TULIKIVI

2008 Annual Report

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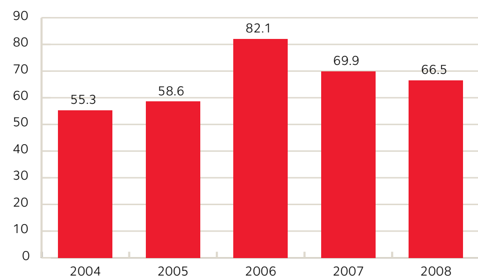
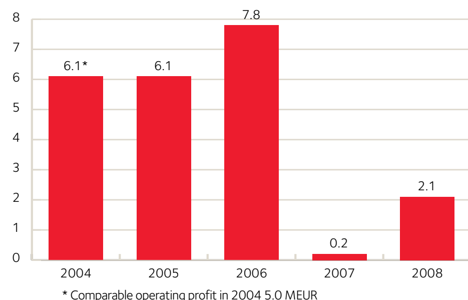
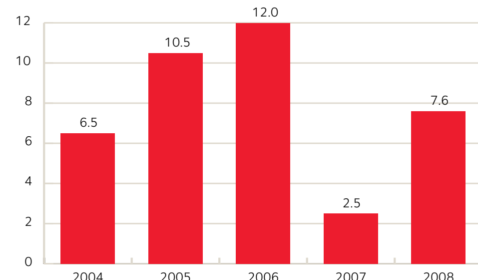
DEVELOPMENT OF NET SALES, MEUR



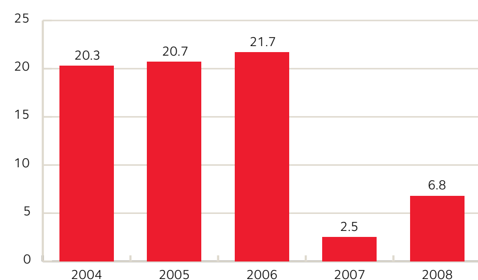
PROFIT BEFORE INCOME TAX, MEUR



NET CASH FLOW FROM OPERATING ACTIVITIES, MEUR



RETURN ON INVESTMENTS, %



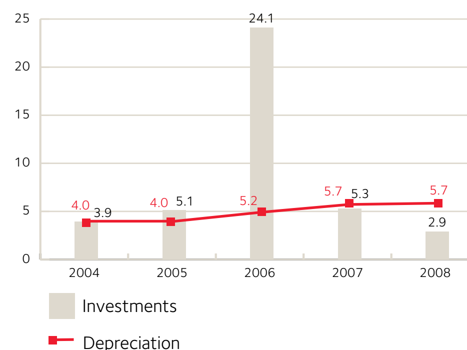
The Year 2008 in Brief

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 67 million, about half of which is accounted for by exports. The Group owns six production plants and employs about 500 people.
www.tulikivi.com

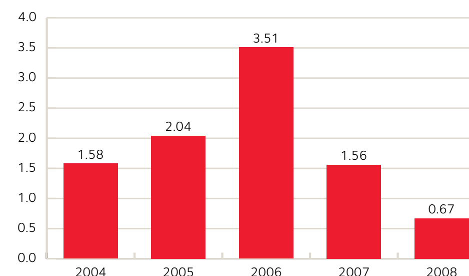
	2008	2007	Change, %
Net Sales, MEUR	66.5	69.9	-4.8
Operating profit, MEUR	3.2	1.0	236.4
Profit before income tax, MEUR	2.1	0.2	1 189.4
Return on investments, %	6.8	2.5	
Solvency ratio, %	41.2	43.9	
Earnings per share, EUR	0.04	0.01	295.5
Equity per share, EUR	0.73	0.74	-1.0
Payment of dividend on			
A share, EUR	0.0280	0.0450	-37.8
K share, EUR	0.0263	0.0433	-39.3

Calculation of key ratios, page 67.
The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland, Kivia Oy, AWL Marmori 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

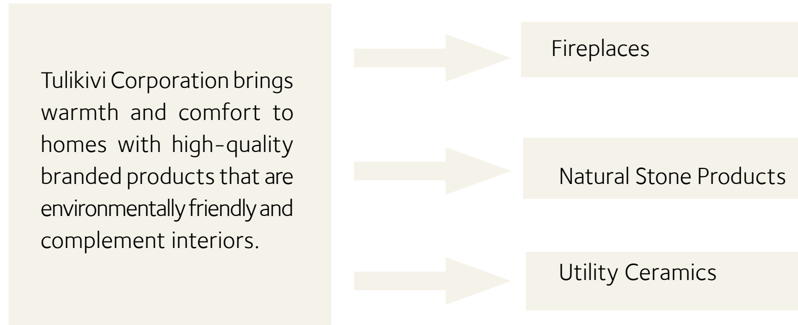


SHARE PRICE OF THE A SHARE DECEMBER 31, EUR



Tulikivi's mission, vision and values

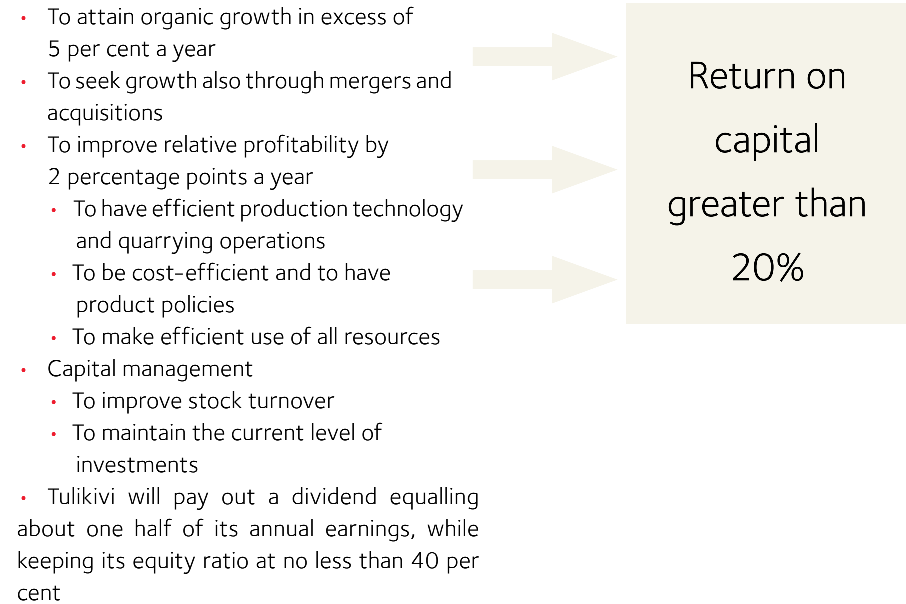
OUR MISSION



OUR VISION

Tulikivi is a growing and highly profitable company of solid financial standing. It is a leader in selected market areas specialising in branded heating products and natural stone products for homes. Tulikivi's products are well-suited to modern energy-efficient building and modernisation methods and to supplement the heating systems of low-rise houses. As markets develop, Tulikivi will expand its operations to new product groups and new markets, through corporate acquisition if needed.

FINANCIAL TARGET FOR FIVE YEARS



- To attain organic growth in excess of 5 per cent a year
- To seek growth also through mergers and acquisitions
- To improve relative profitability by 2 percentage points a year
  - To have efficient production technology and quarrying operations
  - To be cost-efficient and to have product policies
  - To make efficient use of all resources
- Capital management
  - To improve stock turnover
  - To maintain the current level of investments
- Tulikivi will pay out a dividend equalling about one half of its annual earnings, while keeping its equity ratio at no less than 40 per cent

OUR VALUES

Courage is Tulikivi's most important value. It is evident in our decision-making ability, our confidence in our vision, our acceptance of facts and our determination to finish what we have started.

Of all of Tulikivi's values, the one that best characterizes the company is entrepreneurship -being proactive, goal-oriented, committed to targets and looking ahead.

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

Our business is founded on fair play. This means being honest with ourselves and putting our money where our mouth is.

TULIKIVI'S COMPETITIVE STRATEGY

Tulikivi's goal is to sell 20 000 branded fireplaces in 2011. The fireplaces are made with our own raw materials on a centralised and modular basis; they are environmentally friendly and complement customers' interiors. We sell them with the help of our highly committed partners in affluent market areas with a cold climate where the benefits of bioenergy are valued.

OWN RAW MATERIALS AND CENTRALISED PRODUCTION

We make efficient use of our raw materials, taking the entire production chain into consideration. We improve profitability by centralising operations.

A MODULAR AND ENVIRONMENTALLY-FRIENDLY PRODUCT LINE

Modularity of the product line means more effective production and sales. Our products are proven to be environmentally-friendly.

