

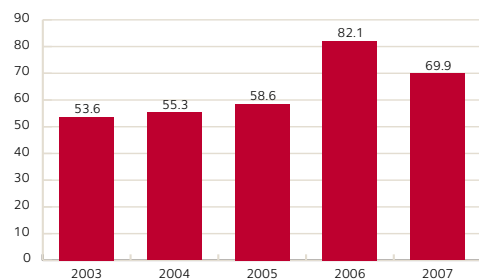




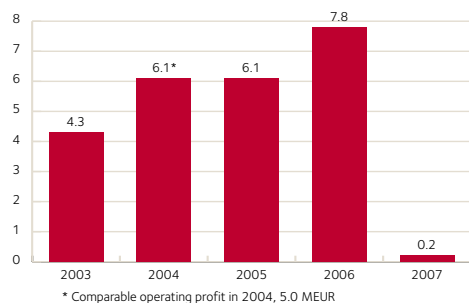
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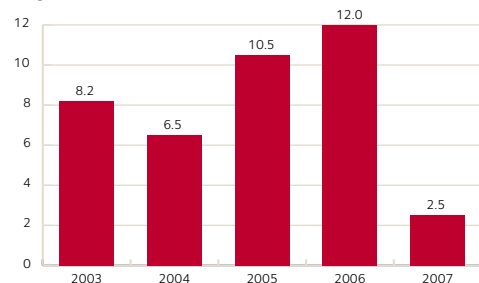
DEVELOPMENT OF NET SALES, MEUR



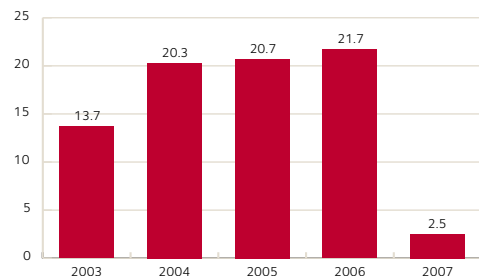
PROFIT BEFORE INCOME TAX, MEUR



NET CASH FLOW FROM OPERATING ACTIVITIES, MEUR



RETURN ON INVESTMENTS, %



The Year 2007 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 about EUR 70 million, about half of which is accounted for by exports. The Group owns seven production plants and employs about 600 people.

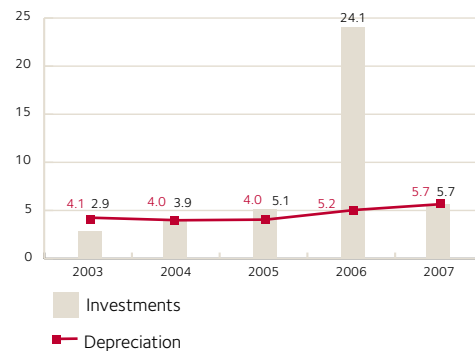
www.tulikivi.com

	2007	2006	Change, %
Net Sales, MEUR	69.9	82.1	-14.9
Operating profit, MEUR	1.0	8.2	-88.3
Profit before income tax, MEUR	0.2	7.8	-97.9
Return on investments, %	2.5	21.7	
Solvency ratio, %	43.9	46.2	
Earnings per share, EUR	0.01	0.16	-93.9
Equity per share, EUR	0.74	0.83	-10.6
Payment of dividend on A share, EUR	0.0450	0.090	-50.0
Payment of dividend on K share, EUR	0.0433	0.088	-50.8

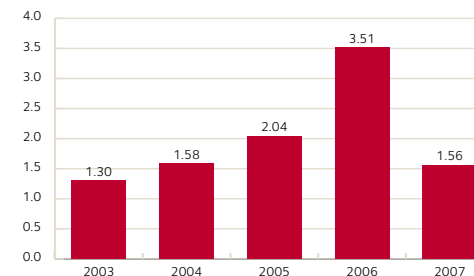
Calculation of key ratios, page 63.

The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland as well as Kermansavi Oy (merged with the parent company as at December 31, 2007), Kivia Oy, AWL Marmorio Oy, Tulikivi U.S., Inc. and OOO Tulikivi. Other Group companies are Uuni Vertriebs 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 Fireplaces Business and the Natural Stone Products Business. 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

- The price of energy is rising, uncertainty over energy distribution is increasing
- Due to global warming, more bioenergy is being used
- Environmental protection is taking on growing importance, emissions regulations are becoming stricter
- Increasing attention is being paid to life cycle thinking in construction, there is a growing appreciation of natural materials
- Customers are spending more on home comforts, interior decorating and their living environments
- Products are being bought as ready packages, the amount of work customers put into the process is decreasing

Strategic Policies

- We achieve annual organic growth of over 5% and also seek growth through acquisitions
- The target for return on investment is over 20%, with an improvement in relative profitability of 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 pay particular attention to the profitability of investments and efficient use of our human resources
- 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:

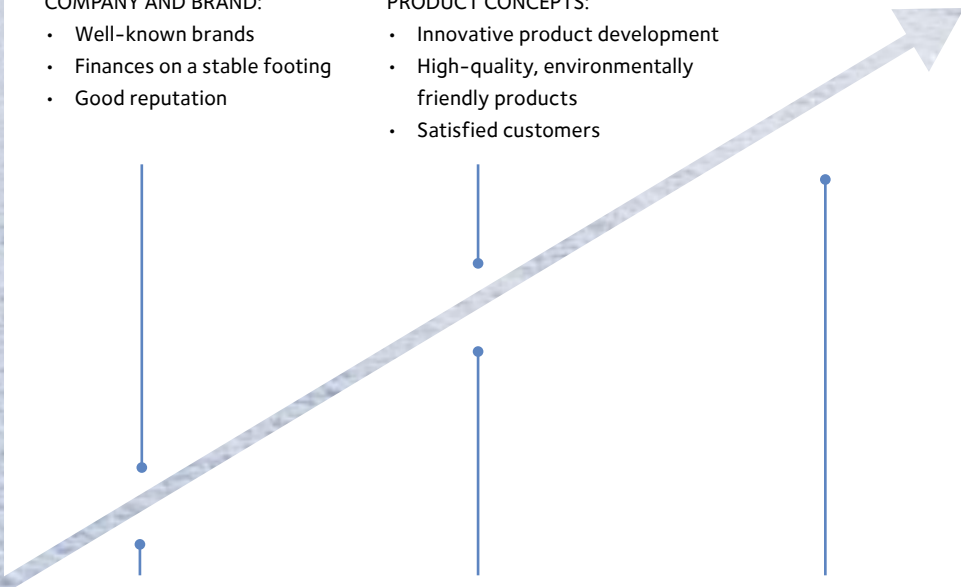
- Characteristics of soapstone
- Sufficient stone reserves

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





A Challenging Year

The Tulikivi Group's sales fell by nearly 15 percent in 2007. A decline in sales was foreseeable in Finland due to a distribution channel overhaul with significant strategic importance for the future. In addition, low demand in the German market notably reduced both exports of Tulikivi fireplaces and, in particular, sales of lining stones. Exports to other countries can be considered successful, as demand remained at 2006 levels despite the weaker market situation. Although favourable trends were seen in the Natural Stone Products Business, sales of utility ceramics fell by a quarter during 2007. One reason for this decrease was a focus on cheap ceramic imports among economy retail chains. Reaching Utility Ceramics' profitability targets has required forceful downsizing measures. The Tulikivi Group's overall financial result for 2007 was weak.

EFFICIENCY MEASURES

We have reorganized our operations in order to better meet the challenges ushered in by the current market situation. At the time of change of Managing Director, the company's operations were divided into three areas, each with its own director. The Management Group was also reduced in size, and the company simplified and increased the efficiency of its internal processes. Internal transfers were also employed to boost operations. Processes are now more straightforward and the number of salaried employees has declined. Significant cost savings will therefore be possible in 2008.

On December 31, 2006, the company employed 765 people and on December 31, 2007 the figure was 693. After the current downsizing measures, this figure will decrease to about 600 in 2008.

As a key downsizing measure the manufacture of Tulikivi's soapstone fireplaces was centralized at the Juuka plants.

As a key downsizing measure the manufacture of Tulikivi's soapstone fireplaces was centralized at the Juuka plants, including the decision to close the Kuhmo plant. The third shift at the Suomussalmi plant was also discontinued.

As part of these efficiency measures, Kermansavi Oy was merged with the parent company, Tulikivi Corporation, on December 31, 2007. Efficiency in the utility ceramics production also received a boost through the reduction of about 20 personnel.

Outsourcing measures will also be implemented during 2008.

FOCUS ON LEADERSHIP

Alongside structural reorganization, we have also been focusing on the cultivation of future skills. In October, we launched a management training programme for about ten of Tulikivi's future key personnel.

Management skills also hold a key position in the occupational well-being development project begun in the fall. This project seeks to reduce absences by improving occupational safety and pre-emptively identifying the reasons behind any potential absences at an early stage.

MARKET SITUATION

The fireplace market situation in Europe has fluctuated wildly over the past few years. Energy price changes have

been the driving force, and peaks in energy prices have clearly had an impact on global fireplace demand. Continental European consumers in particular tend to keep abreast of the latest information and discoveries on global warming.

Long-term trends have, however, favoured Tulikivi. Due to concern over climate change, targets have been set for the increased use of bioenergy. This enables fireplace sales growth in Europe. State requirements and guidelines – combined with the presence or absence of financial incentives – will continue to affect fireplace demand to a greater degree than ever in all market areas. The fireplace sector must therefore be able to highlight its products' particular strengths as an energy source in comparison to other forms of bioenergy.

Brisk construction, rising energy prices and affordable firewood increase fireplace demand in Russia.

Interior decoration trends also influence demand for fireplaces and natural stone products. A fireplace is a key element in any home's décor, and fireplace design must be able to meet the demands of future trends. The growing appreciation for natural materials in interior decoration is already evident in the Natural Stone Products Business.

FUTURE GOALS

Our downsizing measures seek to enable good earnings even in changing circumstances. They will create a solid basis from which to further develop the company irrespective of whether the current outlook is better or worse than forecast.

The company will continue its core strategy of recent years. We will now be underlining the importance of a more varied range of products, and also the need to develop new market areas so the company will not be so dependent on any single territory. Organic growth will

now be sought primarily through the company's own brands rather than through subcontracting.

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



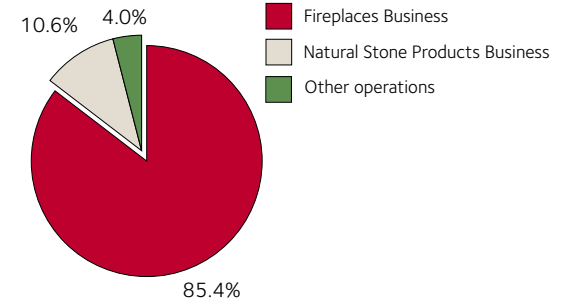
Juuka, February 20, 2008

A handwritten signature in black ink, appearing to read 'Heikki Vauhkonen'. The signature is fluid and cursive.

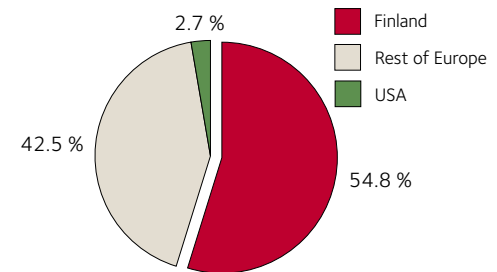
Heikki Vauhkonen, Managing Director



NET SALES PER BUSINESS AREA, %



NET SALES PER GEOGRAPHICAL AREA, %



Fireplaces

Tulikivi Corporation's Fireplaces Business comprises the sale of Tulikivi and Kermansavi brand fireplaces and deliveries of soapstone lining stones to European heater manufacturers. The Fireplaces Business covers product marketing and sales, as well as the whole chain from product manufacture right up to customer deliveries. R&D for fireplace products also falls under its scope.

FINNISH MARKET

A distribution channel reorganization was carried out in Finland at the start of 2007. Distribution of both of the company's brands – Tulikivi and Kermansavi – was centered on Tulikivi Showrooms. Except for the company's own locations in Helsinki, Juuka and Heinävesi, all of these showrooms are run by entrepreneurs. A total of 35

showrooms currently cover all of Finland's major towns and cities.

Tulikivi Showrooms are guided by a clear concept in terms of visibility, look and operational models. Showrooms provide an end-to-end service that includes much more than just the fireplace – home visits, an advice and design service including all the required permits, installation for all products, removal of existing fireplaces, flue solution, fireplace supplementary products, and a maintenance service which also extends to previously purchased fireplaces. Top-quality Tulikivi heaters – complete with soapstone lining stones – further rounded out our service portfolio at the end of 2007.

A new concept – the Tulikivi Service Point – has been created to complement our network of Tulikivi Showrooms. These service points are run in cooperation with the local Tulikivi Showroom and are located on partners' premises, for example, in home, kitchen or furniture stores. The Tulikivi Service Point concept revolves around a small in-store fireplace display with a professional and competent salesperson. We aim to build a network of at least 40 Tulikivi Service Points, 15 of which had already been established by the end of 2007.

After several years of growth, the fireplace market slipped in 2007. One key factor in this was a slight reduction in new single-family home construction for a second consecutive year. Many European manufacturers have also entered the market, primarily offering light-weight heater products. Geothermal and air-source heat pump manufacturers are also active in the market.

Sales of Tulikivi fireplaces in Finland contracted by about 15 per cent. Demand was evenly split between renovation and new construction. One major reason for this decline was a demanding change in our domestic distribution system. Its impact included the return of display models and warehoused fireplaces from hardware stores, showroom construction, the introduction of a new operational model on all levels, as well as publicizing the new outlets to customers.

FIREPLACE EXPORTS

Fireplace exports contracted by a total of ten per cent in 2007. Sales to Germany, our main export country, were particularly weak throughout the year with sales falling by over 40 per cent. Sales to other countries remained at 2006 levels, and the French and Russian markets continued to grow.

France is now our largest export country. Although the tax incentives for energy-saving projects granted by the French state have remained in force, they will cease to be

as significant. The current outlook suggests that these incentives are likely to continue only until the end of 2008.

Growth in Russia was achieved through more efficient cooperation with existing partners in the St. Petersburg and Moscow metropolitan areas. Russia will continue to be one of our most promising growth areas. We aim to further extend operations to other major cities by expanding our cooperation network. A new Sales and Marketing Manager was appointed to the Russian market area in 2007.

Germany has been Europe's largest market for fireplaces. However, the fireplace trade has collapsed there since 2006, which marked the height of demand. A rise in heating energy prices caused a huge peak in demand in the fall of 2005, with demand remaining exceptionally high until the end of 2006. Despite the current fall in sales, Tulikivi has continued with the distribution channel developments already in progress, and is also seeking new partners to firm up its distribution network. Exports of ceramic fireplaces to Russia and the Baltic countries were started up. Exported ceramic fireplaces are sold under the Tulikivi brand.

LINING STONES

Fluctuations in fireplace demand in Europe, and especially in Germany, have been directly reflected in sales of Tulikivi's lining stones for heaters. Sales of lining stones increased by almost 150 per cent in 2006, yet in 2007 they fell to below 2005 levels. This is a direct indication of the staggering fluctuations in fireplace demand seen in Germany in particular. Demand for heaters in Germany has fallen dramatically since 2006, which can now be considered an exceptional year. Market recovery has been quite slow. A rise in VAT, an unusually warm winter, retailers' overstocked warehouses, and a decline in new housing construction have all had their impact.

PRODUCTION

Due to lowered demand, fireplace production has experienced overcapacity throughout 2007. This has been reduced through lay-offs that were in effect until the turn of the year. In order to pare down the production cost structure, the company has refocused work distribution between its plants, and made the decision to close its Kuhmo plant. Ceramic fireplaces are now manufactured in Heinävesi, Tulikivi fireplaces in Juuka, and lining stones in Suomussalmi and Juuka.

R&D

R&D's main tasks have been to expand the new collection and improve productivity. Development of a new flat grate range has also begun in order to meet the criteria for future emissions regulations in various market areas. In the year now ended, Kermansavi fireplaces were granted approval for their conformance with Finland's forthcoming emissions regulations.



