiscal year		
Clerical employees	110	108
Workers	416	386
Total number of employees	526	494
1.5. Depreciation according to plan		
Intangible rights	16	14
Other long-term expenditure	970	925
Buildings and constructions	470	444
Machinery and equipment	2 386	2 200
Other tangible assets	3	12
Land areas	34	15
Goodwill	47	286
Depreciation according to plan in total	3 926	3 896
1.6. Financial income and expenses		
Dividend income		
Interest income from non-current investments		
from group companies	0	27
Inters and finance income from group companies	62	0
Interest income	130	69
Interest expenses	-489	-201
Exchange rate gains / losses	-19	14
Reduction in value of investments held as		
non-current assets	0	-118
Other financial income and expenses	-3	1
Financial income and expenses in total	-319	-208
1.7. Extraordinary items		
Extraordinary income		
Settlement by Group company of receivable		
previously written-off	0	61
Extraordinary items in total	0	61
1.8. Untaxed reserves		
Change in accelerated depreciation	-737	41
1.9. Income taxes		
Income taxes on extraordinary items	0	16
Income taxes on ordinary operations	1 583	1 410
Change in deferred tax liabilities / tax assets	-63	-21
Income taxes in total	1 520	1 405

Notes to the Balance Sheet

EUR 1 000	2 006	2005
2.1. Intangible assets		
2.1.1. Intangible rights		
Acquisition cost January 1	516	496
Additions	34	20
Acquisition cost December 31	550	516
Accumulated depreciation according to plan January 1	424	410
Depreciation for the financial year	16	14
Accumulated depreciation December 31	440	424
Balance sheet value of intangible rights, December 31	110	92
2.1.2. Goodwill		
Acquisition cost January 1	1 345	1 345
Acquisition cost December 31	1 345	1 345
Accumulated depreciation according to plan January 1	1 298	1 012
Depreciation for the financial year	47	286
Accumulated depreciation December 31	1 345	1 298
Balance sheet value of goodwill, December 31	0	47
The parent company's goodwill comprises merger and liquidation losses.		
2.1.3. Other long term expenditures		
Acquisition cost January 1	12 446	10 943
Additions	996	1 592
Deductions	0	89
Acquisition cost December 31	13 442	12 446
Accumulated depreciation according to plan January 1	9 385	8 460
Depreciation for the financial year	970	925
Accumulated depreciation December 31	10 355	9 385
Balance sheet value of long term expenditure, December 31	3 087	3 061
Total goodwill and intangible assets	**3 197**	3 200

The balance sheet value of other long term expenditure includes EUR 2.0 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	2006	2005
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 172	1 172
Acquisition cost December 31	1 172	1 172
Accumulated depreciation	119	104
Depreciation for the financial year	34	15
Accumulated depreciation December 31	153	119
Balance sheet value of land, December 31	1 019	1 053
2.2.2. Buildings and constructions		
Acquisition cost January 1	11 662	11 197
Additions	1 618	489
Disposals	0	24
Acquisition cost December 1	13 280	11 662
Accumulated depreciation according to plan January 1	5 394	4 962
Accumulated depreciation on disposals	0	12
Depreciation for the financial year	470	444
Accumulated depreciation December 31	5 864	5 394
Balance sheet value of buildings and constructions, December 31	7 416	6 268
2.2.3. Machinery and equipment		
Acquisition cost January 1	33 806	31 695
Additions	5 063	2 128
Disposals	295	17
Acquisition cost December 31	38 574	33 806
Accumulated depreciation according to plan January 1	26 401	24 217
Accumulated depreciation on disposals	284	16
Depreciation for the financial year	2 386	2 200
Accumulated depreciation December 31	28 503	26 401
Balance sheet value of machinery and equipment, December 31	10 071	7 405
2.2.4. Other tangible assets		
Acquisition cost January 1 and December 31	198	198
Accumulated depreciation according to plan January 1	163	151
Depreciation for the financial year	3	12
Accumulated depreciation December 31	166	163
Balance sheet value of other tangible assets, December 31	32	35
2.2.5. Advance payments	110	95
Total tangible assets	**18 648**	14 856
Amount of machinery and equipment included in balance sheet value	9 463	6 862