BRANDED FIREPLACES THAT COMPLEMENT INTERIORS

Our products are respected and meet high design standards. Our product line includes products that suit different needs.

MARKET

Consumers who value energy-efficiency, environmentally-friendliness and the comfort of wood heating.

PARTNERS

Committed dealers who consider Tulikivi their top product.

Year of Change

The year 2008 was a busy one for the Tulikivi Group. In the early part of the year the Group focused on bringing its costs into line with the weakening market situation. Following the vigorous flow of orders in the early months of the year, the volume of new construction on the Finnish market fell sharply. In central Europe the situation was rather better, as exports of Tulikivi fireplaces picked up quite briskly in the autumn on account of the higher consumer prices for energy and the timely onset of winter.

The effects of the financial crisis in the fourth quarter of the year were evident in the level of demand in all product groups.

The Tulikivi Group's net sales were down by about five per cent in 2008, to EUR 66.5 million. Thanks to the efficiency measures put in place, the company's pre-tax profit improved to EUR 2.1 million for the full year. The cash flow, which rose to MEUR 7.6 was also an indication of the success of the efficiency drive.

Despite a reduction in the number of personnel in 2008, the company has sought to treat its employees well. The focus on employee wellbeing has produced results. Absences have fallen by more than one percentage point, to 6.5 per cent, and a reduction has been achieved in the occupational accident rate.

FURTHER RENEWAL AND HARMONISATION OF OUR OPERATIONS

As well as looking for greater efficiency within the different units, we have also focused on making the entire Group's processes more efficient. The company now operates in a way that supports the development of our various processes very well. The work to develop our processes will provide a sound basis for the renewal of our information systems.

The aim is that, alongside our existing ISO 9001 quality management system, we should also obtain ISO 14001 certification for our environmental management system. Environmental matters have been well managed at Tulikivi, and in future we intend to be more active in issuing information on these matters.

Attention was also given to the quality of internal reporting during the year. Measuring all aspects of our operations as well as possible is essential for successfully developing these operations in the future.

COMPETITION STRATEGY

Tulikivi's goal is to sell 20 000 branded fireplaces in 2011, made from our own raw materials on a centralised and modular basis. Our fireplaces will all be environmentally friendly and attractively designed to complement customers' interiors. Sales of fireplaces will be targeted at affluent market areas with a climate suitable for their

use and where the benefits of bioenergy are valued, and will involve close collaboration with our highly committed partners.

TULIKIVI'S STRENGTHS IN A CHANGING OPERATING ENVIRONMENT

Our vision is based on Tulikivi's traditional strengths: a respected brand, differentiated products based on use of our own raw materials, and excellent product characteristics. In order to secure growth we will seek to expand our market area, focusing primarily on Russia and those European countries in which Tulikivi has no distribution at present.

Our aim is to increase net sales through our own products in preference to subcontracting. With this in mind, we will be increasing exports of Kermansavi products to Russia under the Tulikivi brand, and will be launching new product groups on the European market.

Emissions test requirements for products and the growing demands of consumers regarding various product characteristics will add to product development costs, especially in the international market. We firmly believe that this trend will favour the larger manufacturers in the longer run, and this is why we have sought to make our products more modular in nature, which has implications for the combustion technology and appearance.

The bioenergy sector has been evolving strongly in recent years, and energy savings have also been a key theme in construction. These trends must be taken into account in the development of new products. Though they also present a challenge for existing products, they do at the same time present development opportunities for entirely new product groups. Tulikivi's highly committed partners throughout its dealer network are in a position to provide valuable support for the company in its product development work in the constantly changing market.

TRADITIONAL ADVANTAGES MUCH APPRECIATED

It has been encouraging to see that Tulikivi's products have retained their competitive advantage very well in Europe, also among builders of modern, energy-efficient homes. In France and the Benelux countries, for instance, our fireplaces have achieved a reputation as excellent ”heat generators”. This level of appreciation has been reinforced by the recent uncertainties in energy distribution throughout Europe.

MORE SYNERGY FOR PRODUCT GROUPS

Key challenges for the future are the need for further synergy between the existing product groups, in both manufacturing and product development. The aim is that the benefits of our special expertise in ceramics and natural stone should be given greater attention in our fireplace designs. Ceramic production at Heinävesi will in future focus strongly on the needs of the Fireplaces Business.

IMPROVED PROFITABILITY BY CENTRALISING OPERATIONS

The company decided to launch a programme of profitability and centralisation measures at the end of January 2009, with the aim of securing profitability in the future, too. The programme is intended to achieve annual savings of approximately EUR 5 million. The programme will centralise the operations of the Fireplaces Business and Group administration, and product groups with poor profitability will be discontinued.

The current year, 2009, will be an exceptionally difficult one. Tulikivi has been going through a concentrated period of change in recent years, and the company's management and employees are firmly committed to developing Tulikivi's operations. Despite the challenging situation, we enjoy our work. I would like to warmly thank all our personnel and partners for their valuable efforts, and my thanks also go to all our shareholders for the past year.

Juuka, February 10, 2009

Heikki Vauhkonen, Managing Director

Fireplaces

Tulikivi Corporation's Fireplaces Business includes fire-places sold under the Tulikivi and Kermansavi brands and soapstone linings for European heater manufacturers. The Fireplaces Business includes product marketing and sales and the chain from product manufacture right up to customer delivery. It also includes R&D for the segment's products.

EXPORT MARKET

Exports of Tulikivi fireplaces grew over 15 per cent in 2008. The main fireplace export markets were France, Belgium, Germany and Russia. Other markets are Sweden, the Baltic countries, Switzerland, Austria, Italy, the Netherlands and North America. Sales increased in all of the principal export countries in the year under review, despite the declining economy, with most of the growth occurring in the latter part of the period. The underlying reason was the productive cooperation with importers and dealers. What is more, the modern and clean-burning Tulikivi line that was launched in 2006 has improved our competitiveness in the market. Concerns about the economy affected sales especially in Sweden, the Baltic countries and North America.

2006 was a record year in the European fireplace market, and the market actually overheated. Good sales figures were boosted by the rapid increase in energy prices. The rapid increase in the price and in some areas the actual shortage of wood, and the problems in the availability of installation capacity and certain materials attested to the overheated market. The overheating led to a shrinking market in 2007, with demand for fireplaces declining strongly, despite the fact that energy prices remained high and the economic situation was still very good. The decli-ne was also amplified by a mild winter. In 2008, the firep-lace market returned to its normal level.

Growth continued at an even pace in France, which is Tulikivi's principal export country. France still grants a considerable tax incentive for energy-saving measures but the incentive is not as substantial as it used to be. It is likely to remain in force until the end of 2009 and then be discontinued.

Tulikivi has further strengthened its solid market position in Belgium, thanks to excellent cooperation with the local importer.

An obvious upturn in sales took place in Germany despite the recession, although the fireplace market as a whole did not expand. Improvement of distribution channels and the tightening of networks were continued by seeking new partners.

Solid growth continued in Russia, with sales concentrated in the final part of the year, despite the increasing economic uncertainty. The growth was achieved in the metropolitan areas of St. Petersburg and Moscow as a result of the improved operations of our partners. Tulikivi reorganised its operations in Russia during the year, and

the company opened an import warehouse St. Petersburg. Russia will continue to be one of our most potential areas of growth. Tulikivi seeks to reinforce its position in the St. Petersburg and Moscow regions and expand its business to other key cities through its partner network.

FINNISH MARKET

Uncertainty hit the Finnish economy with force in October and November. There was also evidence of this in the outlook for construction. The forecast for low-rise house construction in 2009 fell from the earlier figure of 10 000 starts to about 8 000. However, almost 12 000 starts took place in 2008 while the number of starts in the record years of 2005 and 2006 was as high as 16 000. Renovation of flats and houses is expected to increase, despite the uncertain economic outlook.

According to our estimate the fireplace market declined more than 10 per cent in 2008. Less than half of the fireplaces sold each year in Finland go into new buildings and correspondingly, just over half go into renovated ones. Tulikivi's Kermansavi brand is more popular with new builders and Tulikivi with renovators.

Tulikivi's fireplace sales in Finland decreased more than 15 per cent in 2008. This drop in sales concentrated heavily on the latter part of the year. Sales of Kermansavi products decreased considerably more than sales of Tulikivi fireplaces. The main reason for the poor sales was the rapidly increasing economic uncertainty and the decline in new building.

Tulikivi continued to develop its distribution channel systematically. The Tulikivi Showrooms have a clear concept for visibility, look and operation. In addition to fireplaces, the Showrooms provide a comprehensive service which includes site visits, consultation and design services, including applications for any permits that are needed, installation of all products, removal of old fireplaces, flue solutions, fireplace accessories and service of previously purchased fireplaces.