Natural Stone Products

The Natural Stone Products Business comprises interior decoration stones, paving stones and deliveries to construction sites. Interior decoration stones are used for kitchen and bathroom countertops, and also as cladding for internal floors, walls and stairs. Our paving stone range includes stones for building paths, borders, terraces and steps, as well as those for cladding walls, steps, fences and plinths. Tulikivi delivers stone to construction sites, where it is used in facades, floors, stairs and walls. Our comprehensive range of natural stones includes soapstone, granite, marble, limestone, travertine and slate.

VIGOROUS GROWTH CONTINUES IN INTERIOR DECORATION STONES

In the Natural Stone Products Business, the most vigorous growth can be seen in the interior decoration stone product group. Tulikivi's Natural Stone Products Business employs multi-channel distribution. Partners in cooperation include kitchen, interior decoration and specialist stores; prefab house, construction, and other

stone companies; professional architects and interior designers; and furnishers of public spaces. Over 90 per cent of natural stone product sales are generated in Finland. The remaining products – approximately ten per cent – are exported, primarily to other Nordic countries.

In 2007, the current trend for interior decoration, combined with proactive marketing by natural stone companies, increased the total market for interior decoration stones in Finland by about ten per cent. Tulikivi's interior decoration stone business has grown by about 20 per cent during the past year, indicating that we have bolstered our position as the market leader in natural stone products in Finland. In particular, we have been able to expand our cooperation network and energize our existing retailers. This successful combination has taken our sales up a notch.

During 2007, our product range expanded with new stones for kitchen countertops, as well as new natural

stone tiles and mosaic tiles. Other notable measures taken during the past year include new agreements with retailers and chains, further honing of our overall interior decoration concept, increased efficiency in production and offer-delivery processes, and proactive training for retailers to enhance sales techniques.

OUR STRATEGY REMAINS UNCHANGED

The Natural Stone Products Business' key strategies will remain unchanged in the years ahead: profitability and growth. During the coming year, the Natural Stone Products Business will be making its greatest outlays on interior decoration stones – the area showing the greatest growth potential for the next few years. Commercialization, more efficient workload management and the balancing of seasonal fluctuations will be employed to increase production efficiency. The main focal points for sales and marketing will continue to be proactive marketing, partner training, and developing sales techniques. Bolstering retailer strength, new product launches, and training for our own personnel will also be key measures for 2008.

Utility Ceramics

The utility ceramics range is primarily aimed at consumers and includes ceramic tableware, cookware and ornaments. The Kermansavi utility ceramics brand enjoys high recognition in Finland. Seventy-six per cent of Finnish consumers are familiar with the brand name and 60 per cent own Kermansavi products.

WHOLLY MADE IN FINLAND

The market for Kermansavi's utility ceramics is Finland and the company's market share is about ten per cent. Products are wholly manufactured at the company's Heinävesi plant, where the manufacturing process is partly linked to ceramic tile production for the company's fireplaces. All Kermansavi products have been granted the right to display the Association of Finnish Work's 'Made in Finland' Avainlippu label.

Stronger domestic players and an increase in cheap imports from abroad further heated up competition in the utility ceramics product in 2007. Kermansavi is the only Finnish utility ceramics manufacturer whose products are wholly made in Finland.

In 2006, measures were begun to boost operational efficiency, hone the marketing concept, and overhaul both the distribution channel and product development. During this transitional phase, sales trends did not meet expectations and operations had to be downsized with lay-offs and redundancies during 2007.

COOPERATION WITH YOUNG DESIGNERS

Product development has focused on new, trendy products and cooperation with young designers. Several brand new products were launched in 2007. The most notable was the Neilikka service, which was designed in cooperation with the Institute of Design at the Lahti University of Applied Science. Other new products included the Sahrami range of casserole dishes, and new pieces and color options for the Oliivi service. Low-turn-

over products were discontinued, and the range was expanded with suitable Finnish supplementary products.

DISTRIBUTION STRATEGY CLARIFIED

In 2007, the distribution channel expanded to specialized stores and department stores, including Stockmann and Sokos. At the same time, stores that competed solely on price were removed. A brand new distribution channel was opened in June: an online store. Not only Kermansavi utility ceramics, but also supplementary fireplace and natural stone products are now available online at www.tulikivishop.com. Major retail chains will, however, continue to be the primary distribution channel.

THE FRESH, NEW KERMANSAVI

The Kermansavi utility ceramics brand underwent a major overhaul in 2007. As well as highlighting its high quality and Finnishness, it received an injection of innovativeness, freshness and youth. Both advertising and marketing materials were significantly increased.

Utility Ceramics product group will forge ahead with development and is continually boosting its operational efficiency. Product development is focusing on cooperation with young Finnish designers. New products are being targeted at younger and young-at-heart consumers. Cooperation with department stores and specialized stores is being deepened in the distribution channel. New customers are being sought among specialized stores, cafés and restaurants. Utility Ceramics will also branch out into a new area with the introduction of a corporate gift service. Marketing communications will be bolstered by underlining Kermansavi's Finnishness and revamped brand.

Corporate Responsibility

Our operations are guided by the company's 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 – both in Finland and abroad – of which the most important are our customers, personnel, shareholders and partners in cooperation.

CLEANER-BURNING FIREPLACES FOR FINLAND

In the fall of 2007, Tulikivi launched a 'Cleaner-burning fireplaces for Finland' program to take definitive action for a fresher, cleaner environment. The program will increase Finns' awareness of correct wood burning techniques, the potential for making increased use of firewood, and the new, environmentally friendly options created by firebox solutions based on modern technology. By 2020, it also aims to have reduced fine particle emissions from small-scale combustion – and their related problems – by one third. This requires the renovation or replacement of about 840 000 fireplaces over the next 12 years. As part of the program, Tulikivi has published its own proposals for cleaner-burning fireplaces (see page 17).

Tulikivi also published the 'Cleaner-burning Fireplaces for Finland' brochure, which contains expert articles on such topics as bioenergy, wood burning and fine particles. The program has also included an expert seminar for decision-makers and influential players in the small-scale combustion industry. The seminar was organized in cooperation with the Pulmonary Association Heli and its keynote speaker was Minister of Labor Tarja Cronberg. Tulikivi is the fireplace industry's largest player and its program was favorably received, acting as a catalyst for discussion about small-scale combustion.

ENVIRONMENTAL RESPONSIBILITY

Environmental issues are part of everyday working life in the Tulikivi Group. We take note of them at the strategy

planning stage, in long-term action plans, and when defining annual focus areas. We pay attention to environmental issues in our products' lifecycles throughout the entire design and production chain during product development, quarrying, product manufacture, and even during end use. The development and coordination of environmental operations is the responsibility of the Group's Quality and Environmental Manager, Product Development Director and Purchasing Director, who work in close cooperation with each segment's Development Manager and those responsible for the quarrying plan.

The most notable environmental project of 2007 was the environmental impact assessment (EIA) procedure and environmental permit application for soapstone quarrying in Vaaralampi, Juuka. The Vaaralampi mining patent is located approximately 1.5 kilometers south of the current Tulikivi Corporation quarry and covers about 56 hectares. The area has primarily been used by the forestry industry. Quarrying in Vaaralampi is scheduled to start in 2010 and end in approximately 2025.

Tulikivi's Cleaner-burning fireplaces for Finland program was a catalyst for discussion about small-scale combustion.

An independent evaluation procedure was employed to thoroughly analyze the overall environmental impact of the quarry project on the surrounding area. The EIA report was completed in spring 2007. The major potential environmental hazards stemming from any future quarrying are dust, noise, vibration, and changes in the

landscape. The EIA procedure was carried out in cooperation with Linnunmaa Ltd and IP-Engineering Finland.

The Tulikivi mining patent's new environmental permit was granted in April after a handling process lasting over three years and will come into force after the appeal procedure.

Assessment of the Heinävesi plant's present environmental status was completed at the beginning of 2007. Improvement measures have already begun, the most visible and extensive being the environmental permit application for the Heinävesi plant's operations. In order to receive this permit, action must still be taken to recondition process basins and improve waste and water management. Process basin modifications and waste area landscaping can be started after the environmental permit is received, in summer 2008.

Quality certification now covers the entire Tulikivi Group, as the Heinävesi plant's quality system was granted its certificate in 2007.

FINANCIAL RESPONSIBILITY

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 interim reports and the financial statements. The result of operations is reported on simultaneously, honestly, openly and in compliance with legislation.

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, the company pays out a dividend equaling about one half of its annual earnings, while keeping its equity ratio at no less than 40 per cent. The Group also has an incentive system whose scope encompasses all employees.

SOCIAL RESPONSIBILITY

The largest single change in the Tulikivi Group's personnel structure during the last two years has been the approximately 130 employees that joined the company with the Kermansavi Oy acquisition. In the end of the year 2007, the Group initiated codetermination negotiations. In January 2008, the negotiations settled on 67 redundancies. In addition, 26 employees were laid off for the time being.

Tulikivi's average personnel changeover is under two per cent in all personnel groups. High retirement will not be an issue until about 6–10 years down the line.

In 2007, Tulikivi launched a management training program aimed at young managers. The yearlong program consists

of group and individual training and aims to increase people management skills among those chosen to take on new positions of responsibility. Another training program, this time focusing on vocational degrees in the stone industry, was also launched in Juuka, Kuhmo and Suomussalmi in 2007. The training is being run in cooperation with the North Karelia Educational Federation of Municipalities. When the students graduate in spring 2008, a total of 126 Tulikivi employees will have vocational degrees in the stone industry. In the fall of 2007, Tulikivi received the North Karelia Educational Federation of Municipalities' training company certificate.

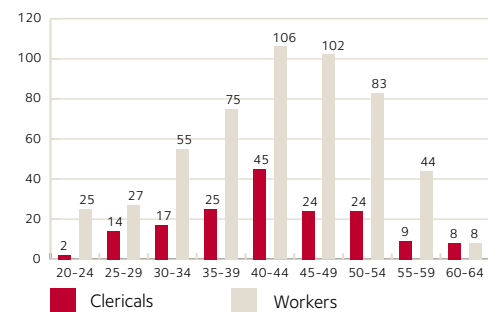
In 2007, a stone industry expert from the North Karelia Educational Federation of Municipalities interviewed over 400 waged employees in Juuka, Kuhmo and Suomussalmi as part of a competence analysis project. A similar study of salaried employees was carried out in the early fall. The competence study enabled Tulikivi to update its overall data on employees' training, range of skills, and developmental requirements.

A team has been established to launch a comprehensive occupational wellbeing program in the Group. The major areas earmarked for development are occupational health and safety and pre-emptive measures to prevent absences due to illness.

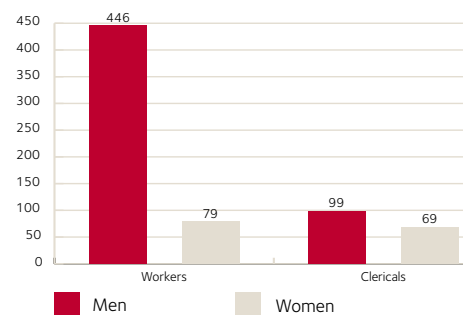
During the fall of 2007, best practices in occupational safety from each factory were collated, managers and occupational safety personnel received training, and new tools were introduced. Notable new introductions to production were occupational safety supervisor-employee pairs, risk evaluation, and near-miss notification.

An extensive study was carried out to determine the current state of occupational healthcare. A decision was made to pilot an expanded occupational healthcare model in Juuka on the basis of the results. The model aims to increase the efficiency of occupational healthcare services so that long-term absences can be avoided. The greatest challenge is posed by the work-related musculoskeletal disorders suffered by production employees.

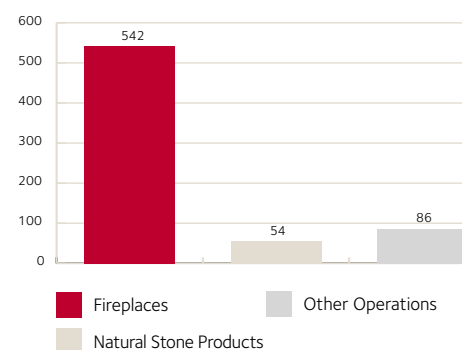
AGE DISTRIBUTION OF PERSONNEL, DECEMBER 31, 2007



GENDER DISTRIBUTION, 2007



PERSONNEL PER SEGMENTS



The Human Resources Director is responsible for the company's equality plan, which is checked and updated annually at a joint meeting.

COMMUNITY SPIRIT

The Tulikivi Group's head office is located in Juuka, Northern Karelia, and the company plays an active social role in the area. Tulikivi employed about 700 people in 2007, primarily in distant regions, such as Juuka, Heinävesi, Suomussalmi, Kuhmo and Taivassalo. Being local is an important part of Tulikivi's identity.

Tulikivi is also an active sponsor, primarily for 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 also supports selected sports and hobbies for children and young people in the municipalities where its plants are located.

Tulikivi is a member of numerous organizations and forums, such as: the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, Finnbio – the Finnish Bioenergy Association, the Fine Particle Forum, the Family Business Network Finland, the Finnish Chamber of Commerce, Finnpro, TTS Institute (Work Efficiency Institute), North Karelia's Enterprise Agency, Sisäilmäyhdistys (the Indoor Air Association of Finland), Kiviteollisuusliitto (Finnish Natural Stone Association) and Euroroc. Kermansavi Oy, which was merged with the parent company on December 31, 2007, has also belonged to, for example, the Association of Finnish Work.



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.



Finnish Distribution Channel Overhaul

Sales of Tulikivi Group fireplaces in Finland were centered on specialized stores from the beginning of 2007. The Tulikivi Showroom network has about 40 showrooms offering Tulikivi and Kermansavi fireplaces. The overhaul sought to increase sales, cost-efficiency and the company's market share in Finland. At the end of the year, the distribution network was rounded out with Tulikivi Service Points. These service points display a smaller selection of models than Tulikivi Showrooms.

Tulikivi Shop – Online Store Opens

In the summer of 2007, the Tulikivi Group opened the Tulikivi Shop at www.tulikivishop.com. This online store offers an extensive range of Kermansavi utility ceramics and supplementary products, supplementary fireplace products, and care and cleaning products for natural stone. You can also register as a Tulikivi customer through the Tulikivi Shop. The new online store will improve Kermansavi product availability, and its product range will be expanded to include Tulikivi natural stone products.

Tulikivi Tailor to Support Sales

During the fall of 2007, Tulikivi piloted Tulikivi Tailor (Uuniräättäli in Finland), a user-friendly, Internet-based design and sales system that will form part of the Tulikivi Showroom end-to-end service. Customers and salespeople can use the program together to explore – in 3D – how different options affect a fireplace's price and external appearance. Because Uuniräättäli is fully integrated into the customer management and production control systems, it enables efficient information exchange and usage. The distribution of production control information should significantly reduce order processing times. Uuniräättäli is available for both Tulikivi soapstone and Kermansavi ceramic fireplaces. The program went live in Finland in February 2008 and will be expanded to exports at a later date.

Tulikivi's Proposals for Cleaner-burning Fireplaces in Finland

Tulikivi launched the 'Cleaner-burning fireplaces in Finland' program in the fall of 2007. By 2020, this program aims to have reduced fine particle emissions from small-scale combustion – and their related problems – by about one third. This requires the renovation or replacement of about 840 000 fireplaces over the next 12 years. As part of the program, Tulikivi has published its own proposals to promote cleaner-burning fireplaces:

- 1) Heat-retaining fireplaces equipped with green technology will prevent climate change, save energy, reduce fine particle emissions, and improve indoor air quality.
- 2) About one third of the fireplaces in permanent residences in Finland should fulfill emission and efficiency requirements by 2020.
- 3) Fireplaces that fulfill emission and efficiency norms should be made mandatory in all detached, semi-detached and terraced houses over 120 square meters in size.
- 4) There should be financial incentives for consumers to purchase factory-produced, heat-retaining fireplaces that fulfill emission and efficiency requirements. Public information announcements should also urge households to replace their smoky old fireboxes with more environmentally friendly models.
- 5) Smoke hazards can be reduced by issuing public advisory messages, restricting the use of run-down fireplaces in residential areas, and by granting environmental recommendations to low-emission fireplaces.
- 6) Home fireplaces are part of the population's crisis readiness in case of power outages or other situations in which heating energy is difficult to obtain.
- 7) Everyone who owns an old fireplace can do their bit for fresher air by burning wood correctly and carrying out sufficient firebox and chimney maintenance, or by replacing their old fireplace with one equipped with cleaner combustion technology.