EUR 1 000	2006	2005
2.3. Shares in Group Companies		
	%	%
Kermansavi Oy, Heinävesi	100	0
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
OOO Tulikivi, Russia	100	100
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany,		
Tulikivi Oyj Niederlassung Deutschland		
Participating interest undertaking		
Stone Pole Oy, Juuka	27	27
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	34	34
Capital loan, Kivia Oy	490	490
Receivables from Group companies, total	524	524
2.5. Other investments		
Stone Pole Oy	1	1
Other	37	37
Total other investments	38	38
2.6. Inventories		
Raw material and consumables	4 414	3 527
Finished products/goods	3 006	2 957
Total inventories	7 420	6 484
2.7. Non-current receivables		
Trade receivables	0	158
Receivables for group companies		
Loan receivables	851	858
Prepayments and accrued income	29	24
Total non-current receivables	880	1 040
2.8. Deferred tax assets		
Provisions	142	80
Deferred tax assets, total	142	80

EUR 1 000	2006	2005
2.9. Current receivables		
Receivables form group companies		
Trade receivables	324	141
Accrued income	21	0
Receivables from participating interest undertakings		
Trade receivables	0	1
Receivables form others		
Trade receivables	6 446	5 778
Other receivables	307	131
Prepayments and accrued income		
Other prepayments and accrued income		
Receivables from grants	1 267	365
Prepayments	143	245
Employment pension receivable	0	186
Interest receivable	70	0
Other prepayments and accrued income	58	59
Receivables from others, total	8 291	6 764
Total current receivables	8 636	6 906
2.10. Shareholders' equity		
Capital stock January 1	6 192	6 192
Capital stock December 31	6 314	6 192
Share premium fund January 1	5 351	5 351
Share premium fund December 31	7 334	5 351
Retained earnings January 1	9 760	8 453
Dividend paid	-2 530	-2 068
Charitable contribution	-62	0
Retained earnings December 31	7 168	6 385
Profit for the year	3 735	3 375
Total shareholders' equity	24 551	21 303
2.11. Statement of distributable earnings December 31		
Profit for the previous years	7 168	6 385
Profit for the year	3 735	3 375
Total distributable earnings	10 903	9 760
2.12. Provisions		
Warranty provision	307	307
Enviromental provision	240	0
Provisions, total	547	307

EUR 1 000	2 006	2005
2.13. Non-current liabilities		
Loans from credit institutions	11 632	1 708
Installment credit	2 350	0
Other non-current liabilities	347	347
Total non-current liabilities	14 329	2 055
2.14. Current liabilities		
Liabilities to group companies		
Trade payables	154	20
Liabilities to associates		
Trade payables	19	7
Liabilities to others		
Loans from credit institutions	2 178	1 362
Advances received	0	67
Trade payables	2 526	1 692
Other current liabilities	1 047	693
Accrued liabilities		
Salaries, wages and social costs	4 732	4 224
Discounts and marketing expenses	1 258	1 428
External charges	701	724
Tax liabilities	233	40
Cancellation of contracts	183	0
Other accrued liabilities	501	667
Total current liabilities	13 532	10 924
2.15 Given guarantees, contingent liabilities and other commitments **Loans and credit limit accounts with related mortgages and pledges**		
Loans from credit institutions	16 003	2 589
Credit limit accounts	4 300	4 300
Real estate mortgages given	5 910	5 826
Company mortgages given	3 612	3 727
Pledges shares	11 000	0
Object of purchase/ Installment credit	2 375	0
Given mortgages and pledges, total	22 897	9 553
Other own liabilities for which guarantees have been given		
Letter of credit limit	150	150
Production and warranty guarantees	721	633
Other commitments	755	125
Other own liabilities for which guarantees have been given	1 626	908
Guarantees given	115	
Real estate mortgages given	2 018	1 682
Pledges given	10	10
Guarantees given on behalf of other own liabilities	2 143	1 692

EUR 1 000	2006	2005
Leasing commitments		
Due during the financial year 2007	5	13
Due later	20	24
Leasing commitments, total	25	37

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

Derivatives		
Interest rate swaps, nominal value	8 250	0
Interest rate swaps, fair value	68	0

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 price are fulfilled, purchase price of EUR 0.3 million now included in the long-term liabilities will fall due in 2008.