At the end of the year, Tulikivi fireplaces were sold at 35 Tulikivi Showrooms and almost 30 Tulikivi Service Points that supplement the network of showrooms. Most Tulikivi Service Points are located in hardware stores. The Service Points have a small fireplace display based on the concept's requirements and a salesperson with sufficient expertise. The number of Service Points will continue to be increased rapidly, especially in smaller towns and rural centres. The aim is to reach renovators more successfully.

LINING STONES

Variation in demand for fireplaces in Europe and especially Germany has had a direct impact on the sales of lining stones for Tulikivi heaters. In 2006, sales of lining stones increased nearly 150 per cent, but fell by a third in 2007 and another third in 2008. The decrease in sales in 2008 was heavily concentrated on the early part of the year, while in the latter part they were significantly higher than a year before.

PRODUCTION

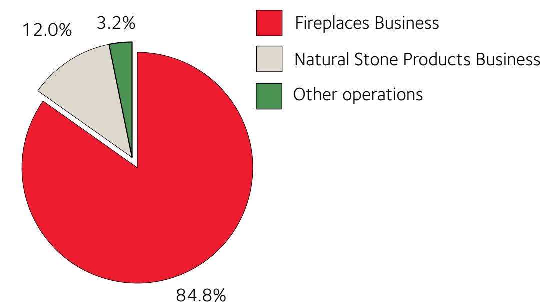
At the beginning of the year, fireplace production was terminated in Kuhmo and the third production shift was discontinued in Suomussalmi. However, this did not remove all overcapacity in production, which mainly affected the early part of the year. Capacity was adjusted with temporary lay-offs. Tulikivi makes tiled stoves in Heinävesi, Tulikivi fireplaces in Juuka and lining stones in Suomussalmi and Juuka.

In addition to measures taken to reduce personnel costs, production has been improved on a wide scale. The benefits of the measures will mostly be realised in the near future. We have improved productivity by rationalising manufacture and products, increasing the utilisation rate of machinery by improving maintenance and break practices, paid special attention to warehousing and the capital committed to warehouses, management practices, metering and follow-up. We have also paid close attention to occupational safety.

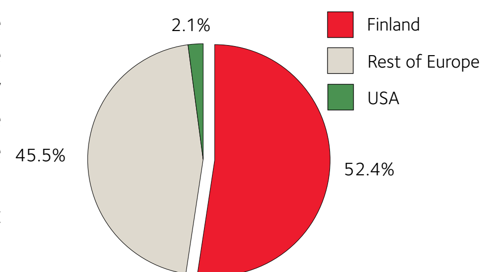
PRODUCT DEVELOPMENT

The CE standard for heat-retaining fireplaces entered into force in Europe at the beginning of 2008. The standard must be implemented by the end of a two-year transition period, i.e. by the beginning of 2010. Tulikivi was the first manufacturer to implement the CE marking for heat retaining fireplaces in part of its product line during the spring of 2008. During 2008, product development focused on developing the entire collection to meet future emission regulations in different market areas and improving the manufacturability of products. This has required extensive testing programmes. During the first half of 2009, our entire collection, excluding a small number of products, will have the CE marking.

NET SALER PER BUSINESS AREA, %



NET SALES PER GEOGRAPHICAL AREA, %



Natural stone products

Natural stone is a durable and environmentally-friendly material that is perfect for many uses in the home, from kitchen and bathroom tops to flooring and for wall and stair cladding. Tulikivi's range of natural stone includes soapstone, granite, marble, limestone, travertine and slate.

In addition to interior decoration stone products, the Natural Stone Products Business includes paving stones and stone deliveries to construction sites to be used in facades, floors, stairs and walls. Paving stones are ideal for paths, borders, patios and stairs and for cladding walls, plinths, stairs and fences.

Tulikivi's natural stone factories are located in Taivassalo, Espoo and Juuka. The Taivassalo factory produces granite kitchen countertops and building stones. The Espoo factory makes kitchen and bathroom tops out of granite, marble, soapstone and limestone. Soapstone tiles are made in Juuka. Our main market for natural stone products is Finland. Roughly ten per cent of our products are exported, mostly to Sweden and Norway.

THE POPULARITY OF INTERIOR DECORATION STONES CONTINUES TO INCREASE

Interior decoration stones contribute to more than 80 per cent of the Natural Stones Products Business's sales. In 2008, we successfully enlarged both our retailer and partner networks and motivated our existing dealers. In addition, our active collaboration with interior designers and architects has also brought good results. We update the colours, tile sizes and surface finishes of the decoration stone range every year.

During 2008, we signed new dealer and chain agreements, continued the development of the overall interior decoration stone concept, intensified production and offer-delivery processes and actively trained dealers and enhanced their sales skills. Within the scope of interior decoration stones we offer measurement and installation services for kitchen countertops, adhesives and grouting for tiles, caring and protective products, cleaning products in various strengths, stone samples and training material.

BETTER PROFITABILITY THROUGH GREATER OPERATING EFFICIENCY

In 2009, the target of the Natural Stone Products Business is continued growth and improved profitability. Improving operating efficiency is key: balanced loading of production, greater efficiency in purchasing, and the most efficient use of raw materials as possible. The main focus will be in interior decoration stone products. We will also continue to train dealers and partners, improve sales work, and carry out active marketing and personnel development.

Utility ceramics

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

Tulikivi's utility ceramics market is Finland. It is the only Finnish manufacturer whose products are made entirely in Finland. Production takes place at the company's Heinävesi plant in a manufacturing process largely shared with ceramic tile production for the company's fire-places. All Kermansavi products have been granted the right to display the Association of Finnish Work's 'Made in Finland' Avainlippu label and they meet the requirements of the Ministry of Trade and Commerce (now Ministry of Employment and the Economy) decree 165/2006 and the EC regulation 1935/2004, which deal with materials and articles intended to come into contact with food.

COOPERATION WITH FINNISH DESIGNERS

Increasing imports of low-cost utility ceramics, the private label products of major retail chains and a strengthening in the position of Finnish producers have further tightened competition in 2008. Sales growth fell short of expectations in the year under review, therefore measures have been taken to adjust production accordingly.

Cooperation with young Finnish designers plays a central role in product development. In spring, we launched a service designed by Paola Suhonen and entitled Saimaa. In autumn, we launched a children's service entitled Karuselli and illustrated by the designer Elina Keltto. We also discontinued products that had poor turnover and were unprofitable.

EXPANSION OF DISTRIBUTION CHANNEL

In 2008, we focused on adding specialist shops to our distribution channel. The Tulikivi Shop online store also came into its own as a distribution channel. In the case of the major retail chains, which are our principal distribution channel, we focused on improving product selection, presentation and brand visibility.

We will continue to develop the utility ceramics range. We will seek improved operational synergy with tile manufacturing and adjust costs to sales. We will continue to expand the distribution channel and increase sales volume with campaign products. In product development, we will continue our cooperation with young Finnish designers.

Corporate Responsibility

Tulikivi's operations are guided by the company's values. The company complies with laws and statutes in every facet of its work. We act responsibly towards our stakeholders, of whom the most important are our customers, personnel, shareholders and cooperation partners, both in Finland and abroad.

CLEANER-BURNING FIREPLACES FOR FINLAND

The 'Cleaner-burning fireplaces for Finland' programme launched by Tulikivi in autumn 2007 continued in autumn 2008 with another expert seminar arranged by the company. Through the program, Tulikivi aims to promote a cleaner environment in various ways by increasing public awareness of the following: correct wood burning techniques, the potential for increasing the use of firewood, and the new, environmentally-friendly options created by firebox solutions that are based on modern technology.

In conjunction with the seminar, Tulikivi's Managing Director, Heikki Vauhkonen, proposed a state subsidy model for Finland corresponding with those applied by France and Italy, where the state grants an investment subsidy to consumers for the purchase of a wood-burning fireplace. This is done to promote the consumption of bioenergy by private households.

As part of the 'Cleaner-burning fireplaces for Finland' programme, Tulikivi used various means, such as meetings, to inform those with influence, i.e. politicians and public servants of the programme goals.

ENVIRONMENTAL RESPONSIBILITY

Environmental issues are part of everyday working life in the Tulikivi Group, and we take note of these issues at the strategy planning stage, in making long-term action plans, and in defining annual focus areas.

We pay attention to environmental issues in our products' lifecycles throughout the entire design of production chain and in product development, and also during quarrying, product manufacture, and end use.

Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified sub-areas. Environmental issues are now a part of business management. The company has started to expand its ISO 9001-standard-compliant quality management system to also cover the requirements of ISO 14001, the environmental system standard. Tulikivi is preparing for the certification of the Group's environmental activities in 2009. The aim of environmental work is to improve the company's ability to use natural resources sparingly as well as to manage processes and products eco-efficiently in order to minimize their environmental loading. The Group complies with the environmental legislation and norms that concern its operations and seeks to engage in anticipatory environmental work to meet the Group's internal requirements and the challenges posed by stake-holders.

The most notable environmental projects of 2008 were the commencement of construction at the soapstone quarry in Vaaralampi, Juuka, and the construction of the related Huutojoki channel. The environmental permit for the Vaaralampi mining patent was granted in March 2008.

The environmental permit decision includes requirements regarding such matters as reduction of noise disturbance arising from the operation and reduction of damage to water systems caused by the quarry's wastewaters, and the arrangement of waste management for all quarrying waste produced. Quarrying in Vaaralampi is scheduled to start in 2010.

During 2008, a decision was passed by the Vaasa Administrative Court regarding the new environmental permit for Tulikivi's mining patent, and an environmental permit application for the Heinävesi plant was submitted for handling. Once the environmental permit has been granted, environmental measures can be commenced at the Heinävesi plant in 2009. There are no changes in environmental permits for other mining patents.

FINANCIAL RESPONSIBILITY

Tulikivi's financial results are reported on in interim reports and the financial statements. The result of operations is reported on simultaneously, truthfully, 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 fulfil its obligations as a responsible employer.

In 2008, the Tulikivi Group introduced a new incentive system. Its fundamental component is the incentive pay scheme, based on the achievement of the Group's earnings, productivity and personal targets. This scheme covers all employees and replaces prior incentive plans. The incentive plan also includes a share-based incentive plan for key personnel.

SOCIAL RESPONSIBILITY

In 2008, the Tulikivi Group's personnel structure has changed to correspond with the development of net sales. As a result of the codetermination negotiations that were concluded in January 2008, 67 people were made redundant. Five fixed-term employment contracts ended during the year. A further 13 employment contracts were ended due to employees changing their job or going to study.

Even though large numbers of people retiring will not be an issue in the near future owing to the company's personnel structure, the company's personnel strategy has made preparations for this by surveying personnel well-being and creating a personnel well-being promotion plan. The largest number of people will retire within the next 5-9 years at Juuka.

The first group of participants in the Tulikivi management training program that was launched in 2007 – a combination of group and individual training aimed at the company's young managers – completed their training in 2008. The training program will continue with new participants in autumn 2009.

Tulikivi Corporation has signed a cooperation agreement with the North Karelia Adult Education Centre, part of the North Karelia Educational Federation of Municipalities. Tulikivi harnesses the regional education provider's competence in planning and carrying out its personnel training. This will help to ensure availability of skilled personnel in the future. The Adult Education Centre compiles the information on training needs and analyses it using the competence matrix/training register, carries out competence surveys and, on the basis of these, prepares a training plan and a training program together with Tulikivi.

In 2008, development discussions were made an integral part of Tulikivi's supervisory and managerial work. All supervisors were trained to carry out development discussions. The supervisors were encouraged to carry out these discussions by linking their personal performance bonuses with the documented successful completion of the discussions.

The team that was established to launch the comprehensive wellbeing programme in the Group completed its work in 2008. As a result of this work, a model based on anticipatory management of well-being at work was introduced under the title 'Työkuntoon' (In shape for work). The aim of the model is to increase control of work incapacity risks and reduce the costs related to them. In a pilot project launched in Juuka, Espoo and Helsinki, occupational health care services were expanded to also cover medical treatment.

Development of occupational safety was continued with good results. At all the company's plants, production supervisors and the occupational safety organisation received training to promote occupational safety oriented thinking. Regular safety rounds by occupational safety supervisor-employee pairs, risk evaluation and reporting of near-miss situations were introduced. At the end of 2008, this frequency was 26 accidents per one million working hours.

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

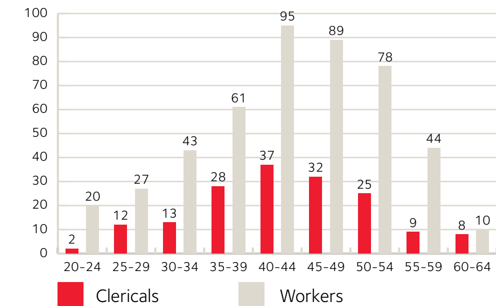
COMMUNITY SPIRIT

The Tulikivi Group's head office is located in Juuka, Northern Karelia, and the company plays an active social role in the area. Besides Juuka, Tulikivi also has operations in Heinävesi, Suomussalmi, Taivassalo and Espoo. Being local is an important part of Tulikivi's identity.

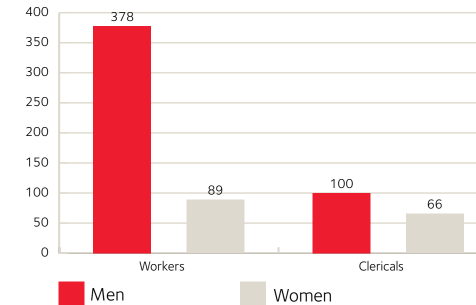
The primary recipient of Tulikivi's sponsorship is the Finnish Stone Centre in Juuka and its exhibitions. In 2008, the Stone Centre's main feature was the Fabergé exhibition, which attracted over 25 000 paying customers. The theme of the 2009 exhibition is 'Imperial Period in Finland'. The Stone Centre has four main missions: raising the profile of stone, stone research, teaching stone construction and encouraging entrepreneurship in the stone business. Tulikivi also sponsors selected sports and hobbies for children and young people in the municipalities where its plants are located.

Tulikivi Corporation is a member of numerous organizations and forums, such as: the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, FINBIO - the Bioenergy Association of Finland, the Fine Particle Forum, the Finnish Family Firms Association, the Finnish Chamber of Commerce, Finnpro, TTS (Work Efficiency Institute), North Karelia Enterprise Agency, the Finnish Society of Indoor Air Quality and Climate (FiSIAQ), the Association for Finnish Work, the Finnish Natural Stone Association, Euroroc and the Tulisija- ja savupiippuyhdistys TSY (Fireplace and Chimney Association).

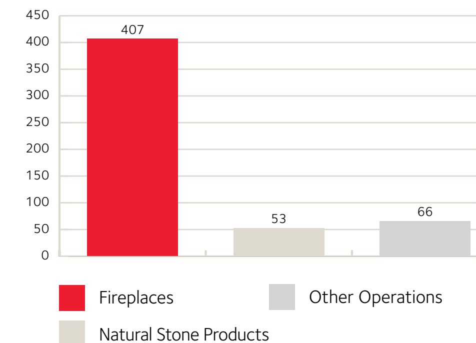
AGE DISTRIBUTION OF PERSONNEL, DECEMBER 31, 2008



GENDER DISTRIBUTION, 2008



PERSONNEL PER SEGMENTS



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.

Central European importer sets up showroom to boost Tulikivi sales

Dutry & Co. imports Tulikivi products to Belgium, the Netherlands and France. The company operates in these countries through a network of 67 dealers. In the autumn of 2008, Dutry made a major pitch by opening one of the world's largest Tulikivi Showrooms in Vichte, Belgium. More than 40 Tulikivi fireplaces are exhibited in the sizeable premises. The showroom also boasts 'Gigantico', the biggest and heaviest Tulikivi fireplace ever built. This custom-built product is made out of 23.5 tons of massive soapstone.

Focusing on occupational safety has paid off

Tulikivi Corporation participates in the nationwide 'Accident Count: Zero' ('Nolla tapaturmaa') forum, whose members share their best practices with one another to promote occupational safety. During the year, Group-wide occupational safety objectives, plans, procedures and indicators were introduced at all Tulikivi production sites. Supervisors and occupational safety personnel received training in occupational safety-related responsibility, risk evaluation and anticipatory risk management. The concept of occupational safety working pairs was introduced in active production use to provide members of the working community with up-to-date information on workplace safety hazards and risks.

At Tulikivi, every incident requiring first-aid counts as a work accident. In 2008, there were 26 accidents per one million working hours, compared with 37 in 2007. Moreover, the accident severity rate has decreased substantially. On average, each work accident in 2008 resulted in a loss of 1.3 workdays, while the previous year's figure for workdays lost was 5.1.