Tulikivi Corporation's Board of Directors

MATTI VIRTAALA, Chairman of the Board
(b. 1951)

B.Sc. (Eng.), President 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 Metroauto Group Oy.

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 1 460 000
Series A shares 957 152

HEIKKI VAUHKONEN, (b. 1970)

LLB and BBA. Managing Director since June 2007. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

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

Primary work experience: Vice President of Tulikivi U.S. Inc, 1997–2001; Tulikivi Corporation: Marketing Director of the Fireplace Business, 2002–2007.

Tulikivi Corporation share ownership:

Series K shares 2 957 000
Series A shares 42 739

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 Product Industry Division of the Confederation of Finnish Construction Industries RT.

Primary work experience: Marketing Director at Lohja Ltd, 1966–1979. Entrepreneur 1979–.

Tulikivi Corporation share ownership:

Series K shares 2 852 500
Series A shares 1 287 679

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, Vice Chairman of the Board of FinnAgora. 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 15 379



Tulikivi's Board of Directors from left to right:

Matti Virtaala, Heikki Vauhkonen, Reijo Vauhkonen, Bishop Ambrosius, Juhani Erma, Eero Makkonen and Maarit Toivanen-Koivisto.



JUHANI ERMA, (b. 1946)

LL.Lic. (trained on the Bench), Senior Advisor at Attorneys at law Borenium & Kempainen. 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 Takeovers and Mergers at The Central Chamber of Commerce of Finland, Board Member of Hallitusammattilaiset ry (the Finnish Association of Professional Board Members), Board Member of Stromsdal Oyj, Vice Chairman of the Board 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: In-house lawyer at Enso-Gutzeit Ltd, 1972-1979; head of the legal affairs department and the financial and legal affairs group at Union Bank of Finland Ltd, 1979-1985; Managing Director of Uunitas Ltd, 1985-1988; Managing Director of Suomen Teollisuuspankki Oy, 1988-1989; 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 Borenium & Kempainen Ltd, 2002-.

Tulikivi Corporation share ownership:

Series A shares 27 379

EERO MAKKONEN, (b. 1946)

B.Sc. (Eng.). Member of the Board of Directors of Tulikivi Corporation since 2002.

Other key positions of trust: Board Member of Rapala VMC Corporation, Chairman of the Board of Hansastroi Oy, Board Member of Elematic Ltd, Board Member of SysOpen Digia Plc.

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 Insinööri-rakentajat 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 15 379

MAARIT TOIVANEN-KOIVISTO, (b. 1954)

M.Sc. (Econ.). Professional Development Diploma. President of Onvest Oy. Member of the Board of Directors of Tulikivi Corporation since 2007.

Other key positions of trust: Chairman of the Board of Onninen Oy, Chairman of the Board of Onvest Oy, Board Member of Are Oy, Board Member of Neste Oil Corporation, Board Member of Itella Corporation, Member of the Board of F.B.N International, Member of the Board and Delegation of the Central Chamber of Commerce, EU-Russia Industrialists Round Table, Building Task Force Chairman, Member of the Nordea Advisory Board, Member of the Advisory Board of the City of Vantaa, and Member of the Board and Committee of the Foundation for Economic Education.

Primary work experience: Store Manager at Elektro-Sähkö Oy, 1982-1984; Buyer, Product Manager, Purchase Manager and Quality Manager at Onninen Oy, 1984-1998; Development Manager, Financial Manager, Financial Director at Onvest Oy, 1998-2001, and its President, 2001-

Tulikivi Corporation share ownership:

Series A shares 52 033



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 three 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 three 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 mainly 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 13, 2007, the following Board members were elected: Bishop Ambrosius, Juhani Erma, Eero Makkonen, Maarit Toivanen-Koivisto, 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. Heikki Vauhkonen served as Vice Chairman until May 28, 2007. The Board members who are independent of the company are Bishop Ambrosius, Juhani Erma, Eero Makkonen, Maarit Toivanen-Koivisto, 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 Maarit Toivanen-Koivisto.

The annual remuneration of Board members was EUR 15 000, 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 2 033 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 6 000 monthly fee, the Vice Chairman a EUR 3 000 monthly fee and the director serving as secretary to the Board of Directors a EUR 700 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 2007, the company's Board of Directors convened 17 times. The average participation rate of Board members in these meetings was 94 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.

The company's Managing Director was Juha Sivonen until May 28, 2007. Heikki Vauhkonen has served as Managing Director since May 28, 2007.

The Managing Director's period of notice is three months.

If the company terminates his employment contract, the period of notice is 12 months. The salaries of the Managing Directors, including bonuses, amounted to EUR 200 586. In addition to his statutory pension, supplementary pension plans entitle the 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 Group, whose members are the directors of the business areas, the Corporate Communications Director and the Financing Director.

REWARD SYSTEM

Tulikivi has had a reward system whose principles have been applied not only to the company's Managing Director and members of the Management Group, but also to all salaried and non-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 KPMG Oy Ab. 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. Until April 13, 2007, the auditor was PricewaterhouseCoopers Oy, Authorized Public Accountants, after which date the auditor has been KPMG Oy Ab, Authorized Public Accountants.

In 2007, the auditing firms were paid a total of EUR 104 933 in salaries and fees by the Group, of which the audit accounted for EUR 80 163.

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 Group

HEIKKI VAUHKONEN, (b. 1970)

LLB and BBA. Managing Director since June 2007. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

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

Primary work experience: Vice President of Tulikivi U.S. Inc, 1997–2001; Tulikivi Corporation: Marketing Director of the Fireplace Business, 2002–2007.

Tulikivi Corporation share ownership:

Series K shares 2 957 000
Series A shares 42 739

JUHA SIVONEN, (b. 1962)

M.Sc. (Civil Eng.). Director of the Fireplace Business. Member of the Management Group since 1987. 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, 2001–2007, Director of the Fireplace Business, 2007–.

Tulikivi Corporation share ownership:

Series K shares 100 000

JOUKO TOIVANEN, (b. 1967)

D.Sc. (Tech.), M.Sc. (Eng.). Director of the Natural Stone Products Business. Member of the Management Group since 1995. Has worked for Tulikivi since 1993.

Positions of trust: No other positions of trust.

Primary work experience: Accounting Assistant 1993–1994, Accounting Manager, 1995–1997, Financial Manager, 1997–1999 at Tulikivi Corporation; Manager, operational accounting and management systems for the Tulikivi Group, 1999–2001; Tulikivi Group's Financial Director, 2001–2007; and Director of the Natural Stone Products Business, 2003–.

Tulikivi Corporation share ownership:

Series A shares 500

MIRJA VÄNTTINEN, (b. 1965)

MBA, Marketing Certificate from The Institute of Marketing, business college degree. Director, Utility Ceramics. Member of the Management Group since 2007. Has worked for Kermansavi Oy and its subsidiaries since 1988 and, after the acquisition, for the Tulikivi Group since 2006.

Positions of trust: No other positions of trust.

Primary work experience: Marketing Manager at Kermacos Oy, 1992–1998; Sales Manager, 1999–2000, and Sales Director, 2000–2006, at Kermansavi Oy; Sales Manager, Tableware, 2006–2007, and Director, Utility Ceramics, for the Tulikivi Group, 2007–.

Tulikivi Corporation share ownership:

No share ownership of Tulikivi Corporation

ANU VAUHKONEN, (b. 1972)

M.A., Communication management training at The Institute of Marketing. Corporate Communications Director. Member of the Management Group 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.

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

ARJA LEHIKONEN, (b. 1954)

M.Sc. (Econ.), MBA. Financing Director. Member of the Management Group 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



The members of the Management Group from left to right:

Heikki Vauhkonen, Juha Sivonen, Anu Vauhkonen,

Jouko Toivanen, Arja Lehtikainen and Mirja Vanttinen.



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 17, 2008, 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 17, 2008. 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 7, 2008 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 7, 2008, 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 2007:

On Series A shares	EUR 0.0450/share
On Series K shares	EUR 0.0433/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 22, 2008. The Board of Directors proposes to the Annual General Meeting that the dividend payout date be April 29, 2008.

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 2008:

Financial statement bulletin for 2007	February 6, 2008
Annual Report for 2007	week 12
Interim Report for January-March	April 17, 2008
Interim Report for January-June	July 22, 2008
Interim Report for January-September	October 21, 2008

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

Tulikivi Corporation's Stock Exchange and Press Releases in 2007

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 Lehkoinen at tel. +358 207 636 260.

Analysts following Tulikivi Corporation:
Antti Koskivuori / Evli Equity Research,
tel. +358 9 4766 9773, antti.koskivuori@evli.com;
Jonas Spohr / Glitnir,
tel. +358 9 6134 6508, jonas.spohr@glitnir.fi and
Matias Rautionmaa / Pohjola Bank,
tel. +358 10 252 4408, matias.rautionmaa@pohjola.fi.

January 31	Invitation to Tulikivi Corporation's press conference	May 3	Vibrant Neilikka kitchenware comes with Sikke Sumari recipes
February 7	Financial statement bulletin, January-December/2006	May 3	Vibrant Neilikka for the young and young at heart
February 8	Production of the Heinä service to cease at the end of 2007	May 21	Online Tulikivi Shop now open
February 8	Fully guaranteed Sahrami casserole dishes to spice up your kitchen	May 28	Heikki Vauhkonen appointed as managing director for Tulikivi Corporation
February 9	Marble mosaics in all the latest colors	June 4	Kermansavi utility ceramics comply with product safety regulations
February 15	Honorable mention for Tulikivi at the Fennia Prize design competition	June 29	Kermansavi Oy to merge with parent company
February 26	Tulikivi begins codetermination negotiations	July 20	Interim Report, January-June/2007
February 27	Tulikivi Corporation's Annual Summary 2006	August 1	Scented candles glow in Oliivi bowls
March 5	Oliivi – now in classic black	August 29	Announcement of an absorption merger to Tulikivi Corporation's shareholders
March 5	Oliivi latte mug for a stylish and relaxing coffee break	August 29	JOUR steel accessory range to complement Tulikivi fireplaces
March 5	Oliivi in this spring's in colors: brown, rose and turquoise	September 18	Tulikivi Corporation starts codetermination negotiations
March 12	Tulikivi Corporation defeats NunnaUuni Oy in the Market Court	October 2	Tulikivi Corporation's earnings outlook
March 21	Annual Report	October 11	Tulikivi Corporation concludes codetermination negotiations
March 21	Summons to the Annual General Meeting of Tulikivi Corporation	October 18	New Neilikka elements: teapot and jug
April 13	Resolutions of the Annual General Meeting of Tulikivi Corporation and organization of the Board	October 22	Interim Report, January-September/2007
April 13	Tulikivi Corporation's Annual General Meeting held on April 13, 2007: Managing Director Juha Sivonen presents the market outlook for the spring	October 25	Tulikivi Corporation wants to reduce fine particle emissions from wood burning – Finland should become a model example of fireplace technology
April 13	New Member of the Tulikivi Board: Maarit Toivanen-Koivisto	October 31	Tulikivi Group expands codetermination negotiations
April 20	Interim report, January-March/2007	November 9	Tulikivi Corporation's general meeting and financial releases in 2008



Board of Directors' Report and Financial Statements of Tulikivi Corporation for Year 2007

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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, 2007.

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

The consolidated financial statements are presented in thousands of euros.

Board of Directors' Report

BUSINESS ENVIRONMENT

The year 2007 was very challenging. The drop in sales resulting from the change in the domestic distribution channel was foreseeable. In Germany demand for fireplaces began to fall at once after the year-end 2006 and against expectations the situation weakened further in the second half. The fall in the demand was due to the collapse in single-family house building in Germany. Furthermore consumers' purchase intentions were deferred because of exceptionally warm winter and uncertainty related to the release emissions regarding fireplaces.

The production capacity of the company had been increased in the previous financial year meeting the exceptionally high demand, therefore extensive measures to adjust the capacity were needed. The overcapacity of the industry was also reflected in tightening price competition. The company's own development projects also incurred additional expenses.

CHANGES IN SEGMENT REPORTING AND GROUP STRUCTURE

As of January 1, 2007, the Group's business segments are the Fireplaces Business, Natural Stone Products Business and Other Operations. The Fireplaces Business

includes soapstone and ceramic fireplaces, and also stone lining for heaters. The Natural Stone Products Business includes interior decoration stone products for households and stone deliveries to construction sites. Other Operations includes expenses that are not allocated to the Group's business functions, tax and financial expenses, as well as sales of ceramic utensils and the expenses of this business. Kermansavi Oy merged with Tulikivi Corporation as at December 31, 2007.

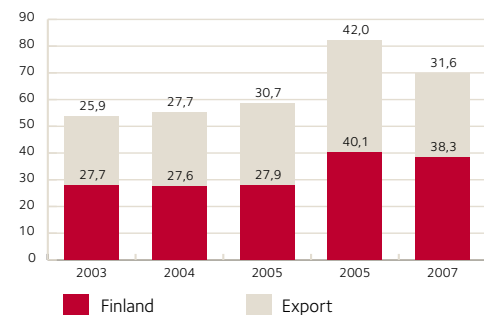
SALES AND RESULT

The Group's sales amounted to EUR 69.9 million (EUR 82.1 million in 2006). The Fireplaces Business posted sales of EUR 59.7 (72.0) million, the Natural Stone Products Business sales of EUR 7.4 (7.3) million and Other Operations sales of EUR 2.8 (2.8) million. The Group's comparable sales, excluding sales of ceramic fireplaces and utensils in Q1 amounted to EUR 66.2 million.

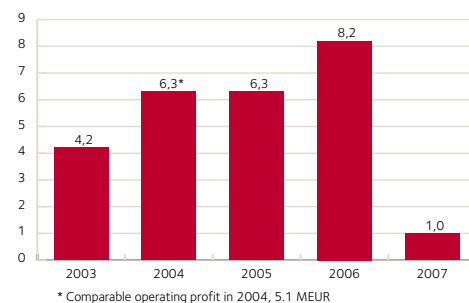
Sales in Finland accounted for EUR 38.3 (40.2) million, representing 54.8 (48.9) per cent of the Group's total sales. Exports accounted for EUR 31.6 (41.9) million. The largest countries for exports were Sweden, Germany and France.

The Group's operating profit was EUR 1.0 (8.2) million. The Fireplaces Business had an operating profit of EUR 4.4 (11.0) million, the Natural Stone Products Business an operating profit of EUR 0.4 (0.3) million and Other Operations an operating loss of EUR -3.8 (-3.1) million. The result for Fireplaces Business was burdened by the decrease in general demand for fireplaces resulting in drop in sales, additional costs incurred by the introduction of the domestic distribution channel and the start-up of the new factory, and non-recurring costs amounting to EUR 0.7 million incurred in adjusting the production to the prevailing demand. Other factors affecting the result was the adoption of the unit of production method for amortisation on new quarries instead of the previously used straight-line amortisation method. The change in the accounting policy for amortisation decreased the depreciation and amortisation in 2007 with approximately EUR 0.4 million compared to the amortisation method applied previously. Other minor changes in accounting methods applied resulted in a decrease in result of EUR 0.2 million. The result of the Other operations includes the loss of ceramic utensils sales, EUR 0.8 million, comprising non-recurring expenses amounting to EUR 0.3 million.

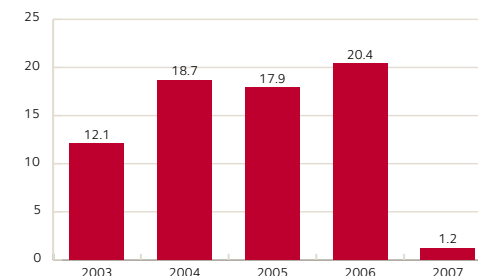
DEVELOPMENT OF THE SALES, MEUR



OPERATING PROFIT, MEUR



RETURN ON EQUITY, %



Consolidated profit before taxes was EUR 0.2 (7.8) million. Profit for the year was EUR 0.4 million. The Group's return on investment was 2.5 (21.7) per cent. Earnings per share amounted to EUR 0.01 (0.16).

CASH FLOW AND FINANCING

The Group's financial position remained good. Cash flow from operating activities before investments amounted to EUR 2.5 (12.0) million. Current ratio was 1.6 (1.5). The equity ratio was 43.9 (46.2) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 64.7 (40.9) per cent. Equity per share amounted to EUR 0.74 (0.83). Finance income during the reporting period amounted to EUR 0.2 million and financial expenses to EUR 1.0 million.