Other contingent liabilities

Environmental obligations

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

Actions demanded by the environmental obligations are continuously performed besides normal production processes.

Handling of water, arrangements for soil and rock material stacking areas, vibration and noise measurement, dust prevention and the monitoring the measurement result belong to these tasks. The costs relating to these activities are mainly recognised in the income statement as expense. Transport of soil material to stacking areas by opening new quarries is capitalised to other long-term expenses and depreciated during the useful life of the quarry, however, in maximum in ten years. Lining work of stacking areas is based on long-term quarrying plans, according to which surface material of new opened quarries will be used in lining work. However, the lining work cannot be done until the point when there are finished sectors in the stacking area. No provision is recognised for the lining work, because it is not estimated to increase the costs of normal quarrying work.
After a factory or a quarry is shut down, the final lining work of the stacking areas, water arrangements, establishing of check points, bringing to safety condition and planting and seeding the vegetation will take place. For that part of these costs which are estimable, a provision is recognised.

Based on environmental authorisations, the Group has given guarantees to effect of EUR 95 thousand in total.

Shareholders and Management Ownership

10 Major shareholders according to number of shares Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Reijo	2 852 500	1 307 646	11.20
2. Vauhkonen Heikki	2 957 000	40 706	8.07
3. Elo Eliisa	477 500	2 479 520	7.96
4. Virtaala Matti	1 360 000	1 060 346	6.52
5. Ilmarinen Mutual Pension Insurance Company	0	1 902 380	5.12
6. Mutanen Susanna	797 500	846 300	4.43
7. Vauhkonen Mikko	397 500	403 200	2.16
8. Paatero Ilkka	0	718 430	1.93
9. Nuutinen Tarja	397 500	277 040	1.82
10. Fondita Nordic Small Cap Placfond	0	619 000	1.67

10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Reijo	2 852 500	1 307 646	24.25
2. Vauhkonen Heikki	2 957 000	40 706	24.07
3. Virtaala Matti	1 360 000	1 060 346	11.92
4. Mutanen Susanna	797 500	846 300	7.17
5. Elo Eliisa	477 500	2 479 520	5.90
6. Vauhkonen Mikko	397 500	403 200	3.56
7. Nuutinen Tarja	397 500	277 040	3.46
8. Ilmarinen Mutual Pension Insurance Company	0	1 902 380	1.55
9. Suomen Kulttuurirahasto	100 000	340 000	1.09
10. Reino Laakkonen	100 000	0	0.81

The Members of the Board and Managing Director control 7 269 500 K shares and 2 498 082 A shares representing 61.1 % of votes.

Breakdown of share ownership of December 31, 2006 **Number of shares**	**Shareholders pcs**	**Proportion %**	**Shares pcs**	**Proportion %**
1 - 100	338	7.42	24 248	0.06
101 - 1000	2 200	48.29	1 236 750	3.33
1001 - 5000	1 476	32.40	3 719 797	10.01
5001 - 10000	277	6.08	2 101 183	5.66
10001 - 100000	242	5.31	6 001 543	16.16
100001 -	23	0.50	24 060 449	64.78
Total	4 556	100.00	37 143 970	100.00

On December 31, 2006 the Company's shareholders were broken down by sector as follows: **Sector**	**Holding, %**	**Votes, %**
Enterprises	2.01	0.61
Financial and insurance institutions	10.98	3.32
Public organisations	5.13	1.55
Non-profit organisations	2.82	1.58
Households	78.82	92.87
Foreign	0.23	0.07
Total	100.00	100.00

Nominee-registered shares, 2 592 777 in total (6.98% of the capital stock), are entered under financial and insurance institutions.