Saimaa tableware set, designed by Paola Suhonen

The Saimaa tableware set, with its elegant shapes, eye-catching colours and beautiful embossment, was created for the Kermansavi brand by innovative Finnish designer Paola Suhonen. Tulikivi's R&D personnel worked closely to convert Paola Suhonen's designs into tangible products. The Saimaa set combines age-old pottery skills with modern technology. The tableware set was launched in spring 2008. It was designed and is manufactured in Finland. The production takes place at Tulikivi's Heinävesi plant.

Nammi combines the best in soapstone and ceramic fireplaces

Nammi was Tulikivi's most important new fireplace of 2008. Active product development combined the best features of Tulikivi and Kermansavi fireplaces and created Nammi. Nammi has soapstone on the inside and ceramic on the surface, and comes in four colour choices. The soapstone core guarantees a slow and smooth heat release, while the newest combustion technology ensures clean burning. The beautiful ceramic surface comes in various colour options to provide more choice for the fireplace appearance. The tiles were designed by Ristomatti Ratia. The Nammi design is one of clear lines, and it features a handsome rectangular glass door providing a view of the mesmerising flames. Nammi, like the entire Tulikivi 2006 range, has been awarded the Allergy and Asthma Federation's Allergy Label.

Tulikivi Corporation's Board of Directors

MATTI VIRTAALA, Chairman of the Board (b.1951)
B.Sc. (Eng.), President of Abloy Oy to 31 December 2008. 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, 1987–2008.

Tulikivi Corporation share ownership:
Series K shares 1 460 000
Series A shares 961 300

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.

Other key 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: Tulikivi U.S. Inc, Vice President, 1997-2001; Tulikivi Corporation: Marketing Director of the Fireplace Business, 2002–2007, Managing Director 2007-.

Tulikivi Corporation share ownership:
Series K shares 2 957 000
Series A shares 46 887

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, Member of the Legal Affairs Committee of Conferedation of Finnish Industries EK.

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 1 334 327

BISHOP AMBROSIUS, (b. 1945)
M.A. (Theo.), B.Sc. (Soc. Sc.) Metropolitan of Helsinki. 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 of Oulu, 1996–2002. Metropolitan of Helsinki 2002-.

Tulikivi Corporation share ownership:
Series A shares 19 527

JUHANI ERMA, (b. 1946)
LL.Lic. (trained on the Bench), Senior Advisor at Attorneys at law Borenius & Kemppinen. Member of the Board of Directors of Tulikivi Corporation since 2000.

Other key positions of trust: Board Member of Oral Hammaslääkärit Plc, Vice Chairman of the Panel on Takeovers and Mergers at The Central Chamber of Commerce of

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.

Finland, Board Member of Hallitusammattilaiset ry (the Finnish Association of Professional Board Members), 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 Unitas 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 Borenius & Kemppinen Ltd, 2002–.

Tulikivi Corporation share ownership:
Series A shares 31 527

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, Chairman of the Board of Elematic Ltd.

Primary work experience: Site Manager at Vesi-Seppo Ky, 1973–1975; Regional Manager at Vise Ky Saudi-Arabia, 1976–77; Construction Industry Manager at Oy Wilhelm Schauman Ab, 1979–1983; Kauhajoki House Factory Manager at Rauma-Repola Oy, 1983–1985; Managing Director of 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 19 527

MAARIT TOIVANEN-KOIVISTO, (b. 1954)
M.Sc. (Econ.). Professional Development Diploma. Vuorineuvos (honorary title of mining counsellor), 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 delegation of the Finnish Family Firms Association, Vice Chairman of the Board and Member of the Delegation of the Central Chamber of Commerce, Vice Chairman of the Helsinki 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: Purchasing and sales at Onninen Oy, 1978–1980; Store Manager at Elektro–Sähkö Oy, 1980–1984; 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 56 181

Corporate Governance

Tulikivi Corporation and its subsidiaries comply with the Finnish Corporate Governance Code for listed companies that takes effect on 1 January 2009, with the exception of recommendation 22 of the Code, under which the Board elects committee members and chairmen from among its members. The exception and the reasons for it are discussed in greater detail under item 'Board of Directors´/ Nomination Committee.

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 21 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 following information shall be made available on the company website at least 21 days before the general meeting: the total number of shares and voting rights according to classes of shares at the date of the notice, the documents to be submitted to the general meeting, a proposal for a resolution by the board or another competent body, an item on the agenda of the general meeting with no proposal for a resolution.

The auditor proposed by the board or the audit committee shall be reported in the notice of meeting. If the Board does not know who the auditor is at the time of sending the notice of annual general meeting, the candidacy must be publicised separately. The proposal for board members shall be included in the notice of the general meeting when the proposal is made by the nomination committee or the candidate is supported by shareholders with at least 10 % of the votes carried by the company shares, provided that the candidate has given his/her consent to the election. The candidates proposed after execution of the notice of the general meeting shall be disclosed separately. The company will report the biographical details of the candidates for the board on its website.

The minutes of the general meeting including the voting results and the appendices of the minutes that are part of a decision made by the meeting, shall be posted on the company website within two weeks of the general meeting.

BOARD OF DIRECTORS

The board is responsible for the administration and the proper organisation of the operations of the company. The board supervises and controls the operative management of the company, appoints and dismisses the managing director, 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, ratifies the company's vision and the values that are to be followed in its operations, approves the company's organization model, approves and publishes interim reports, annual reports and financial statements and specifies the company's dividend policy and convenes the annual general meeting. The duty of

the board is to promote the best interest of the company and all its shareholders. A director does not represent the interests of the parties who have proposed his or her election as director. Chapter 6, section 2, of the Limited Liability Companies Act lays down the duties of the Board of Directors. The Board draws up written rules of procedure for its activities, and the key content of these rules is explained in the annual report and the company's website. The general duty of the chairman of the Board of Directors is to lead the Board's work and carry out separately agreed tasks.

The Board of Directors shall have no less than five and no more than seven members. The Annual General Meeting elects the members for terms of one year. The members of the board of the group's parent company also serve as members of the boards of the group's business subsidiaries, if the board has not made any other decision.

Effective discharge of the duties of the board may require that board committees are established. The company has a nomination committee and it can have audit committee and remuneration committee. The Board will appoint the members and chairmen of the committee. The Nomination Committee has three members. One member of the Nomination Committee may be elected from outside the Board of Directors. The reason for the deviation from the Corporate Governance Code is that in view of the company's ownership structure and stage of development, it is appropriate to aim for a Nomination Committee composition that reflects the owners' views directly, from outside the Board, while at the same time guaranteeing a sufficiently wide range of contacts via which suitable Board candidates can be found. The duties of the nomination committee are preparation of a proposal for election of directors to be presented to the general meeting, preparation of matters relating to the compensation of directors and succession planning of directors. The members of the nomination committee are Ahti Hirvonen, Reijo Vauhkonen and Matti Virtaala. The chairman of the committee is Reijo Vauhkonen. In 2008, the Nomination Committee convened 3 times.

At Tulikivi Corporation's Annual General Meeting held on April 17, 2008, 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. 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 is EUR 15 600, of which 60 per cent will be paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Each Board member received 4 148 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 will be paid a EUR 6 240 monthly fee and the director serving as secretary to the Board of Directors a EUR 728 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 2008, the company's Board of Directors convened 13 times. The average participation rate of Board members in these meetings was 92.3 per cent.

MANAGING DIRECTOR

The Managing Director attends to the day-to-day management of the company as specified in the instructions and regulations issued by the Board of Directors. The Managing Director may take action which is unusual or far-reaching considering the extent and type of the company's activities only with the authorisation of the Board, or if waiting for the Board to provide authorisation would cause substantial damage to the activities of the Board. In the latter case the Board must be informed of the action taken as soon as possible. The Managing Director must see to it that the company's accounts meet the requirements of the law and that its finances have been settled reliably. The Managing Director is responsible for line operations, the implementation of the budget, the company's financial result, the activities of his subordinates and for keeping the board fully informed of the company's situation and operating environment. Chapter 6, section 17, of the Limited Liability Companies Act lays down the duties of the Managing Director. A written agreement of the terms and conditions of the managing director's employment is drafted with his participation and approved by the board.

The company's Managing Director is Heikki Vauhkonen. 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 salary of the Managing Director, including bonuses, amounted to EUR 211 405. 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 Management Group, whose members are managing director and directors of business areas and the corporate communications director (on maternity leave in 2008) and the financing director.

INCENTIVE PLANS

The Managing Director and Management Group have a

reward system and the Board decides on the calculation method and amount of these rewards each year. The reward system's principles and decision-making process are outlined in the annual report and on the Internet. Tulikivi Corporation has an incentive plan which includes a share-based incentive plan for key personnel of the company / its business areas and an incentive pay scheme for all personnel.