INVESTMENTS AND DEVELOPMENT ACTIVITIES

The Group's investments totaled EUR 5.7 (24.1) million. The major investments during the reporting period were assigned for production and quarrying machines, opening new quarries and introduction of new distribution channel.

R&D expenditure totalled EUR 1.6 (1.8) million which is in comparison to sales 2.3 (2.2) per cent. In development activities the focus was on developing combustion techniques for fireplaces. The soapstone reserves were explored in addition to Finland also in the Russian part of Karelia.

PERSONNEL

The Group employed an average of 682 people during the reporting period (2006: 664; 2005: 514) and at the end of the reporting period 693 (765; 537). Of the personnel, 549 (621; 467) were employed by Fireplaces, 54 (54;50) by Natural Stone Products and 90 (90;20) by Other Operations. 97.3 per cent of the employment relationships were permanent and 2.7 per cent temporary. Salaries and bonuses during the financial year totalled EUR 21.2 (22.3; 16.7) million. No bonuses will be paid on the consolidated result for 2007 (the bonuses for 2006

amounted to EUR 0.9 million, including social expenses).

Occupational safety has developed well. The number of work accidents per one hundred thousand working hours was 0.04 (0,06; 01).

The number of personnel was adjusted to meet the group's objectives. As a result for the co-operation negotiations which ended in January 2008 67 persons were terminated and 26 persons were laid off until further notice. A provision for restructuring costs amounting to EUR 0.7 million was recognised in the financial statements.

BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITORS

At Tulikivi Corporation's Annual General Meeting held on April 13, 2007, the following members were elected to the Board of Directors: Bishop Ambrosius, Juhani Erma, Eero Makkonen, Maarit Toivanen-Koivisto, Heikki Vauhkonen, Reijo Vauhkonen and Matti Virtaala. From amongst its members, the Board of Directors elected Matti Virtaala chairman.

Juha Sivonen acted as managing director for Tulikivi Corporation until May 28, 2007 when he was preceded by Heikki Vauhkonen. The firm of authorized public accountants KPMG Oy Ab is the company's auditor.

SHARE CAPITAL, SHARES AND BOARD AUTHORIZATIONS

There have been no changes in Tulikivi Corporation's share capital in 2007. Tulikivi Corporation's share capital entered in the Trade Register amounted to EUR 6 314 474.90 on December 31,2007. 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 for the dividend paid for Series A shares shall be 0.0017 EUR higher than the dividend paid on Series K shares. Each Series K shares confers 10 votes at a general meeting, while each Series A shares confers

one vote. The Series A share is listed on the OMX Nordic Exchange in Helsinki and its trading code is TULAV.

The Board of Directors has an authorisation to acquire the company's own shares. A maximum of 2 760 397 Series A shares in the company and 954 000 Series K shares in the company can be bought back. The authorization is valid until the Annual General Meeting 2008. The company did not own any of its own shares on the closing date.

The Board of Directors has an authorization to decide on share issues and the conveyance of the company's own shares in the possession of the company and the granting of special rights that give entitlement to shares as set forth in Chapter 10, Article 1 of the Companies Act. The Annual General Meeting authorized the Board of Directors to decide on issuing new shares and the conveyance of own shares in the company's possession. New shares can be issued or own shares held by the company conveyed amounting to a maximum of 5 520 794 Series A shares and 1 908 000 Series K shares. The authorization also includes the right to issue special rights, as defined in Chapter 10, Article 1 of the Companies Act, entitling the right holder to subscribe for shares against payment or by setting off the receivable. The authorization is valid until the Annual General Meeting 2008.

CHANGES IN THE ARTICLES OF ASSOCIATION

The articles of association for Tulikivi Corporation were changed so that they are in accordance with the new Companies Act based on the decision made by the Annual General Meeting held on April 13, 2007.

RATE DEVELOPMENT AND EXCHANGE OF SERIES A SHARES

During the reporting period, 5.4 million shares were traded, with the value of share turnover being EUR 14.5 million. The highest rating for the share was EUR 3.75 and the lowest was EUR 1.53. The closing rate for the period was EUR 1.56.

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. Those financial risks the Group is exposed to are foreign currency risk, interest rate risk, credit risk and liquidity risk.

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

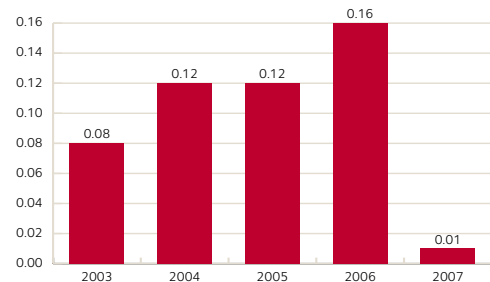
The risks the Group will face in the near future relate to the development of demand for fireplaces in Europe as well as to the success of the rationalizing measures.

ENVIRONMENTAL OBLIGATIONS

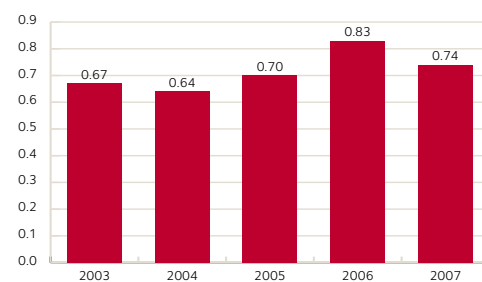
Tulikivi's environmental strategy aims towards systematic progress in environmental efforts in the specified areas. The Group operates in line with environmental permits and complies with the requirements of the authorities and environmental protection.

The company bears 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 met when operating the quarries and after 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.

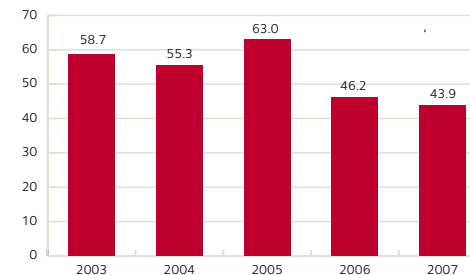
EARNINGS PER SHARE, EUR



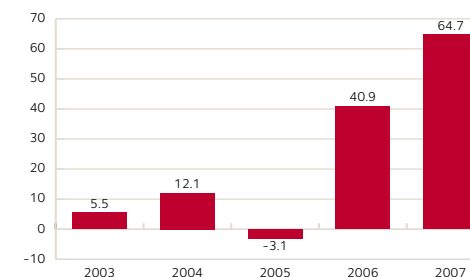
EQUITY PER SHARE, EUR



SOLVENCY RATIO, %



GEARING, %



All of Tulikivi Corporation's operational quarries have the environmental permits required. In addition the Group has pending renewal processes for environmental permits.

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.

FUTURE OUTLOOK

The new domestic distribution channel works more effectively. The demand for fireplaces is developing in a different way in European countries. This is reflected especially in demand for lining stones. The sales of the Group is expected to remain on the same level as in 2007 but the result is anticipated to improve significantly.

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 ended the objective set for relative profitability was not met owing to the fall in demand for fireplaces and additional expenses discussed above in connection with the result.

KEY RATIOS AND OWNERSHIP INFORMATION

The Group's order book, financial ratios and key indicators per share together with their definitions as well as information on shareholders and management ownership are presented in connection with the financial statements.

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 (merged with the parent company as at December 31, 2007), Kivia Oy, AWL-Marmorio Oy, Tulikivi U.S. Inc. and OOO Tulikivi. The Group has interests in associated companies Stone Pole Oy and

Leppävirran Matkailukeskus Oy. Group companies include also dormant Uuni Vertriebs GmbH (former Tulikivi Vertriebs GmbH) and The New Alberene Stone Company, Inc.

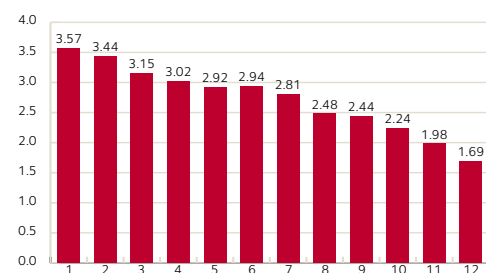
THE BOARD'S DIVIDEND PROPOSAL

The parent company's distributable equity amounts to EUR 7 504 thousand, of which the profit for the period accounts for EUR 46 thousand. The Board will propose to the Annual General Meeting that the distributable equity be used as follows:

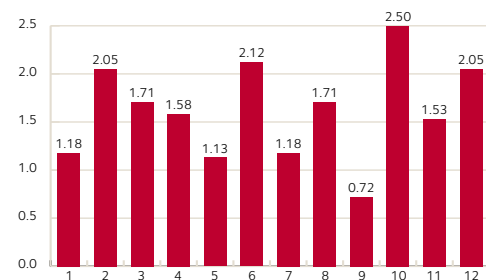
Dividend payout:
 EUR 0.0450/share on Series A shares
 EUR 0.0433/share on Series K shares
 To a total of EUR 1 655 thousand
 Retained in equity 5 849 thousand.

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



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



Consolidated Financial Statements, IFRS Consolidated Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2007	Jan. 1 - Dec. 31, 2006
Sales	2	69 887	82 149
Other operating income	4	590	601
Increase/decrease in inventories of finished goods and in work in progress		2 086	-331
Production for own use		1 085	970
Raw materials and consumables		14 237	14 363
External services		11 059	10 502
Personnel expenses	5	27 054	28 745
Depreciation and amortisation	6	5 650	5 201
Other operating expenses	7	14 683	16 348
Operating profit		965	8 230
Financial income	8	234	207
Financial expenses	9	- 1 039	-635
Share of loss (-) / profit (+) of associates		0	-2
Profit before income tax		160	7 800
Income taxes expense	10	-201	2 075
Profit for the year		361	5 725
Calculated from profit attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	11	0.01	0.16

Consolidated Balance Sheet

EUR 1 000	Note	Dec. 31, 2007	Dec. 31, 2006
Assets			
Non-current assets			
Property, plant and equipment	12	23 755	24 827
Goodwill	13	4 266	4 266
Other intangible assets	13	11 140	10 564
Investment properties	14	229	234
Other financial assets	15, 16	57	63
Deferred tax assets	17	996	586
Total non-current assets		40 443	40 540
Current assets			
Inventories	18	12 660	10 611
Trade and other receivables	19	5 862	10 410
Current income tax receivables	19	64	34
Cash and cash equivalents	20	3 765	4 913
Total current assets		22 351	25 968
Total assets		62 794	66 508
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	6 314	6 314
Share premium		7 334	7 334
Translation differences	21	-70	-13
Retained earnings		13 993	17 076
Total equity		27 571	30 711
Non-current liabilities			
Deferred income tax liabilities	17	2 252	3 144
Provisions	24	859	792
Interest-bearing liabilities	25	17 751	14 739
Other liabilities	26	347	347
Total non-current liabilities		21 209	19 022
Current liabilities			
Trade and other payables	26	9 389	13 660
Current income tax liabilities		77	391
Provisions	24	687	0
Short-term interest-bearing liabilities	25	3 861	2 724
Total current liabilities		14 014	16 775
Total liabilities		35 223	35 797
Total equity and liabilities		62 794	66 508

Consolidated Cash Flow Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2007	Jan. 1 - Dec. 31, 2006
Cash flows from operating activities			
Profit for the period		361	5 725
Adjustments:			
Non-cash transactions	29	5 520	5 032
Interest expense and finance costs		1 040	635
Interest income		-224	-196
Dividend income		-10	-5
Income taxes	10	-201	2 075
Changes in working capital:			
Change in trade and other receivables		3 430	113
Change in inventories		-2 048	-772
Change in trade and other payables		-3 929	1 223
Change in provisions		746	240
Interest paid		-899	-491
Interest received		156	110
Dividends received		10	5
Income tax paid		-1 434	-1 741
Net cash flow from operating activities		2 518	11 953
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-10	-10 989
Purchases of property, plant and equipment (PPE)		-3 966	-7 922
Grants received for PPE		1 077	278
Purchases of intangible assets		-1 707	-2 181
Grants received for intangible assets		185	359
Proceeds from sale of PPE		121	234
Disposals of other financial assets		0	149
Net cash flow from investing activities		-4 300	-20 072
Cash flows from financing activities			
Proceeds from short-term borrowings		1 836	
Proceeds from long-term borrowings		6 704	15 350
Repayments of borrowings		-4 391	-3 828
Dividends paid		-3 459	-2 608
Net cash flow from financing activities		690	8 914
Net decrease (-) / increase (+) in cash and cash equivalents		-1 092	795
Cash and cash equivalents at the beginning of the year		4 913	4 141
Exchange gains (+) / losses (-)		-56	-23
Cash and cash equivalents at the end of the year	20	3 765	4 913

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, 2006	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				5 725	5 725
Dividends paid				-2 530	-2 530
Balance at December 31, 2006	6 314	7 334	-13	17 076	30 711
Translation differences			-57		-57
Charitable contribution				-124	-124
Profit for the year				361	361
Dividends paid				-3 320	-3 320
Balance at December 31, 2007	6 314	7 334	-70	13 993	27 571

Notes to the Consolidated Financial Statements

BASIC INFORMATION OF THE GROUP

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.

The Group's business is divided into three business segments: Fireplaces, Natural Stone Products and Other Operations. The Fireplaces Business comprises soapstone quarrying, production of soapstone fireplaces and ceramic fireplaces, design, sales and marketing. Its products are Tulikivi soapstone fireplaces, Kermansavi ceramic 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. Other Operations includes expenses that are not allocated to the Group's business functions, tax and financial expenses, as well as sales of ceramic utensils and the expenses of this business. Soap stone fireplaces and other natural stone products are sold under Tulikivi brand, ceramic fireplaces and utensils under Kermansavi brand.

Tulikivi Corporation's Board of Directors has approved these financial statements for publication at its meeting held on February 6, 2008. 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, 2007. The term IFRS refers to the standards and interpretations that are approved for adoption in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also 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, 2007.

- IFRS 7, Financial instruments: Disclosures requires disclosures about both the significance of financial instruments for an entity's financial position and performance, and for the nature and extent of the risks arising from financial instruments. The standard has expanded the information disclosed in the notes to the annual consolidated financial statements (new disclosures mainly relate to sensitivity analyses).

- IAS 1 (Amendment) Presentation of Financial Statements – Capital disclosures.

The Amendment to IAS 1 requires disclosures on the level of an entity's capital and its capital management during

the period. The provisions have extended the notes to the annual consolidated financial statements.

- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. The interpretation has not had an impact on the consolidated financial statements.

- IFRIC 8 Scope of IFRS 2 Share-based Payment. IFRIC 8 is applied to transactions where equity instruments are granted and the identifiable consideration received appears to be less than the fair value of the equity instruments granted. The Group has not had arrangements in the scope of the interpretation in the period ended or in the previous periods.

- IFRIC 9 Reassessment of Embedded Derivatives. IFRIC 9 requires that the separation of an embedded derivative may not be reassessed unless there is a change in the terms of the contract which would significantly modify the original cash flows required under the contract. The adoption of the interpretation has not affected the consolidated financial statements.

- IFRIC 10 Interim Financial Reporting and Impairment. The interpretation prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, investments in equity instruments classified as available for sale, and unquoted equity instruments carried at cost at a subsequent balance sheet date. The interpretation has not had an impact on the consolidated financial statements.

Tulikivi has not early adopted the following new standards, amendments or interpretations to existing standards published before December 31, 2007.

- IFRS 8, Operating Segments (effective January 1, 2009)

- IAS 1 Presentation of Financial Statements (revised) (effective from January 1, 2009)

- IAS 23 Borrowing Costs (revised) (effective from January 1, 2009)
- IAS 27 Consolidated and Separate Financial Statements (revised) (effective from July 1, 2009)
- IFRS 3 Business Combinations (revised) (effective from July 1, 2009)
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective March 1, 2007)
- IFRIC 12, Service Concession Arrangements (effective January 1, 2008)
- IFRIC 13, Customers Loyalty Programmes (effective July 1, 2009)
- IFRIC 14, IAS 19 The Limit and Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective January 1, 2008)

Management estimates that the above new standards, amendments and interpretations to existing standards will not have an effect on the 2008 financial statements.