Signatures to Report of the Board and Financial Statements

In Nunnanlahti February 7, 2007

Matti Virtaala | Heikki Vauhkonen | Bishop Ambrosius | Juhani Erma

Eero Makkonen | Aimo Paukkonen | Reijo Vauhkonen

Juha Sivonen
Managing Director

Auditors' Report

TO THE SHAREHOLDERS OF TULIKIVI CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Tulikivi Corporation for the period 1.1. – 31.12.2006. The Board of Directors and the President have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the parent company's financial statements, report of the Board of Directors and administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements and in the report of the Board of Directors, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President of the parent company have complied with the rules of the Companies' Act.

CONSOLIDATED FINANCIAL STATEMENTS

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.
Juuka, March 5, 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannele Selesvuo
Authorised Public Accountant

Contact Information

TULIKIVI CORPORATION – FACTORIES AND OFFICES

HEAD OFFICE AND JUUKA FACTORIES
FI-83900 Juuka
Tel. +358 207 636 000
Fax +358 207 636 130
www.tulikivi.com
firstname.lastname@tulikivi.fi

SUOMUSSALMI FACTORY
Saarikyläntie 26
FI-89920 Ruhtinansalmi
Tel. +358 207 636 750
Fax +358 207 636 769

TAIVASSALO AND VINKKILÄ FACTORIES
Helsingintie 108
FI-23310 Taivassalo
Tel. +358 207 636 880
Fax +358 207 636 888

HELSINKI OFFICE
Bulevardi 22
FI-00120 Helsinki
Tel. +358 207 636 000
Fax +358 207 636 558

ESPOO OFFICE
Lautamiehentie 1
FI-02770 Espoo
Tel. +358 207 636 820
Fax +358 207 636 877

SUBSIDIARIES

KERMANSAVI OY
Rasiahontie 3
FI-79700 Heinävesi
Tel. +358 207 636 501
Fax +358 207 636 505

KIVIA OY
Kivikatu 2-4
FI-88900 Kuhmo
Tel. +358 207 636 700
Fax +358 207 636 720

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

TULIKIVI OYJ NIEDERLASSUNG DEUTSCHLAND
Wernher-von-Braun-Str. 5
D-63263 Neu-Isenburg, Germany
Tel. +49 6102 74 140
Fax +49 6102 741 414

OOO TULIKIVI
Liteiniy pr., 22
191028 St. Petersburg, Russia
Tel. +990 7 8129 512 655

ASSOCIATE COMPANIES

STONE POLE OY
Kuhnustantie 10
FI-83900 Juuka
Tel. +358 207 636 600
Fax + 358 207 636 609

LEPPÄVIRRAN MATKAILUKESKUS OY
Rasiahontie 3
FI-79700 Heinävesi
Tel. +358 207 636 501
Fax +358 207 636 505

SALES EXHIBITIONS IN FINLAND

Nearest distributor on Internet site
www.tulikivi.com

TULIKIVI ABROAD

BENELUX
DUTRY & CO.
Vichtestraat 147
B-8540 Deerlijk
Belgium
Tel. +32 56 776 090
Fax +32 56 774 294

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, LITHUANIA
FI-83900 Juuka
Finland
Tel. +358 207 636 000
Fax +358 207 636 120

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
FI-83900 Juuka
Finland
Tel. +358 207 636 000
Fax +358 207 636 120

GERMANY
TULIKIVI OYJ NIEDERLASSUNG DEUTCHLAND
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
OOO TULIKIVI
Liteiniy pr., 22
191028 St. Petersburg
Russia
Tel. +990 7 8129 512 655

ESTONIA
Pihlaka 1 a
11216 Tallinn
Estonia
Tel. +372 6555 486
Fax +372 6555 487

It's such a cold, cold world

ES 2021, 3/2007

Tulikivi Corporation, FI-83900 Juuka, Finland, tel. +358 207 636 000, fax +358 207 636 130, **www.tulikivi.com**