Share-based incentive plan

The Plan includes three earning periods which are calendar years 2008, 2009 and 2010. The potential reward from the Plan for the earning period 2008 will be based on the Group's profit after financial items and cash flow from operating activities. The potential reward from the earning period 2008 will be paid partly as the Company's A shares and partly in cash in 2009. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. It is prohibited to transfer the shares during the two year restriction period. If a key person's employment or service ends during the restriction period, he/she must return the shares given as reward to the Company without compensation. Furthermore, a key person must own 30% of the shares earned on the basis of the Plan for two years after the restriction period. A maximum total of 120 000 Tulikivi Corporation A shares and a cash payment corresponding to the value of the shares will be paid as reward on the basis of the earning period 2008. A maximum total of 360 000 A shares and a cash payment corresponding to the value of the shares will be paid as reward on the basis of the entire Plan.

The 2008 profit/cash flow entitled to 10 per cent of the maximum reward of the incentive plan. Based on the terms of the plan Series A shares will be granted to those participating the plan, in total 9 800 shares.

Incentive pay scheme

The incentive pay scheme is based on the achievement

of the Group's earnings, productivity and personal targets. This scheme covers all personnel and replaces prior incentive plans.

RIGHT TO REPRESENT THE COMPANY

The company and its subsidiaries are represented by the Chairman of the Board of Directors and the Managing Director, each acting alone. Others entitled to represent the company always represent the company with another person entitled to represent.

REPORTING SYSTEM

The Managing Director reports to the Board every month on the operations and results of the Group and business units and any divergence from the budget (monthly report), every quarter on operating profit based on inventories and otherwise, immediately on fundamental changes to the operating environment. The units report according to the internal reporting system.

INSIDERS

Tulikivi Corporation complies with the Guidelines for Insiders of the NASDAQ OMX Helsinki Ltd. The Board of the company appoints a person in charge of insiders. The company´s insider register is maintained by Euroclear Finland Ltd.

INTERNAL AUDITING AND RISK MANAGEMENT

The board ensures that the company has defined the operating principles of internal control and monitors the function of such control. Risk management is part of the company's control system. The purpose of risk management is to ensure that the risks related to the business operations of the company are identified, evaluated and monitored. The company has defined the 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. 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.

The auditors, besides the statutory audit, have performed extended audit procedures on areas determined by the Board of Directors. Related findings have been regularly reported to the Board of Directors and to the Managing Director.

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 has been KPMG Oy Ab, Authorized Public Accountants. In 2008, the auditing firm were paid a total of EUR 67 000 salaries and fees by the Group, of which the audit accounted for EUR 36 093.

ENVIRONMENTAL POLICY

Engaging in mining activities requires the forming of a mining concession and an environmental permit. Production activities require an environmental permit. Mining operations are regulated by the Mining Act and environmental legislation. The director in charge of quarrying is responsible for making sure that mining permits are valid and up-to-date.

Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified sub-areas. The goal of its environmental work is the economical use of natural resources and the management of processes and products so that there is as little environmental loading as possible. The Group complies with the environmental legislation and norms that concern its operations and seeks, through continuous improvement of operations, to engage in anticipatory environmental work to meet the Group's internal requirements and the challenges posed by stakeholders. The Group acknowledges and is aware of its responsibility as an environmental operator.

COMMUNICATIONS

The company has rules of procedure for communications, which define the persons responsible for internal, external and crisis communications and the persons with the right to speak on behalf of the company. The Financing Director is responsible for compliance with rules concerning stock exchange releases.

Tulikivi Corporation´s Corporate Governance code in full and 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 and other investor information are posted on the site immediately after their publication.

Tulikivi's Managent 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: Tulikivi U.S. Inc, Vice President, 1997-2001; Tulikivi Corporation: Marketing Director of the Fireplace Business, 2002-2007, Managing Director 2007-.

Tulikivi Corporation share ownership:
Series K shares 2 957 000
Series A shares 46 887

JUHA SIVONEN, (b. 1962)
M.Sc. (Civil Eng.). Marketing 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 Tulisija- ja savupiippuyhdistys TSY ry (Fireplace and Chimney Association).

Primary work experience: Suomen Vuolukivi Oy: Development Engineer 1987–1988, sales engineer, 1988–1989 and Production Manager, 1989-1990; The New Alberene Stone Co Virginia, USA, Project Manager 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: Member of the Board of the Finnish Natural Stone Association.

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

The members of the Management Group from left to right:

Heikki Vauhkonen, Juha Sivonen, Jouko Toivanen,

Mirja Vänttinen, Anu Vauhkonen and Arja Lehikoinen.

MIRJA VÄNTTINEN, (b. 1965)
MBA, Marketing Certificate from The Institute of Marketing, business college degree. Product Group 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: Member of the Board of Leppävirran Matkailukeskus Oy.

Primary work experience: 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 LEHIKOINEN, (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

Information for Shareholders

ANNUAL GENERAL MEETING

The Annual General Meeting of Tulikivi Corporation will be held in the Kivikylä auditorium in Nunnanlahti, Juuka, on March 31, 2009, 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 10, 2009. 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 March 21, 2009 at the latest has been registered in the company's shareholder list that is maintained by Euroclear Finland Ltd. Shareholders who wish to attend the Annual General Meeting must notify the company thereof by March 21, 2009, 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 2008:

On Series A shares	0.0280/share
On Series K shares	0.0263/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 Euroclear Finland Ltd. The record date for the dividend payout is April 3, 2009. The Board of Directors proposes to the Annual General Meeting that the dividend payout date be April 14, 2009.

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 2009:

Financial statement bulletin for 2008	February 10, 2009
Annual Report for 2008	week 12
Interim Report for January-March	April 21, 2009
Interim Report for January-June	July 21, 2009
Interim Report for January-September	October 20, 2009

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

The Annual Report is mailed to all shareholders. Financial reports are posted on the company's site, www.tulikivi.com, on their day of publication. Reports may also be ordered by emailing tulikivi@tulikivi.fi, by writing to the address Tulikivi Corporation / Financial Reports, FI-83900 Juuka, or by telephoning +358 207 636 211. If you have questions concerning investor relations, please contact the company's Financing Director Arja Lehikoinen at tel. +358 207 636 260.

Analysts following Tulikivi Corporation:
Petri Karhunkoski / eQ Bank Ltd
tel. +358 9 6817 8487, petri.karhunkoski@eq.fi;
Antti Koskivuori / Evli Equity Research,
tel. +358 9 4766 9773, antti.koskivuori@evli.com and
Matias Rautionmaa / Pohjola Bank,
tel. +358 10 252 4408, matias.rautionmaa@pohjola.fi.

Tulikivi Corporation's Stock Exchange releases and announcements 2008

30.12. Share repurchase 30.12.2008
29.12. Share repurchase 29.12.2008
23.12. Share repurchase 23.12.2008
12.12. Tulikivi Corporation continues to buy back Tulikivi shares
11.12. Tulikivi Corporation's General meeting and Financial Releases in 2009
27.12. Share repurchase 27.11.2008
25.11. Share repurchase 25.11.2008
24.11. Share repurchase 24.11.2008
21.11. Share repurchase 21.11.2008
20.11. Share repurchase 20.11.2008
18.11. Share repurchase 18.11.2008
17.11. Share repurchase 17.11.2008
14.11. Share repurchase 14.11.2008
13.11. Share repurchase 13.11.2008
12.11. Share repurchase 12.11.2008
11.11. Share repurchase 11.11.2008
10.11. Share repurchase 10.11.2008
7.11. Share repurchase 7.11.2008
6.11. Share repurchase 6.11.2008
5.11. Share repurchase 5.11.2008
4.11. Share repurchase 4.11.2008
3.11. Share repurchase 3.11.2008
30.10. Share repurchase 30.10.2008
21.10. Interim Report 01-09/2008
3.10. Share repurchase 3.10.2008
2.10. Share repurchase 2.10.2008
1.10. Share repurchase 1.10.2008
30.9. Share repurchase 30.9.2008
29.9. Share repurchase 29.9.2008
26.9. Share repurchase 26.9.2008
22.9. Share repurchase 22.9.2008
19.9. Share repurchase 19.9.2008
17.9. Share repurchase 17.9.2008
16.9. Share repurchase 16.9.2008
15.9. Share repurchase 15.9.2008
11.9. Share repurchase 11.9.2008
10.9. Share repurchase 10.9.2008
8.9. Share repurchase 8.9.2008
5.9. Share repurchase 5.9.2008
4.9. Share repurchase 4.9.2008
3.9. Share repurchase 3.9.2008
2.9. Share repurchase 2.9.2008
1.9. Share repurchase 1.9.2008
29.8. Share repurchase 29.8.2008
28.8. Share repurchase 28.8.2008
26.8. Share repurchase 26.8.2008
20.8. Share repurchase 20.8.2008
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18.8. Share repurchase 18.8.2008
15.8. Share repurchase 15.8.2008
14.8. Share repurchase 14.8.2008
13.8. Share repurchase 13.8.2008
12.8. Share repurchase 12.8.2008
7.8. Share repurchase 7.8.2008
5.8. Share repurchase 5.8.2008
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22.7. Interim Report 01-06/2008
22.7. Tulikivi Corporation starts share buyback
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17.3. Annual Report 2007
6.3. Summons to the Annual General Meeting of Tulikivi Corporation
26.2. Tulikivi Corporation Company Announcement 2007
6.2. Financial Statement 1-12/2007
6.2. Annual General Meeting
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Board of Directors' Report and Financial Statements of Tulikivi Corporation for Year 2008

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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, 2008.