In 2009 the Group will adopt IFRS 8 Operating Segments issued in 2006. The Group is assessing the impacts of the standard on the consolidated financial statements. In 2009 the Group will also adopt the revised IAS 1 Presentation of Financial Statements, which will affect the presentation of the consolidated financial statements and revised IFRS 3 Business Combinations which will impact the accounting treatment of business combinations in annual financial statements beginning on or after July 1, 2009.

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 Group'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 holdings are 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 of profits 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 presentation 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 financial income and expense.

The income statements of subsidiaries are translated to euro 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 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 are measured 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 with 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 to 10 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 income or expenses.

BORROWING COSTS

Borrowing costs are expensed as occurred.

PUBLIC GRANTS

Government and 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

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 acquisitions 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 cost less impairment.

OTHER INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT COSTS

Research costs are recognized as expenses in the income statement are capitalised. 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 comprise 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.

Amortisations 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 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 initial recognition Group applies the cost model and assets are amortised between 5 – 10 years. Exploration and evaluation the 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 Employment and the Economy (before the Ministry of Trade and Industry) has granted a right of appropriation.

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 amortisation of the quarrying areas is started when the quarry is ready for production use and amortisation is recognised over its useful life using the unit of production method. The amortisation 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.

Amortisation periods 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 costs	5 to 10 years
Quarrying areas	unit of production method
Quarrying area roads and dams	5 years
Computer Software	3 to 5 years
Others	5 years

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

The useful life of trademarks related to Fireplaces Business –segment and to Other Operations –segment 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 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 leases of the Group are agreements under which substantially all the risks and rewards incident to the leased assets is retained by the lessor 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 lease term.

GROUP AS LESSOR

Assets leased out by the Group are leased under operating leases. 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. Part of the leased assets are subleased. 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.

An 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 cash-generating unit, it is first recognised as deduction of the goodwill allocated to the unit and then on pro-rata 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.

EMPLOYEE BENEFITS

PENSION OBLIGATIONS

Pension obligations are classified as 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 is 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

A provision is 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 provision is measured at the present value of the expenditure required to settle the obligation. The discount factor used in the calculation of the present value is determined so that it reflects the current market assessment of the time value of money.

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 for restructuring is recognized when the Group has prepared a detailed restructuring plan and the restructuring either has commenced or has been announced publicly. 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.

A contingent liability is a contingent obligation as a result of a past event and its existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. An existing obligation which probably does not require settling the payment obligation or which can not be reliably estimated is also considered a contingent liability. A contingent liability is disclosed in the notes.

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. The tax effects of items recognised directly in equity are recognised in equity correspondingly. 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 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 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, measuring derivatives at fair value, 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 the considerations received for sales measured at fair value adjusted with indirect taxes, rebates, and translation differences from sales in foreign currency.

SOLD GOODS AND RENDERED SERVICES

Revenues of sold goods are recognized when the risks, rewards and control have been transferred to the buyer. Generally this coincides with the delivery of products in

accordance with the terms of contract. Revenue from installing and services is recognised in the period when the service is rendered. Lease revenue is recognised on a straight-line basis over the lease term.

CONSTRUCTION CONTRACTS

The Group did not have any construction contract revenues in 2007 and 2006.

INTEREST AND DIVIDENDS

Interest income is recognized according to the effective interest rate 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 include the financial assets held for trading. The financial assets held for trading 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 the Group does not hold for trading. Loans and receivables are carried at amortized cost using the effective interest rate method. Loans and receivables are included in trade and other receivables and are classified as current or non-current based on their maturity, 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 a current asset. Available-for-sale financial assets can contain investments in 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 available-for-sale financial assets.

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. Other credit limits in use are included in current interest-bearing liabilities.

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.

Financial assets 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 interest-bearing and non-interest-bearing items.

The principles applied in determination of fair values of all financial assets and financial liabilities are presented in note 28.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses 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. An impairment loss to be recognised in the income statement is determined as the difference between the carrying amount of a receivable less the present value of the estimated future cash flows discounted with the effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively

to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed through the income statement.

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 financial income and expenses. The fair values of the derivatives are disclosed in the balance sheet in the current receivables or liabilities depending of its positive or negative value. The fair values of derivatives are presented in note 31.

OPERATING PROFIT

The IAS 1 Presentation of financial statements 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 net 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 depreciation and amortisation, by possible impairment charges and by other operating expenses. All other items are presented below operating profit in the income statement. Exchange rate differences and the fair value changes of derivatives are included in operating profit if they result from 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. The estimates are based on earlier experience and assumptions of the future considered to be most probable at the balance sheet date, relating to i.a. expected development of the economic environment in which the Group operates affecting the sales volumes and expenses. The Group follows realisation of the estimates, the assumptions and the changes in underlying factors regularly in co-operation with business units by using various, both internal and external sources of information. 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 historical 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 Group has not undertaken any business combinations during the financial year 2007.

IMPAIRMENT TESTING

The Group tests goodwill and intangible assets under progress annually 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 on 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 13.3.

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. Segments' assets and liabilities are operative items, which are used in segment operations and can be reasonably allocated to segments. Other operations includes expenses that are not allocated to the Group's business functions, tax and financial expenses as well as net sales of ceramic utensils and the expenses of this business. Capital expenditure consists of additions to tangible and intangible assets, that are used in more than one financial period.

Business segments				
Fireplaces business				
Natural stone products business				
Other operations				
Geographical segments				
Finland				
Rest of Europe				
USA				
2.1. Business segments 2007	Fireplaces business	Natural stone products business	Other operations	Group
Sales	59 662	7 404	2 821	69 887
Operating profit	4 433	365	-3 833	965
Finance income/expense, share of profit of associates and income taxes			-604	-604
Profit for the year				361
Assets by segment	47 830	5 463	9 501	62 794
Liabilities by segment	8 783	934	25 506	35 223
Capital expenditure	4 154	421	611	5 186
Depreciation and amortisation expenses	4 829	277	544	5 650
2.2. Business segments 2006	Fireplaces business	Natural stone products business	Other operations	Group
Sales	72 021	7 317	2 811	82 149
Operating profit	11 019	344	-3 133	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	50 268	5 500	10 740	66 508
Liabilities by segment	12 343	727	22 727	35 797
Capital expenditure	19 376	365	4 002	23 743
Depreciation and amortisation expenses	4 472	257	472	5 201
2.3. Geographical segments 2007	Finland	Rest of Europe	USA	Group
Sales	38 296	29 704	1 887	69 887
Assets by segment	61 414	772	608	62 794
Capital expenditure	5 140	46		5 186
2.4. Geographical segments 2006	Finland	Rest of Europe	USA	Group
Sales	40 196	40 119	1834	82 149
Assets by segment	65 836	193	479	66 508
Capital expenditure	23 718	25		23 743

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

Business combinations in 2007

The Group has not undertaken any business combinations during the financial year 2007. On the basis of additional information gained during the reporting period, the accounting for the acquisition of the shares in Kermansavi Oy in 2006, was adjusted by increasing environmental provisions by EUR 170 thousand, reversing an unjustified revaluation of EUR 47 thousand and increasing the amount of deferred tax liabilities recognized with EUR 75 thousand. Due to these adjustments, the related goodwill increased with about EUR 292 thousand, and amounted to EUR 3 634 thousand on December 31, 2007. The comparative information for 2006 has been restated.

Business combinations in 2006

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	12	5 048	3 244
Property, plant and equipment, adjustment in 2007		-47	0
Trade mark	13	3 191	0
Distribution channel / customer contracts and relationships	13	2 957	0
Other intangible assets	13	218	59
Shares in group companies	15	25	25
Other shares	15	146	146
Deferred tax assets		76	76
Inventories	18	2 825	2 571
Trade and other receivables	19	1 867	1 867
Cash and cash equivalents	20	750	750
Total assets		17 056	8 738
Deferred tax liabilities	17	2 175	0
Deferred tax liabilities, adjustment in 2007		75	0
Interest bearing liabilities	25	2 593	2 593
Other liabilities	26	2 178	2 178
Provisions, increase in 2007		170	0
Total liabilities		7 191	4 771
Net assets		9 865	3 967
Cost of acquiring the shares		13 499	
Goodwill		3 634	
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.

EUR 1 000	2007	2006
4. Other operating income		
Proceeds from sale of PPE	82	127
Rental income from investment properties	26	29
Public grants	136	359
Other income	346	86
Other operating income, total	590	601
5. Employee benefit expense		
Wages and salaries	21 158	22 336
Pension costs - defined contribution plans	3 763	4 035
Other social security expenses	2 133	2 374
Employee benefit expense, total	27 054	28 745
5.1. Group's average number of personnel for the financial period		
Fireplaces business	542	539
Natural stone products business	54	49
Other operations	86	76
Personnel, total	682	664
6. Depreciation, amortisation and impairment		
Depreciation and amortisation by class of assets		
Intangible assets		
Capitalised development costs	147	55
Other intangible assets	847	1 327
Unit of production method *)	91	0
Depreciation of intangible assets, total	1 085	1 382
Tangible assets		
Buildings	620	526
Machinery and equipment	3 378	2 786
Motor vehicles	306	276
Land areas	33	34
Other tangible assets	218	193
Depreciation of tangible assets, total	4 555	3 815
Investment property		
Buildings	4	4
Impairment by class of assets		
Investments	6	0
Total depreciation, amortisation and impairment	5 650	5 201

*) The group has changed its accounting policy for amortising quarries and mining rights from the straight-line method to the unit of production method. The change in the amortisation method resulted in a decrease of amortisation amounting to EUR 396 thousand for 2007 in comparison to the amortisation method previously applied.

EUR 1 000	2007	2006
7. Other operating expenses		
Losses on sales of tangible assets	5	7
Rental expenses	1 398	1 193
External services	67	141
Marketing expenses	3 927	4 784
Other variable production costs	4 779	5 588
Other expenses	4 507	4 635
Other operating expenses, total	14 683	16 348
7.1. Research and development expenditure		
Research and development costs expensed totalled EUR 1 491 thousand (1 567 thousand in 2006).		
8. Finance income		
Changes in fair values of derivative contracts	70	68
Dividend income	10	5
Gain on sale of investments in available-for-sale assets	0	6
Foreign exchange transaction gains	34	52
Interest income on trade receivables	29	26
Other interest income	91	50
Finance income, total	234	207
9. Finance expense		
Interest expenses on financial liabilities at amortised cost and other liabilities	939	549
Foreign exchange transactions losses	90	74
Other finance expense	10	12
Finance expense, total	1039	635
10. Income taxes		
Current tax	1092	2101
Tax carried from previous years	9	-3
Deferred tax	-1 302	-23
Income taxes, total	-201	2075
The reconciliation between Income statement tax expense and tax calculated based on Group's domestic tax base (26%).		
Profit before tax	160	7800
Tax calculated at domestic tax rates	42	2028
Effect of foreign subsidiaries and branch offices different tax bases	13	-27
Income not subject to tax	-3	-2
Expenses not deductible for tax purposes	47	83
Tax losses for which no deferred income tax asset was recognised	-251	-2
Tax carried from previous years	9	-3
Other	-58	-2
Income statement tax expense	-201	2 075
11. 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)	361	5 725
Weighted average number of shares for the financial period	37 143 970	36 784 755
Basic/diluted earnings per share (EUR)	0.01	0.16

EUR 1 000

12. Property, plant and equipment 2007	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1, 2007	1 061	14 777	40 371	3 270	2 066	110	61 655
Additions	203	298	2 071	568	389	0	3 529
Disposals	0	0	61	270	0	3	334
Cost December 31, 2007	1 264	15 075	42 381	3 568	2 455	107	64 850
Accumulated depreciation and impairment January 1, 2007	153	5 858	27 462	2 492	863	0	36 828
Depreciation	33	620	3 378	306	218	0	4 555
Depreciation related to the disposals	0	0	45	243	0	0	288
Accumulated depreciation and impairment December 31, 2007	186	6 478	30 795	2 555	1 081	0	41 095
Property, plant and equipment, Net book amount January 1, 2007	908	8 919	12 909	778	1 203	110	24 827
Property, plant and equipment, Net book amount December 31, 2007	1 078	8 597	11 586	1 013	1 374	107	23 755

The group received grants totaling to EUR 10 (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 10 232 (11 397) thousand.

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	1 595	3 173	188	42	0	5 001
Disposals	0	0	99	323	0	0	422
Cost December 31, 2006	1 061	14 777	40 371	3 270	2 066	110	61 655
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	8 919	12 909	778	1 203	110	24 827

EUR 1 000

13. Intangible assets	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Other intangible assets	Total
13.1. Goodwill and other intangible assets 2007							
Cost January 1, 2007	4 266	3 660	749	8 607	164	8 997	26 443
Additions	0	18	0	851	0	694	1 563
Capitalised development costs	0	0	98	0	0	0	98
Cost December 31, 2007	4 266	3 678	847	9 458	164	9 691	28 104
Accumulated amortisation January 1, 2007	0	346	63	6 751	71	4 382	11 613
Depreciation	0	22	148	17	33	865	1 085
Accumulated amortisation December 31, 2007	0	368	211	6 768	104	5 247	12 698
Goodwill and other intangible assets, Net book amount January 1, 2007	4 266	3 314	686	1 856	93	4 615	14 830
Goodwill and other intangible assets, Net book amount December 31, 2007	4 266	3 310	636	2 690	60	4 444	15 406

The group received grants totaling to EUR 70 (251) thousand for development costs. 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 3.3 (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 96 (153) thousand 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 2006	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Other intangible assets	Total
Cost January 1, 2006	632	434	484	8 141	100	5 160	14 951
Additions	0	35	0	466	64	662	1 227
Capitalised development costs	0	0	265	0	0	0	265
Business combinations	3 634	3 191	0	0	0	3 175	10 000
Cost December 31, 2006	4 266	3 660	749	8 607	164	8 997	26 443
Accumulated amortisation January 1, 2006	0	328	8	6 138	29	3 728	10 231
Depreciation	0	18	55	613	42	654	1 382
Accumulated amortisation December 31, 2006	0	346	63	6 751	71	4 382	11 613
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	4 266	3 314	686	1 856	93	4 615	14 830

EUR 1 000

13.2. Goodwill allocation

For the purpose of impairment testing EUR 3.6 million of goodwill has been allocated to Ceramic fireplaces unit under Fireplaces Business segment and EUR 0.6 million to Natural Stone Products Business segment, which are separate cash-generating units. Of the value of the Kermansavi brand acquired in the acquisition of Kermansavi Oy, amounting to EUR 3.2 million, EUR 2.7 million has been allocated to Ceramic fireplaces unit under Fireplaces Business segment and EUR 0.5 million to Utensils unit under Other Operations segment. The useful life of the brand has been estimated to be indefinite, since it is expected to generate net cash inflows for the group for an undefined period of time.

The carrying amounts of goodwill and trade mark were allocated as follows:	Natural stone products	Fireplaces	Other operations
2007			
Goodwill	632	3 634	0
Trademark	0	2 712	479
Total	632	6 346	479
2006			
Goodwill	632	3 634	0
Trademark	0	2 712	479
Total	632	6 346	479

13.3. Impairment testing

In impairment testing the recoverable amounts of the cash-generating units are determined based on value-in-use calculations. The estimated cash flow projections are based on forecasts approved by management covering a four-year period. The pre-tax discount rates used range from 8.7 to 9.4 per cent which equal the weighted average cost of capital. Cash flows beyond the four-year forecast period approved by management are extrapolated using a constant 1 per cent growth rate of the related business. The growth rate used does not exceed the long-term average growth rate for the business in question.

During the period no impairment losses were recognised, since the measures implemented and decided are believed to impact the result positively.

The key assumptions used in value in use calculation:

1. Budgeted sales margin

- Fireplaces and Natural Stone Products Business: The budgeted sales margin is determined based on the previous year's actual gross margin. The group does not expect any material changes to occur in the gross margin during the forecast period.

- Other Operations / Utensils: The budgeted sales margin is based on the normal level (the actual gross margin in 2006). The gross margin is estimated to improve as a result of product development and increased effectiveness of operations.

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

4. The discount rate is defined as the weighted average cost of capital (WACC), and therefore the entire cost of capital is the weighted average cost of equity and debt capital.

Sensitivity analysis of impairment tests

* An increase in the discount rate with 1 percentage point or the result being 20 per cent lower than the target set would not result in the recognition of an impairment loss in respect of Fireplaces Business and Natural Stone Products Business. An equivalent change in Other operations segment / Utensils unit would give rise to an impairment loss amounting to about EUR 400 thousand.

Mineral resource exploration and evaluation assets

Mineral resource exploration and evaluation assets belong to the Fireplaces business segment. The carrying amount of capitalised exploration and evaluation expenditure is EUR 60 (93) 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	2007		2006	
	Land	Buildings	Land	Buildings
Acquisition cost January 1 and December 31	188	115	188	115
Accumulated depreciation and impairment January 1	0	69	0	65
Disposals	0	4	0	4
Accumulated depreciation and impairment December 31	0	73	0	69
Net book amount January 1	188	46	188	50
Net book amount December 31	188	42	188	46
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.

15. Investments in associates					2007	2006
	Domicile	Assets	Liabilities	Sales	Profit/Loss	% of shares
Shares and interest in associates						
Acquisition cost January 1					24	0
Additions					0	25
Share of the (loss)/profit of associates					0	-1
Acquisition cost December 31					24	24
Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000)						
2007						
Leppävirran Matkailukeskus Oy	Leppävirta	79	4	78	-1	33,0
Stone Pole Oy	Juuka	253	262	246	2	27,3
Associate financials are unaudited.						
2006						
Leppävirran Matkailukeskus Oy	Leppävirta	78	2	73	-5	33,0
Stone Pole Oy	Juuka	266	277	313	1	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.

16. Other financial assets					2007	2006
Financial assets available for sale						
Balance sheet value January 1					39	37
Additions					0	2
Disposals					6	0
Balance sheet value December 31					33	39

Financial assets available for sale are investments in unquoted shares and they are measured at cost, since their fair values can not be determined reliably.

EUR 1 000					
17. Deferred tax assets and liabilities					
17.1. Changes in deferred taxes during year 2007:					
	Jan. 1, 2007	Adjustments made	Recognised through profit and loss	Acquired subsidiaries	Dec. 31, 2007
Deferred tax assets:					
Provisions	206		194		400
Unused tax losses	150	-200	65		15
Accumulated negative depreciation difference	226	200	-149		277
Other items	4	-162	462		304
Deferred tax assets, total	586	-162	572		996
Deferred tax liabilities:					
Capitalisation of intangible assets	-178		23	0	-155
Accumulated depreciation difference	-574		574	0	0
The effect of the business combinations	-2 088		151		-1 937
Other items	-304	162	-18	0	-160
Deferred tax liabilities, total	-3 144	162	730	0	-2 252
17.2. Changes in deferred taxes during year 2006:					
	Jan. 1, 2006	Adjustments made	Recognised through profit and loss	Acquired subsidiaries	Dec. 31, 2006
Deferred tax assets:					
Provisions	84		63	59	206
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	63	586
Deferred tax liabilities:					
Capitalisation of intangible assets	-124		-54	0	-178
Accumulated depreciation difference	-457		-117	0	-574
Other items	-211		203	-2 384	-2 392
Deferred tax liabilities, total	-792		32	-2 384	-3 144

At December 31, 2007 deferred tax assets of EUR 147 (390) thousand relating 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.

18. Inventories		2007	2006
Raw materials and consumables		6 088	6 126
Finished goods		6 572	4 485
Inventories, total		12 660	10 611

The cost of inventories recognized as expense amounted to EUR 40 953 (45 687) thousand.

A write-down of EUR 46 (38) thousand was recognized during the financial year to lower the book value of the inventories to their net realisable value.

EUR 1 000	2007		2006
19. Trade and other receivables			
19.1. Current			
Trade receivables	5 309		8 441
Trade receivables from associates	0		0
Current tax assets based on the taxable income for the financial period	64		34
Accrued incomes			
Grant receivables	85		1 267
Prepayments	123		238
Other accrued income	267		154
Other receivables	78		310
Current receivables, total	5 926		10 444
19.2. Aging analysis of trade receivables and impairment losses at balance sheet date	Gross 2007	Impairment 2007	Gross 2006
Not past due	3 722		6 604
Past due 0 - 30 days	993		1 301
Past due 31 - 90 days	446		385
Past due over 90 days	223	75	151
Total	5 384	75	8 441
19.3. Trade receivables by risk categories			
Largest customers by customer groups			
Stove producers	486		1 894
Distributors of fireplaces in foreign countries	1 845	46	1 932
Construction companies	922	18	794
Distributors in home country	940		2 014
End users	1 191	11	1 807
Total	5 384	75	8 441
The carrying amount of trade receivables for which the terms have been renegotiated	0		0
Trade and other receivables			
The carrying amounts of trade and other receivables equal with their fair values, since discounting has not material effect owing to short maturities.			
20. Cash and cash equivalents	2007		2006
Cash in hand and at bank	3 765		4 913

21. Notes to shareholders' equity				
Share series	Number of shares	% of shares	% of voting rights	Share, EUR of share capital
K shares (10 votes)	9 540 000	25,7	77,6	1 621 800
A shares (1 vote)	27 603 970	74,3	22,4	4 692 675
Total at December 31, 2007	37 143 970	100,00	100,00	6 314 475

Shares

According to the articles of association the company shall distribute from distributable profit EUR 0.0017 per share more to the company's series A shares than for the company's series K shares. Tulikivi Corporation's series A share is listed in the OMX Nordic Exchange in Helsinki under the code 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.

22. Group's distributable equity

Parent company's distributable equity was EUR 7 504 (10 903) thousand.

Dividends

The Board of Directors has proposed after the balance sheet date that a dividend of EUR 0.0450 per share will be paid for A series shares and EUR 0.0433 per share to be paid for the K series shares.

23. Pension obligations

All Group's pension plans were defined contribution plans at December 31, 2007. 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. The group had no defined benefit liabilities at the year-end 2007, nor 2006.

24. Provisions

	Environmental provision		Warranty provision		Restructuring provision	
	2007	2006	2007	2006	2007	2006
Provisions January 1	410	0	382	322	0	0
Business combinations	0	170	0	60	0	0
Increase in provisions	115	400	330	205	687	0
Effect of discounting, change	-95	-160			0	0
Used provisions	-33	0	-250	-205	0	0
Provisions December 31	397	410	462	382	687	0

Warranty provision

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.

Environmental provision

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

Restructuring provision

The co-operation negotiations were conducted in Tulikivi group during the year 2007 in order to adjust the operations to the level meeting the demand. As a result of the negotiations 67 employees were terminated and 26 employees were laid off until further notice. In the negotiations the parties agreed on termination benefits payable. The estimated total cost has been expensed in 2007. The financial statements for 2007 include a restructuring provision of EUR 0.7 million related to the said arrangements. The provision is expected to be used during the first half of 2008.

	2007	2006
Non-current provisions	859	792
Current provisions	687	0
Total	1 546	792

EUR 1 000	2007	2006
25. Interest-bearing liabilities		
Balance sheet value	21 612	17 463
25.1 Non-current		
Bank borrowings	15 211	12 357
Other non-current interest bearing liabilities	2 540	2 382
25.2. Current		
Current portion of non-current bank borrowings	2 852	2 711
Current portion of other non-current interest bearing liabilities	473	13
Other current interest-bearing liabilities	536	0
Non-current loans expire as follows:		
2007		2 724
2008	3 326	3 035
2009	4 839	2 752
2010	4 186	2 535
2011	2 900	2 203
2012	2 264	4 214
Later	3 561	0
Total	21 076	17 463

Debt obligations are denominated in euro.

At December 31, 2007 interest-bearing non-current liabilities effective interest rate weighted average was 4.5 per cent (3.9 per cent) including the effect of interest rate swaps and 4.9 per cent excluding the effect of the interest rate swaps.

Fair values of interest-bearing liabilities:

The carrying amounts of interest-bearing liabilities broadly equal their fair values, since 87.0 per cent (97.9 per cent) of the liabilities have floating interest rates and the company's risk premium has remained unchanged. In order to manage interest rate risk the group has entered into interest rate swaps, amounting to EUR 7.4 million (EUR 8.3 million).

Special terms financing

Total amount of EUR 14.4 (8.1) million 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.

	2007	2006
26. Trade and other payables		
26.1. Non-current		
Unpaid acquisition price of subsidiaries	347	347
26.2. Current		
Trade payable	2 418	3 446
Advances received	2	0
Accrued expenses		
Wages and social security expenses	4 511	5 608
Discounts and marketing expenses	505	1 294
External services	334	825
Other accrued expenses	757	937
Amounts due to associates	6	19
Other liabilities	856	1 531
Current trade and other payables, total	9 389	13 660

Other deferred income and accrued expenses comprise accrued interest expenses and accruals related to other operating expenses.

27. Financial risk management

The Group's activities expose it to various financial risks. The objective of the Group's financial risk management is to 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 foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group finance has been centralised in parent company, and the financing of the subsidiaries is mainly taken care of by internal loans. The liquidity of the Group companies is centralised by consolidated accounts. The group treasury is responsible for investing the liquidity surplus and for financial risk management in accordance with the policies approved by the Board of Directors.

27.1. Foreign exchange risk

The group's currency risks arise from commercial transactions, monetary items in the balance sheet and net investments in foreign subsidiaries. The most important currencies in respect of the group's foreign currency risk are United States Dollar (USD) and Russian Rouble (RUB). Over 90 per cent of the group's cash flows are denominated in euro, thus the group's exposure to foreign currency risk is not significant. Foreign currency risk can be hedged with foreign exchange contracts. The group had no open foreign exchange contract positions at the balance sheet date 2007 or 2006. The group does not apply hedge accounting as defined under IAS 39 on foreign exchange contracts.

The functional currency of the parent company is Euro. Foreign currency assets and liabilities translated to euro using the balance sheet rate are as follows:

	2007		2006	
	USD	RUB	USD	RUB
Nominal values, EUR 1 000				
Non-current assets	1	47	1	16
Current assets	905	25	797	17
Current liabilities	50	15	14	9
Net position	856	57	784	23

The Group has certain investments to the foreign operations, whose net assets are exposed to foreign currency translation risks. The Group does not hedge the foreign equity exposure.

The table below analyses the effect of strengthening or weakening of Euro against the currencies below assuming that all other variables remain constant. The sensitivity analysis is based on assets and liabilities denominated in foreign currencies at the balance sheet date.

	2007	2006
	Income statement	Income statement
+/- 10 per cent change in EUR/USD		
exchange rate, before income taxes	+/- 86	+/- 78
+/- 10 per cent change in EUR/RUB		
exchange rate, before income taxes	+/- 6	+/- 2

27.2. Interest rate risk

The group is mainly exposed to fair value interest rate risk which largely relates to the loan portfolio. The interest rate risk related to the group's short-term investments is not significant. The group's revenues and operating cash flows are mainly independent from the fluctuation of market interest rates. The group can borrow funds with fixed or floating rates and use interest rate swaps in order to hedge risks arising from fluctuation of interest rates. The share of interest rate sensitive loans amounted to EUR 18.3 (17.1) million representing 87.0 per cent (97.9 per cent) for interest-bearing liabilities at the year-end. At the balance sheet date the group had open interest rate swaps denominated in Euro with a nominal value of EUR 7.4 (8.3) million. Based on these interest rate swaps the group receives floating rate interest based on Euribor rates (EUR 4.3 million / 3 months, EUR 3.1 million / 6 months) and pays fixed interest on average 3.98 percent (3.98 per cent). The group does not apply hedge accounting on the interest rate swap hedging the loan. The gains recognised based on the fair value changes of interest rate swaps amounted to EUR 70 (68) thousand.

The interest rate risk related to loans amounts to EUR 110 thousand (88 thousand) assuming 1 percent change in market interest rates. The decreasing impact of derivatives on interest rate risk has been taken into account.

Interest rate risk	2007		2006	
	Balance sheet value	Balance sheet value	Balance sheet value	Balance sheet value
EUR 1 000				
Fixed rate instruments				
Financial liabilities	2 750		367	
Floating rate instruments				
Financial assets	3 765		4 913	
Financial liabilities	18 326		17 096	

27.3. Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and therefore no single customer or a group of customers is material for the Group. The aggregate amount of the credit losses on trade receivables and the impairment losses on other receivables recognised in the income statement during the financial year totalled EUR 97 thousand (EUR 19 thousand in 2006). Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 61 % of the outstanding accounts at December 31, 2007. Business units are responsible for credit risk related to trade receivables. The aging analysis of trade receivables is presented in note 19.2. The group's maximum credit risk exposure for trade receivables is their carrying amount at the year-end less any compensation received from customer credit insurances. The risk related to financial instruments is that the counterparty fails to meet its contractual obligations. Liquid assets are invested in targets with good credit standing.

The maximum credit risk related to group's other financial assets than trade receivables equals their carrying amounts at the balance sheet date.

27.4. Liquidity risk

The group strives to continuously assess and monitor the amount of capital needed for business operations in order to ensure that the group has adequate liquid funds for financing its operations and repayment for loans due. The Group aims at ensuring the availability and flexibility of financing by using credit limits and different financial institutions for raising funds. The unused credit limits and undrawn credit facilities amounted to EUR 6.5 (4.3) million at the balance sheet date.

The following table summarises the maturity profile of the group. The undiscounted amounts include interests and capital repayments.

27.5. Maturity analysis

December 31, 2007						
Type of credit	Balance sheet value	Undrawn credit facilities	Under 1 year	1 - 2 years	3 - 5 years	Later than 5 years
Loans from credit institution	18 063	2 000	3 680	4 741	8 621	3 820
Cash flows from derivatives			-68	-57	-78	-8
Hire-purchase liabilities	3 013		1 155	881	1 895	
Credit limit accounts	536	4 464	536			
Trade and other payables	9 813		9 466	347		
Total	31 425	6 464	14 769	5 912	10 438	3 812
December 31, 2006						
Type of credit	Balance sheet value	Undrawn credit facilities	Under 1 year	1 - 2 years	3 - 5 years	Later than 5 years
Loans from credit institution	15 068		3 337	2 735	6 496	4 811
Cash flows from derivatives			-4	-4	-7	-2
Hire-purchase liabilities	2 395		122	610	2 018	
Credit limit accounts		4 300				
Trade and other payables	14 398		14 051	347		
Total	31 861	4 300	17 506	3 688	8 507	4 809
Derivatives, nominal value				2007		2006
Interest rate swaps						
Arrive at maturity 2007						896
Arrive at maturity 2008				1 131		1 131
Arrive at maturity 2009				1 131		1 131
Arrive at maturity 2010 - 2012				3 394		3 394
Arrive at maturity 2013 or later				1 698		1 698
Total Interest rate swaps				7 354		8 250
Derivatives						

The fair values of interest rate swaps are determined using a method based on the present value of future cash flows, supported by market interest rates at the balance sheet date and other market information.

27.6. Capital management

The objective of the Group's capital management is through an optimal capital structure to support the business operations by ensuring the normal operating conditions and increase shareholder value by striving at the best possible return. An optimal capital structure also guarantees lower cost of capital. The capital structure is effected i.a. through dividend distribution and share issues. The Group may change and adjust the dividends distributed and capital repaid to the shareholders or the number of new shares issued or decide on sales of assets in order to repay liabilities.

The group monitors capital on the basis of the equity ratio, for which 40 per cent is set as the lowest limit for dividend distribution.

The group calculates equity ratio using the following formula.

$100 \times \text{Equity} / (\text{Balance sheet total} - \text{Advances received})$

	2007	2006
Equity	27 571	30 711
Balance sheet total	62 794	66 508
Advances received	2	0
Solvency ratio, %	43,9	46,2

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

Balance sheet, 2007	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts of balance sheet items	Fair value
Long-term assets						
Other financial assets			57		57	57
Short-term assets						
Trade and other receivables		5 394			5 394	5 394
Derivatives	138				138	138
Cash and cash equivalents		3 765			3 765	3 765
Carrying amounts of financial assets by categories	138	9 159	57	0	9 354	9 354
Long-term liabilities						
Interest bearing liabilities				17 751	17 751	17 751
Derivatives					0	0
Other long-term liabilities				347	347	347
Short-term liabilities					0	0
Interest bearing liabilities				3 861	3 861	3 861
Trade and other payables				2 424	2 424	2 424
Carrying amounts of financial liabilities by categories				24 383	24 383	24 383

EUR 1 000						
Balance sheet, 2006	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts of balance sheet items	Fair value
Long-term assets						
Other financial assets			63		63	63
Short-term assets						
Trade and other receivables		9 708			9 708	9 708
Derivatives	68				68	68
Cash and cash equivalents		4 913			4 913	4 913
Carrying amounts of financial assets by categories	68	14 621	63	0	14 752	14 752
Long-term liabilities						
Interest bearing liabilities				14 739	14 739	14 739
Derivatives					0	0
Other long-term liabilities				347	347	347
Short-term liabilities						
Interest bearing liabilities				2 724	2 724	2 724
Trade and other payables				3 465	3 465	3 465
Carrying amounts of financial liabilities by categories				21 275	21 275	21 275
29. Adjustments of cash generated from operations						
Non-cash transactions:				2007		2006
Depreciations and amortizations				5 644		5 201
Impairment				6		0
Share of profit of associates				0		2
Exchange differences				-48		-45
Other				-82		-126
Non-cash transactions, total				5 520		5 032
30. Leases						
Operating leases						
30.1. Group as lessee						
Future aggregate minimum lease payments under non-cancellable operating leases:				2007		2006
Not later than 1 year				868		885
Later than 1 year and not later than 5 years				140		188

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 2007 includes expensed lease rentals EUR 1 066 (1 108) thousand.

EUR 1 000	2007	2006
30.2. Group as lessor		
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	47	45
Later than 1 year and not later than 5 years	3	41
31. Commitments		
Debt with related mortgages and pledges		
Loans from credit institutions	15 312	17 350
Credit limits	5 000	4 300
Other long-term liabilities	3 051	0
Real estate mortgages given	8 891	7 617
Company mortgages given	13 396	6 167
Pledged mining rights	0	226
Pledges shares	0	11 000
Object of purchase	3 051	2 473
Pledged leaseholds	219	219
Total given mortgages and pledges	25 557	27 702
Other own liabilities for which guarantees have been given		
Letter of credit limit	0	150
Production and warranty guarantees	520	721
Other commitments	280	355
Other own liabilities for which guarantees have been given	800	1 226
Real estate mortgages given	0	115
Company mortgages given	779	2 052
Pledges given	35	10
Guarantees given on behalf of other own liabilities	814	2 177
Derivatives (Interest rate swaps)		
Derivatives, nominal value	7 354	8 250
Derivatives, fair value	138	68
Obligation to repay VAT deductions made in earlier periods:		
Deduction year		New building and major renovations
2003	3	
2004	120	
2005	110	
2006	316	
2007	28	
Total	577	

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. 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		
	2007	2006	2005
34. Indicators relating to environmental obligation			
Use of energy, electricity MWh	23 517	17 897	14 934
Use of oil, m3	953	1 115	811
District and wood chips heating, MWh	1 312	1 065	1 924
Liquid gas, tonne	521	825	905
Fuel for vehicles was used in total 700 (750) tonne, explosives 105 (110) tonne.			
Transfer of soil and use of raw material			
Soapstone, 1 000 fixed-m3 gross	241	219	184
Soil and residual rock material, 1 000 m3 (detached material)	690	880	680

The lubricant used for saw chains, for soap stone extraction sawing, is rapeseed oil which binds permanently with fine soap stone powder. During the year 2007 130 (134.8) cubic meter rapeseed and pine oil was spent.

The amount of soapstone used is affected by factory-specific capacity as well as yield of stone in the quarry and the factory in a given time.

Acquired natural stone, 1 000 tonne	7	8	8
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Leftover clippings from production are partly used as filling for earthwork sites, the rest is stacked in stacking areas or is transferred to a waste disposal site. The natural stone is purchased from external suppliers. The ceramic production uses mainly natural materials, like clay, feldspar, quartz, different kind of cements and gravel as raw material. The amount of ceramic materials used annually is approximately 2 500 tonnes. 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 2007 101 066 cubic meter new process water and 14 541 cubic meter domestic water was taken in group's production processes. Process waters have closed circulation except for the production plant in Kuhmo. In Kuhmo as well as in the Espoo, Taivassalo and Heinävesi production plants process waters are treated in sedimentation basins. Process waters are extracted through sedimentation basins to the water system. Quarry waters are led to the water system through sedimentation basins. Domestic waste water is led to the municipal waste water system or in absence of such a system, in filtered fields.

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 Finnish Stone Research Foundation (Suomen Kivitutkimussäätiö) 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 Corporation, Juuka, parent company		
Kivia Oy, Kuhmo	100	100
Tulikivi U.S. Inc., USA	100	100
AWL-Marmori Oy, Turku	100	100
The New Alberene Stone Company Inc., USA	100	100
Uuni Vertriebs GmbH, Germany	100	100
OOO Tulikivi, Russia	100	100
Kermansavi Oy, Heinävesi, merged with Tulikivi Corporation as at December 31, 2007	100	100
Associated companies		
Stone Pole Oy, Juuka	27	27
Leppävirran Matkailukeskus Oy, Leppävirta	33	33
35.2. Related party transactions:	2007	2006
35.2.1. Sales of goods and services		
Sales of goods and services to associated companies	2	5
35.2.2. Purchases of goods and services		
Purchases of goods and services from associated companies	86	171
35.3. Transactions with key management		
Leases from related parties	105	103
Leases to related parties	0	2

At December 31, 2007, the Group did not have any receivables (EUR 4 thousand at December 31, 2006) from key management.

35.4. Transactions with other related parties

Tulikivi Corporation is a founder member of Finnish Stone Research Foundation (former Juuka Stone Museum and Stone Village Foundation). In 2007 the company has donated EUR 70 (50) thousand to the foundation. In addition, the company has leased offices and storages from the property owned by the foundation and North Karelian Educational Federation of Municipalities. The rent paid for these facilities was EUR 125 (126) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation were EUR 34 (38) thousand. The Foundation did not charge any services from Tulikivi Corporation (EUR 30 thousand in 2006). The Group did not have in accounts receivable from the foundation (EUR 38 at December 31, 2007).

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	473	469
Other long term employee benefits	89	77
Salaries and commissions		
Managing Director and the deputy to managing director	242	269
Members of the Board of Directors		
Bishop Ambrosius	15	12
Erma Juhani	23	19
Makkonen Eero	15	12
Paukkonen Aimo	0	12
Toivanen-Koivisto Maarit	15	0
Vauhkonen Heikki	50	37
Vauhkonen Reijo	27	29
Virtaala Matti	86	79

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. Risk analysis contributes to the strategic choices of the Group and the annual action plans. The effectiveness of risk management methods is evaluated annually in connection with the assessment of implementation of the action plans.

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. Exceptional changes in the product approval process in these countries, sudden changes in product approval, such as in the case of particulate emission limits or restrictions on use, might affect the sales potential of Tulikivi products and restrict their use. Other legislative risks are the tightening of the requirements of environmental permits for quarrying and the lengthening of permit processes. Environmental legislation and regulations may cause the company to incur costs that will affect sales margins and the earnings trend.

Tulikivi keeps abreast of the development and preparation of regulations and 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. Engaging in business in close over 20 countries balances out possible sales risks due to cyclical variations in the economy. Globalization leads to a shift in the fireplace cultures of our business countries, too. When the market becomes uniform changes in consumer habits may affect the demand for certain products or production materials 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. Unsound price competition decrease demand for the products and thereby weaken profitability.

Disturbance may arise in connection with renewal of distribution channels or owing to reasons relating to entrepreneurs which are part of the distribution channel or competing products entering the same distribution channel. Regional changes in market positions may occur due to amendments in government grants regarding different heating methods. Warm winters and impression of permanent global warming may impact, more intensively than before, on demand for a single season. It may also affect demand for different types of fireplaces. The global warming may create an illusion for consumers that fireplaces are no longer needed.

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.

BUSINESS RISKS

Business 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. Keeping the product cost structure competitive is a prerequisite for maintaining demand and growth.

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. Introduction of new production techniques and commissioning of production plants involves risks related to expenses and capacity. Careful planning and training of personnel are used as protection against these risks. 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. Contractual risks are part of operational risks.

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. Credit losses realised have been minor.

The Group's core expertise involves its core business processes, including sales, product development, 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 or decrease in personnel's development ability pose 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. The turnover of the key personnel has been moderate.

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. Financial risks and their management are presented in greater detail in section 27 of the notes to the consolidated financial statements.

Development of the Group by Quartal and Business Area

MEUR	Q4/2007	Q3/2007	Q2/2007	Q1/2007	Q4/2006	Q3/2006	Q2/2006	Q1/2006
Sales	16.8	16.5	17.4	19.2	24.4	20.5	20.9	16.3
Fireplaces business	14.4	13.9	14.7	16.7	21.5	17.8	18.1	14.6
Natural stone products business	1.7	1.7	2.1	1.9	1.8	1.7	2.1	1.7
Other operations	0.7	0.9	0.6	0.6	1.1	1.0	0.7	
Operating profit	-0.6	0.3	0.6	0.7	2.4	2.4	1.7	1.7
Fireplaces business	0.8	0.8	1.4	1.4	3.2	2.8	2.7	2.3
Natural stone products business	0.0	0.1	0.2	0.1	0.0	0.2	0.0	0.1
Other operations	-1.4	-0.6	-1.0	-0.8	-0.8	-0.6	-1.0	-0.7

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000	2003	2004	2005	2006	2007
	FAS	IFRS	IFRS	IFRS	IFRS
Income statement					
Sales	53 611	55 291	58 642	82 149	69 887
Amendment, %	2.2	3.1	6.1	40.1	-14.9
Operating profit	4 224	6 283	6 285	8 230	965
% of turnover	7.9	11.4	10.7	10.0	1.4
Finance incomes and expenses and share of loss of loss of associated companies	36	-161	-222	-430	-805
Profit before taxes	4 269	6 122*)	6 063	7 800	160
% of turnover	8.0	11.1	10.3	9.5	0.2
Income taxes	1 239	1 772	1 697	2 075	-201
Profit for the year	3 030	4 350	4 366	5 725	361
Balance sheet					
Assets					
Non current assets	20 405	20 981	21 946	40 540	40 443
Inventories	6 955	7 455	7 015	10 611	12 660
Cash and cash equivalents	6 501	5 829	4 141	4 913	3 765
Other current assets	7 813	7 657	7 487	10 444	5 926
Equity and liabilities					
Equity	24 384	23 166	25 517	30 711	27 571
Interest bearing liabilities	7 836	8 647	3 347	17 463	21 612
Non-interest bearing liabilities	9 454	10 109	11 724	18 334	13 611
Balance sheet total	41 674	41 922	40 588	66 508	62 794

*) 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 2003 - 2007

	2003	2004	2005	2006	2007
	FAS	IFRS	IFRS	IFRS	IFRS
Return on equity, %	12.1	18.7	17.9	20.4	1.2
Return on investments, %	13.7	20.3	20.7	21.7	2.5
Solvency ratio, %	58.7	55.3	63.0	46.2	43.9
Net indebttness ratio, %	5.5	12.1	-3.1	40.9	64.7
Gross investments, EUR 1 000	2 916	3 937	5 150	24 118	5 673
% of turnover	5.4	7.1	8.8	29.4	8.1
Research and development costs, EUR 1 000	1 325	1 497	1 652	1 832	1 589
% of turnover	2.5	2.7	2.8	2.2	2.3
Development costs, capitalised, EUR 1 000	0	140	377	265	98
Order book, EUR million	7.1	5.4	9.2	10.4	6.9
Average personnel	555	513	514	664	682
Key indicators per share					
Earnings per share, EUR	0.08	0.12	0.12	0.16	0.01
Equity per share, EUR	0.67	0.64	0.70	0.83	0.74
Dividends					
Nominal dividend per share, EUR					
A share	0.128	0.058	0.070	0.090	0.0450*)
K share	0.125	0.055	0.068	0.088	0.0433*)
Dividend per earnings, %	151.2	47.6	58.0	58.1	457.9
Effective dividend yield, %/A shares	9.8	3.6	3.4	2.6	2.9
Price/earnings ratio, EUR	15.4	13.2	17.0	22.6	160.3
Highest share price, EUR	1.42	2.05	2.25	4.05	3.75
Lowest share price, EUR	0.87	1.31	1.39	2.04	1.53
Average share price, EUR	1.09	1.69	1.79	3.18	2.69
Closing price, EUR	1.30	1.58	2.04	3.51	1.56
Market capitalization, EUR 1 000	47 171	57 552	74 308	130 375	57 945
(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)	6 041	5 334	4 866	7 454	5 369
% of the total amount	22.5	19.8	18.1	27.0	19.4
The average issue-adjusted number of shares for the financial year (1 000 pcs)	36 426	36 426	36 426	36 785	37 144
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	36 426	36 426	36 426	37 144	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	$\frac{\text{Profit before income tax + interest and other finance expenses}}{\text{Balance sheet total - non-interest bearing liabilities (mean value of beginning and end of the year)}}$
Solvency ratio, % =	100 x	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advance payments}}$
Net indebttness ratio, % =	100 x	$\frac{\text{Interest-bearing liabilities - assets}}{\text{Shareholders' equity}}$

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 =		$\frac{\text{Shareholders' equity}}{\text{Issue-adjusted number of shares at balance sheet date}}$
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	2007	2006
Net sales	1.1.	52 150	64 998
Increase (+) / decrease (-) in inventories			
in finished goods and in work in progress		2 202	49
Production for own use		914	581
Other operating income	1.2.	2 673	1 020
Materials and services	1.3.	18 590	18 262
Personnel expenses	1.4.	22 015	23 933
Depreciation and value adjustments	1.5.	4 233	3 926
Other operating expenses		12 666	14 216
Operating profit		435	6 311
Financial income and expenses	1.6.	-709	-319
Profit / loss before untaxed reserves and income taxes		-274	5 992
Untaxed reserves	1.7.	950	-737
Income taxes	1.8.	-630	-1 520
Profit for the year		46	3 735

Balance Sheet

EUR 1 000	Note	2007	2006
Assets			
Fixed asset and other non-current investments			
Intangible assets	2.1.	6 624	3 197
Goodwill	2.1.	7 459	0
Tangible assets	2.2.	20 632	18 648
Investments			
Shares in group companies	2.3.	917	14 396
Group receivables	2.4.	34	524
Participating interests		25	1
Other investments	2.5.	33	37
Fixed assets and other non-current investments, total		35 724	36 803
Current assets			
Inventories	2.6.	12 209	7 420
Non-current receivables	2.7.	396	880
Deferred tax assets	2.8.	386	142
Current receivables	2.9.	5 369	8 636
Cash in hand and at banks		3 479	2 884
Total current assets		21 839	19 962
Total assets		57 563	56 765
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock	2.10.	6 314	6 314
Share premium fund	2.10.	7 334	7 334
Retained earnings	2.10.	7 458	7 168
Profit for the year	2.10.	46	3 735
Total shareholders' equity		21 153	24 551
Untaxed reserves			
Accelerated depreciation		2 856	3 806
Provisions	2.12.	844	547
Liabilities			
Deferred income tax liabilities		18	
Non-current liabilities	2.13.	18 098	14 329
Current liabilities	2.14.	14 594	13 532
Total liabilities		32 710	27 861
Total liabilities and shareholders' equity		57 563	56 765

Cash Flow Statement

EUR 1 000	2007	2006
Cash flow from operating activities		
Profit before extraordinary items	-274	5 992
Adjustments for:		
Depreciation	4 233	3 926
Unrealised exchange rate gains and losses	4	-1
Other non-payment-related expenses	12	240
Financial income and expenses	709	319
Other adjustments	-75	-82
Cash flow before working capital changes	4 609	10 394
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	3 182	-424
Increase (-) / decrease (+) in inventories	-2 186	-936
Increase (+) / decrease (-) in current non-interest bearing liabilities	-2 676	1 379
Cash generated from operations before financial items and income taxes	2 929	10 413
Interest paid and payments on other financial expenses from operations	-849	-442
Dividends received	10	5
Interest received	109	111
Income taxes paid	-863	-1 373
Cash flow before extraordinary items	1 336	8 714
Net cash flow from operating activities	1 336	8 714
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-6 308	-8 709
Investment grants received	1 120	36
Proceeds from sale of tangible and intangible assets	118	92
Loans given	-1 090	-635
Acquired subsidiary companies	0	-11 719
Repayments of loan receivables	2 051	642
Interest received	127	36
Net cash used in investing activities	-3 982	-20 257
Cash flow from financing activities		
Short-term borrowing	1 836	0
Long-term borrowing	6 704	15 349
Repayment of long-term loans	-3 520	-2 260
Dividends paid	-3 459	-2 608
Net cash flow from financing activities	1 561	10 481
Net increase (+) / decrease (-) in cash and cash equivalents	-1085	-1 062
Cash and cash equivalents at the beginning of the financial year	2 884	3 959
Effect of changes in exchange rates	-46	-13
Accumulated cash and equivalents in merger	1 726	0
Cash and cash equivalents at the end of the financial year	3 479	2 884

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.

Quarrying areas are amortised using the unit of production method based on the amount of stone used and filling time for damping areas.

Valuation of Inventories

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

Revenue Recognition

Net sales represents sales after the deduction of discounts, indirect taxes and exchange gains/losses on trade receivables. Revenue has been recognized at the time of the delivery of the goods, with the exception of construction contracts pertaining to the Group's recognized on the basis natural stone product 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 incurred. Pension schemes for personnel outside Finland follow the local practices.

Untaxed Reserves

According to the Finnish corporate tax law untaxed reserves, such as accelerated depreciation, are tax deductible only if recorded in financial statements.

Income Taxes

Income taxes include taxes corresponding to the Group companies' results for the financial period as well as the change in deferred tax 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 dividend proposed by the Board of Directors to the annual shareholders' meeting. Dividends are recorded on the basis of the decision made by the annual general meeting.

Foreign Currency Items

Foreign currency balance sheet items have been valued at the average exchange rate prevailing on the balance sheet date as indicated by the European Central Bank.

Notes to the Income Statement

EUR 1 000	2007	2006	EUR 1 000	2007	2006
1.1. Net sales			1.4.3. Average number of employees during the fiscal year		
1.1.1. Net sales per business area			Clerical employees	105	110
Fireplaces business	44 750	57 681	Workers	427	416
Natural stone products business	7 400	7 317	Total number of employees	532	526
Total net sales per business area	52 150	64 998	1.5. Depreciation according to plan		
1.1.2. Net sales per geographical area			Intangible rights	20	16
Finland	21 275	23 788	Other long-term expenditure	798	970
Rest of Europe	29 612	39 971	Buildings and constructions	554	470
USA	1 263	1 239	Machinery and equipment	2 810	2 386
Total net sales per geographical area	52 150	64 998	Other tangible assets	18	3
1.2. Other operating income			Land areas	33	34
Rental income	128	59	Goodwill	0	47
Charges for intergroup services	2 245	465	Depreciation according to plan in total	4 233	3 926
Government grants	113	288			
Proceeds from sale of fixed and other non-current investments	80	88	The company has changed its accounting policy for amortising quarries and mining rights from the straight-line method to the unit of production method. The change in the amortisation method resulted in a decrease of amortisation amounting to EUR 284 thousand for 2007 in comparison to the amortisation method previously applied.		
Other income	107	120	1.6. Financial income and expenses		
Total other operating income	2 673	1 020	Dividend income	10	5
1.3. Materials and services			Interest and finance income		
Materials and supplies (good)			Interest income from group companies	93	62
Purchases during the fiscal year	12 176	12 502	Interest income from others	152	130
Change in inventories, increase (-) / decrease (+)	16	-888	Total interest income	245	192
External charges	6 398	6 648	Interest expenses	-907	-489
Total materials and services	18 590	18 262	Exchange rate gains / losses	-42	-19
1.4. Personnel expenses and number of employees			Reduction in value of investments held as non-current assets	-6	0
1.4.1. Personnel expenses			Other financial income and expenses	-9	-8
Salaries and wages	17 366	18 846	Financial income and expenses in total	-709	-319
Pension expenses	3 133	3 430	1.7. Untaxed reserves		
Other social security expenses	1 516	1 657	Change in accelerated depreciation	950	-737
Total personnel expenses	22 015	23 933	1.8. Income taxes		
1.4.2. Salaries and fees paid to Directors			Income taxes on ordinary operations	714	1 583
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director and of the deputy to managing director	473	469	Change in deferred tax liabilities / tax assets	-84	-63
Other long term employee benefits	89	77	Income taxes in total	630	1 520
Salaries and wages					
Managing Director and the deputy to Managing Director	242	269			
Members of the Board					
Bishop Ambrosius	15	12			
Erma Juhani	23	19			
Makkonen Eero	15	12			
Paukkonen Aimo	0	12			
Toivanen-Koivisto Maarit	15	0			
Vauhkonen Heikki	50	37			
Vauhkonen Reijo	27	29			
Virtaala Matti	86	79			

Notes to the Balance Sheet

EUR 1 000	2 007	2006	EUR 1 000	2007	2006
2.1. Intangible assets			2.2. Tangible assets		
2.1.1. Capitalised development expenditure			2.2.1. Land		
Capitalised development expenditure received in merger	42	0	Acquisition cost January 1	1 172	1 172
Balance sheet value of capitalised development expenditure December 31	42	0	Land received in merger	3	
2.1.2. Intangible rights			Additions	203	0
Acquisition cost January 1	550	516	Acquisition cost December 31	1 378	1 172
Additions	18	34	Accumulated depreciation January 1	153	119
Acquisition cost December 31	568	550	Depreciation for the financial year	33	34
Accumulated depreciation according to plan January 1	440	424	Accumulated depreciation December 31	186	153
Depreciation for the financial year	20	16	Balance sheet value of land, December 31	1 192	1 019
Accumulated depreciation December 31	460	440	2.2.2. Buildings and constructions		
Balance sheet value of intangible rights, December 31	108	110	Acquisition cost January 1	13 280	11 662
2.1.3. Goodwill			Buildings and constructions received in merger	1 589	
Acquisition cost January 1	1 345	1 345	Additions	298	1 618
Received in merger	7 459	0	Acquisition cost December 1	15 167	13 280
Acquisition cost December 31	8 804	1 345	Accumulated depreciation according to plan January 1	5 864	5 394
Accumulated depreciation according to plan January 1	1 345	1 298	Accumulated depreciation received in merger	628	
Depreciation for the financial year	0	47	Depreciation for the financial year	554	470
Accumulated depreciation December 31	1 345	1 345	Accumulated depreciation December 31	7 046	5 864
Balance sheet value of goodwill, December 31	7 459	0	Revaluation received in merger	505	
The parent company's goodwill comprises merger losses.			Balance sheet value of buildings and constructions, December 31	8 626	7 416
2.1.4. Other long term expenditures			2.2.3. Machinery and equipment		
Acquisition cost January 1	13 441	12 446	Acquisition cost January 1	38 574	33 806
Other long term expenditures received in merger	135		Machinery and equipment acquired in merger	5 562	
Additions	4 085	996	Additions	2 221	5 063
Acquisition cost December 31	17 661	13 442	Disposals	322	295
Accumulated depreciation according to plan January 1	10 355	9 385	Acquisition cost December 31	46 035	38 574
Accumulated depreciation received in merger	34		Accumulated depreciation according to plan January 1	28 503	26 401
Depreciation for the financial year	798	970	Accumulated depreciation on disposals	279	284
Accumulated depreciation December 31	11 187	10 355	Accumulated depreciation received in merger	4 391	
Balance sheet value of long term expenditure, December 31	6 474	3 087	Depreciation for the financial year	2 810	2 386
Total intangible assets	14 083	3 197	Accumulated depreciation December 31	35 425	28 503
			Balance sheet value of machinery and equipment, December 31	10 610	10 071

The balance sheet value of other long term expenditure includes EUR 3.3 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	2007	2006	EUR 1 000	2007	2006
2.2.4. Other tangible assets			2.7. Non-current receivables		
Acquisition cost January 1	198	198	Trade receivables	0	0
Additions	83	0	Receivables for group companies		
Acquisition cost December 31	281	198	Loan receivables	381	851
Accumulated depreciation according to plan January 1	166	163	Prepayments and accrued income	15	29
Depreciation for the financial year	18	3	Total non-current receivables	396	880
Accumulated depreciation December 31	184	166	2.8. Deferred tax assets		
Balance sheet value of other tangible assets, December 31	97	32	Provisions and accrued expenses	244	142
2.2.5. Advance payments			Provisions and accrued expenses received in merger	142	0
Advance payments	37	110	Deferred tax assets, total	386	142
Advance payments received in merger	70		2.9. Current receivables		
Total advance payments	107	110	Receivables form group companies		
Total tangible assets	20 632	18 648	Trade receivables	98	324
Amount of machinery and equipment included in balance sheet value	9 559	9 463	Accrued income	0	21
2.3. Shares in Group Companies			Receivables from participating interest undertakings		
	%	%	Trade receivables		
Kivia Oy, Kuhmo	100	100	Receivables from others		
Kermansavi Oy, Heinävesi, merged with parent company as at December 31, 2007		100	Trade receivables	4 712	6 446
Tulikivi U.S. Inc., USA	100	100	Other receivables	66	307
AWL-Marmorio Oy, Turku	100	100	Other accrued income		
The New Alberene Stone Company Inc., USA	100	100	Receivables from grants	85	1 267
Uuni Vertriebs GmbH, Germany	100	100	Prepayments	123	143
OOO Tulikivi, Russia	100	100	Employment pension receivable	26	0
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany,			Interest receivable	141	70
Tulikivi Oyj Niederlassung Deutschland.			Other accrued income	118	58
Associated companies			Receivables from other, total	5 271	8 291
Stone Pole Oy, Juuka	27	27	Total current receivables	5 369	8 636
Leppävirran Matkailukeskus Oy, Leppävirta	33		2.10. Shareholders' equity		
2.4. Receivables from Group companies			Capital stock January 1	6 314	6 192
Capital loan, AWL-Marmorio Oy	34	34	Capital stock December 31	6 314	6 314
Capital loan, Kivia Oy	0	490	Share premium fund January 1	7 334	5 351
Receivables from Group companies, total	34	524	Share premium fund December 31	7 334	7 334
2.5. Other investments			Retained earnings January 1	10 903	9 760
Stone Pole Oy	1	1	Dividend paid	-3 320	-2 530
Other	32	37	Charitable contribution	-124	-62
Total other investments	33	38	Retained earnings December 31	7 458	7 168
2.6. Inventories			Profit for the year	46	3 735
Raw material and consumables	5 985	4 414	Total shareholders' equity	21 153	24 551
Finished products/goods	6 224	3 006			
Total inventories	12 209	7 420			

EUR 1 000	2007	2006	EUR 1 000	2007	2006
2.11. Statement of distributable earnings December 31			2.15 Given guarantees, contingent liabilities and other commitments		
Profit for the previous years	7 458	7 168	Loans and credit limit accounts with related mortgages and pledges		
Profit for the year	46	3 735	Loans from credit institutions	15 312	16 003
Total distributable earnings	7 504	10 903	Credit limit accounts	5 000	4 300
2.12. Provisions			Other long-term liabilities	3 051	0
Warranty provision	447	307	Real estate mortgages given	8 891	5 910
Environmental provision	397	240	Company mortgages given	12 975	3 612
Provisions, total	844	547	Pledges shares	0	11 000
2.13 Non-current liabilities			Object of purchase/ Installment credit	3 051	2 375
Loans from credit institutions	15 211	11 632	Pledged leaseholds	219	0
Installment credit	2 540	2 350	Given mortgages and pledges, total	25 136	22 897
Other non-current liabilities	347	347	Other own liabilities for which guarantees have been given		
Total non-current liabilities	18 098	14 329	Letter of credit limit	0	150
2.14. Current liabilities			Production and warranty guarantees	520	721
Liabilities to group companies			Other commitments	680	755
Trade payables	1 271	154	Other own liabilities for which guarantees have been given	1 200	1 626
Liabilities to associates			Guarantees given	420	115
Trade payables	6	19	Real estate mortgages given	745	2 018
Liabilities to others			Pledges given	35	10
Loans from credit institutions	2 852	2 178	Guarantees given on behalf of other own liabilities, total	1 200	2 143
Advances received	2	0	Leasing commitments		
Trade payables	2 811	2 526	Due during the financial year 2008	20	5
Other current liabilities	1 225	1 047	Due later	18	20
Accrued liabilities			Leasing commitments, total	38	25
Salaries, wages and social costs	4 902	4 732	Leasing agreements are three to six years in duration and do not include redemption clauses.		
Discounts and marketing expenses	505	1 258	Derivatives		
External charges	276	701	Interest rate swaps, nominal value	7 354	8 250
Interest liabilities	219	0	Interest rate swaps, fair value	138	68
Tax liabilities	39	233			
Cancellation of contracts	0	183			
Other accrued liabilities	486	501			
Total current liabilities	14 594	13 532			

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 Corporation's environmental obligations, their management and recognition of environmental costs.

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

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

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

Based on environmental authorisations, the Group has given guarantees to effect of EUR 95 000 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		1 287 679	11.15
2. Vauhkonen Heikki		2 957 000		42 739	8.08
3. Elo Eliisa		477 500		2 479 520	7.96
4. Virtaala Matti		1 460 000		957 152	6.51
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		400 200	2.15
8. Paatero Ilkka		0		718 430	1.93
9. Nuutinen Tarja		397 500		277 040	1.82
10. Investment Fund Phoebus		0		608 140	1.64

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		1 287 679	24.24
2. Vauhkonen Heikki		2 957 000		42 739	24.07
3. Virtaala Matti		1 460 000		957 152	12.65
4. Mutanen Susanna		797 500		846 300	7.17
5. Elo Eliisa		477 500		2 479 520	5.90
6. Vauhkonen Mikko		397 500		400 200	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. Sivonen Juha		100 000		0	0.81

The members of the Board and managing director control 7 269 500 K shares and 2 509 710 A shares representing 61.14 % of votes.

Breakdown of share ownership of December 31, 2007					
Number of shares	Shareholders pcs	Proportion %		Shares pcs	Proportion %
1 - 100	353	7.95		24 830	0.07
101 - 1000	2 116	47.65		1 177 865	3.17
1001 - 5000	1 420	31.97		3 549 502	9.56
5001 - 10000	277	6.24		2 117 550	5.70
10001 - 100000	250	5.63		5 924 065	15.95
100001 -	25	0.56		24 350 158	65.55
Total	4 441	100.00		37 143 970	100.00

On December 31, 2007 the Company's shareholders were broken down by sector as follows:					
Sector	Holding, %			Votes, %	
Enterprises	2.01			0.61	
Financial and insurance institutions	11.30			3.41	
Public organisations	5.13			1.55	
Non-profit organisations	2.81			1.58	
Households	78.54			92.79	
Foreign	0.20			0.06	
Total	100.00			100.00	

Nominee-registered shares, 2 800 106 in total (7.54 % of the capital stock), are entered under financial and insurance institutions.

Signatures to Report of the Board and Financial Statements

In Nunnanlahti February 6, 2008

Matti Virtaala

Bishop Ambrosius

Juhani Erma

Eero Makkonen

Maarit Toivanen-Koivisto

Reijo Vauhkonen

Heikki Vauhkonen
Managing Director

Auditors' Report

TO THE SHAREHOLDERS OF TULIKIVI CORPORATION

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Tulikivi Corporation for the period 1.1. - 31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, 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 report of the Board of Directors, the parent company's financial statements and the 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 report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, 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 Managing Director of the parent company have complied with the rules of the Limited Liability 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 Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Limited Liability Companies Act.

In Nunnanlahti February 26, 2008
KPMG OY AB

Ari Eskelinen
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

HEINÄVESI FACTORY
Rasiahontie 3
FI-79700 Heinävesi
Tel. +358 207 636 501
Fax +358 207 636 505

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

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

LEPPÄVIRRRAN 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

**ASTRIA
NEUHAUSER-SPECKSTEIN-ÖFEN**
Bahnhofstrasse 54
A-4810 Gmunden
Austria
Tel. +43 7612 744 58
Fax +43 7612 744 584

**LATVIA, LITHUANIA
Baltic TK**
Pihlaka 1 a
11216 Tallinn
Estonia
Tel. +372 6555 486
Fax +372 6555 487

**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
DEUTSCHLAND**
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
Baltic TK**
Pihlaka 1 a
11216 Tallinn
Estonia
Tel. +372 6555 486
Fax +372 6555 487

Tulikivi Corporation, FI-83900 Juuka, tel. +358 207 636 000, fax +358 207 636 130, www.tulikivi.com
VAT-number 0350080-1, domicile Juuka

TULIKIVI 
Koska maailma on kylmä

ES 2020, 03/08