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

The consolidated financial statements are presented in thousands of euros.

BUSINESS ENVIRONMENT
Economic outlook in the Group's main market areas, and also more widely, weakened rapidly during the year ended, drifting into recession in autumn. Fireplace market developed in a two-fold way. Housing construction fell significantly as uncertainty among consumers increased, which resulted in decline in demand for fireplaces in Finland and partly in neighbouring countries. Fireplace exports to Central Europe grew compared to the previous year, fuelled primarily by rising consumer energy prices. Demand for products as a whole declined compared to the previous year. Downsizing measures were fairly successful and the Group's financial position remained stable. Development projects were carried out in accordance with the original plans.

NET SALES AND RESULT
The 2008 net sales of the Tulikivi Group were EUR 66.5 million (EUR 69.9 million in 2007). The net sales of the Fireplaces Business was EUR 56.4 (59.7) million, of the Natural Stone Business EUR 8.0 (7.4) million and of Other Operations EUR 2.1 (2.8) million.

Net sales in Finland accounted for EUR 34.9 (38.3) million, or 52.4 (54.8) per cent, of total sales. Exports accounted for EUR 31.6 (31.6) million. The largest countries for exports were France and Germany.

The Group's operating profit was EUR 3.2 (1.0) million. The Fireplaces Business posted an operating profit of EUR 6.5 (4.4) million and the Natural Stone Products Business posted an operating profit of EUR 0.3 (0.4) million and Other Operations an operating loss of EUR -3.6 (-3.8) million. The result for Other Operations includes losses of EUR 0.4 million from ceramic utensils, of which impairment losses accounted for EUR 0.3 million.

The Group's profit before taxes was EUR 2.1 (0.2) million and net profit was EUR 1.4 (0.4) million. Consolidated return on investments was 6.8 (2.5) per cent. Earnings per share were EUR 0.04 (0.01).

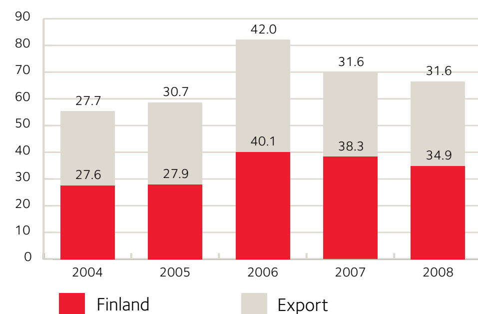
Consolidated net sales in the fourth quarter were EUR 18.3 million (EUR 16.8 million in October-December 2007) and profit before taxes was EUR 0.9 million (loss of EUR -1.2 million).

CASH FLOW AND FINANCING
Cash flow from operating activities before investments amounted to EUR 7.6 (2.5) million. The Group´s financial situation is good, Current ratio was 2.0. Equity ratio was 41.2 (43.9) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 55.1 (64.7) per cent. The equity per share amounted to EUR 0.73 (0.74). Financial income for the period was EUR 0.2 million and financial expenses EUR 1.4 million. Financial expenses include a negative change in the fair value of interest rate swaps of EUR 0.2 million.

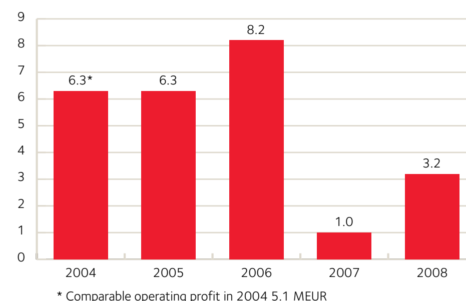
INVESTMENTS AND PRODUCT DEVELOPMENT
The Group's investments totalled EUR 2.9 (5.3) million. The major investments were the opening of new quarries as well as conversion and replacement investments made in fireplace and ceramic production.

R&D expenditure totalled EUR 1.8 (1.6) million, representing about 2.7 (2.3) per cent of sales. The main focus of product development was on converting the fireplace range to use the whirlbox technology. When the development project is brought to its completion in 2009, all Tulikivi products will have the CE marking.

DEVELOPMENT OF THE SALES, MEUR

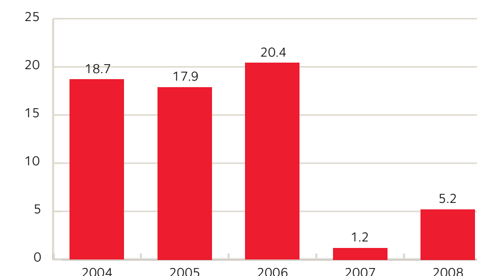


OPERATING PROFIT, MEUR



* Comparable operating profit in 2004 5.1 MEUR

RETURN ON EQUITY, %



PERSONNEL

The Group employed an average of 526 people (682 people in 2007; 664 people in 2006) during the financial year and 633 (693; 765) people in the end of the year. Of these 518 (549; 621) were employed by Fireplaces Business, 54 (54; 54) by Natural Stone Products Business and 61 (90; 90) by Other Operations. 99.7 per cent of the employment relationships were permanent and 0.3 per cent temporary. Salaries and bonuses during the review period totalled EUR 17.8 (21.2; 22.3) million.

The Tulikivi Group has an incentive plan that includes a share-based incentive plan for key personnel and an incentive pay scheme for all personnel. The share-based incentive plan includes three earning periods: the calendar years 2008, 2009 and 2010. The potential reward from the plan for the earning period 2008 will be based on the Group's profit after financial items and cash flow from operating activities. In accordance with the terms of the plan for the 2008 earning period the reward could have been at the maximum 120 000 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. The managing director could have received no more than 22 500 of these shares. A maximum total of about 360 000 Series A shares and a cash payment corresponding to the value of the shares will be paid as rewards on the basis of the entire share-based incentive plan. The 2008 profit/cash flow entitled to 10 per cent of the maximum reward of the incentive plan. Based on the terms of the plan Series A shares will be granted to those participating the plan, in total 9 800 shares. The share price at the grant date of the incentive plan, 18 April 2008, was EUR 1.5. It is prohibited to transfer the shares within the two year restriction period. If a key person's employment or service ends during the restriction period, he/she must return the shares paid as reward to the Company without compensation. Furthermore, a key person must own 30 per cent of the shares earned on the basis of the plan for two years after the restriction period. The impact of the share-based rewards on the result for the year amounts approximately EUR 10 thousand. The incentive pay scheme is based on the achievement of the Group's earnings, productivity and attainment of personal targets. The cost-impact of the incentive pay scheme was EUR 0.1 million in the review period.

Occupational safety has improved well. The number of accidents per 100 000 working hours was 0.03 (0.04; 0.06).

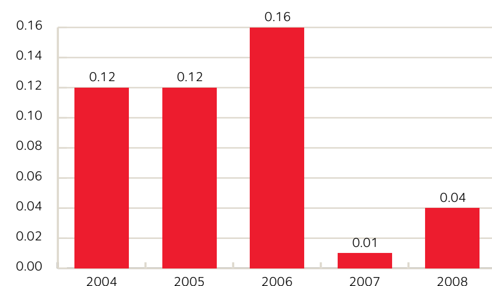
During the review period the number of employees was adjusted to meet the Group's target. The codetermination negotiations concluded in January 2008 led to 67 redundancies and layoffs of 26 employees until further notice. EUR 0.1 million (EUR 0.7 million in 2007) was recognised as costs incurred from the reorganisation.

BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITORS

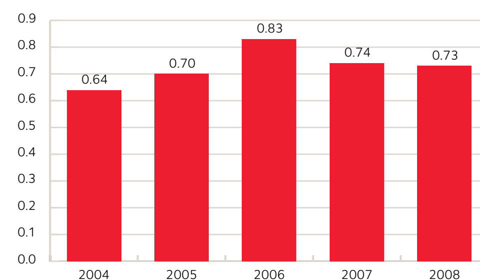
At Tulikivi Corporation's Annual General Meeting held on April 17, 2008, the following members were elected to the Board of Directors: Bishop Ambrosius, Juhani Erma, Eero Makkonen, Maarit Toivanen-Koivisto, Heikki Vauhkonen, Reijo Vauhkonen and Matti Virtaala. The Board of Directors elected Matti Virtaala as Chairman from amongst its members.

Tulikivi Corporation's Managing Director is Heikki Vauhkonen. The auditor is KPMG Oy Ab, Authorized Public Accountants.

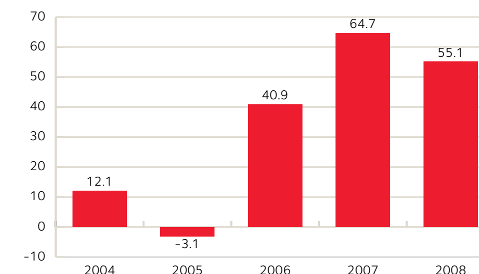
EARNINGS PER SHARE, EUR



EQUITY PER SHARE, EUR



GEARING, %



SHARE CAPITAL, SHARES AND BOARD AUTHORIZATIONS

There have been no changes in Tulikivi Corporation´s share capital in 2008. Tulikivi Corporation´s share capital entered in Trade Register amounted to EUR 6 314 479,40 on December 31, 2008. The number of shares is 37 143 970, of which 27 603 970 are Series A shares and 9 540 000 Series K shares. According to the articles of association 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 NASDAQ OMX Helsinki Ltd.

7.3 per cent of all shares were nominee registered or in foreign ownership. No flagging notifications were made to the company during the review period.

The Board of Directors has an authorization 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 2009.

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.

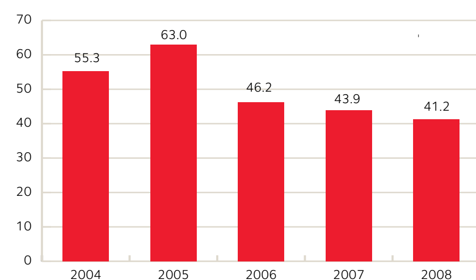
New shares can be issued or own shares held by the company conveyed amounting to a maximum of 5 520 794 Series A shares and 1 908 000 Series K shares. The authorization also includes the right to issue special rights, as defined in Chapter 10, Article 1 of the Companies Act, entitling the right holder to subscribe for shares against payment or by setting off the receivable. The authorization is valid until the Annual General Meeting 2009.

SHARE REPURCHASE

The Tulikivi Corporation's Board of Directors has decided to commence repurchasing the company's A shares, as authorised by the Annual General Meeting. During 2008, 74 000 A shares were purchased at the repurchase value of EUR 77 657. The average purchase price per share was EUR 1.05. The purchase price was the exchange rate at the moment of the purchase, which varied between EUR 0.65 and EUR 1.39 during the purchase periods. The repurchased shares account for 0.20 per cent of all shares and 0.06 per cent of votes carried by all shares. The repurchase of own shares had no material impact on the shareholdings and voting rights in the company. The first phase of repurchasing shares took place between 1 August–30 November 2008, when a total of 60 000 shares were acquired. The total acquisition prices of these shares was EUR 68 499 or EUR 1.14 per share on average. The second phase began in December and will continue to 30 March 2009 according to the Board's decision. During the period between 23 December and 31 December 2008 a total of 14 000 shares were acquired. The total acquisition prices of these shares was EUR 9 158 or EUR 0.65 per share on average. Under the Board's decision, during the second phase a total of 100 000 A shares can be repurchased, which would bring the total number of treasury shares to 160 000, corresponding to 0.4 per cent of share capital and 0.1 per cent of total voting rights.

The shares are repurchased for use as consideration in corporate acquisitions or other structural arrangements or to implement the share-based incentive system, to pay a share-based incentive or otherwise to be transferred or cancelled.

SOLVENCY RATIO, %



RATE DEVELOPMENT AND EXCHANGE OF SERIES A SHARES

During 2008 at Nasdaq OMX Helsinki Ltd, 2.5 million shares were traded, with the value of share turnover being EUR 3.1 million. The highest rating for the share was EUR 1.88 and the lowest was EUR 0.60. The closing rate for the period was EUR 0.67.

MAJOR BUSINESS RISKS

At the Tulikivi Group, risk analysis and risk management are part of the regular strategic planning process that is performed each year. 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 the 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.

The purpose of risk management is to ensure that Tulikivi Group's business risks are identified and managed as effectively as possible so that the Group's strategic and financial objectives are attained. The Board of Directors of Tulikivi Corporation and the boards' of its subsidiaries are 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 the due organisation of risk management. The business units are responsible for the management of their business risks. The Group's risks comprise 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, changes in the Group's operating environment, market situation and market position, raw material reserves, legislative changes, business operations as a whole, the reputation of the company, its brands and 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 breakdowns of machinery and other damage to assets that may also lead to interruption of business. Damage risks also include occupational safety and protection risks, environmental risks and accident risks. Financial risks the Group is exposed to are foreign currency risk, interest rate risk, credit risk and liquidity risk.

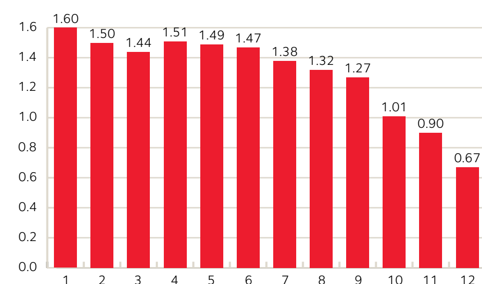
Risks and the means of preventing and controlling them are presented in greater detail in note 38 to the consolidated financial statements.

A rapid decline in private house construction and remodelling and fluctuation of exchange rates will weaken the demand for fireplaces. The decrease of consumer prices of energy may also affect the demand for fireplace products. The risks the Group will face in the near future relate to the decline in demand for fireplaces products as well as to the success of cost savings attained with the profitability programme.

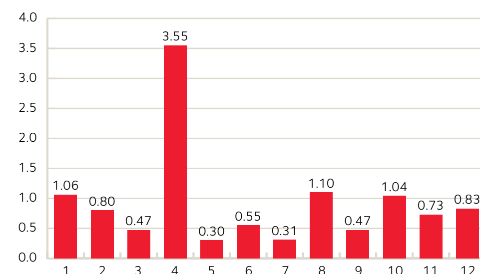
ENVIRONMENTAL OBLIGATIONS

Tulikivi's environmental strategy is geared towards

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



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



systematic progress in environmental efforts in specified subareas. All operational quarries of the Tulikivi Corporation have the environmental permits they require. In addition, permit renewals are in progress. The Group's operations comply with the environmental permits and the requirements of the authorities and environmental protection.

The company bears the responsibility for the environmental impacts of its operations. Under the Mining Act and environmental legislation, the Tulikivi Group has landscaping obligations that must be 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.

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.

EVENTS FOLLOWING THE END OF THE FINANCIAL YEAR

Because of the declining order inflow, the company's Board of Directors has launched a programme to improve the profitability of Tulikivi Corporation's operations and to introduce concentration measures in order to secure the company's profitability in the future. The programme is intended to achieve annual savings of approximately EUR 5 million in future years. As a result of launching the programme, the company has initiated co-determination talks with all Group personnel. The company is seeking a personnel reduction of about 120 persons. The company will also have to introduce lay-offs among its personnel during the current year. It is estimated that the programme will give rise to approximately EUR 2 million in non-recurring costs.

FUTURE OUTLOOK

Housing construction will decline in several markets, which will affect the demand for fireplaces. Demand for fireplaces is estimated to be relatively higher in Central Europe than in Finland or its neighbouring countries. The rapid contraction in demand in late 2008 has adversely affected the company's order books and no improvement is anticipated in the coming months, especially in the domestic market. Net sales and profit for the current financial year after non-recurring items are expected to fall short of 2008. The adjustments costs that have an impact on profit are concentrated in the early part of the year.

STRATEGIC POLICIES

The strategic policies of the Tulikivi Group establish the Group's long-term organic growth target at five per cent per annum. The Group also seeks growth from corporate acquisition. In addition to growth, the target is to attain over 20 per cent in return on capital invested and improving relative profitability by two percentage points annually. During the 2008 financial year, net sales declined on 2007 because of the recession on all of Tulikivi's markets. As a result, the targeted level of return on capital invested was not attained.

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.

SEGMENT REPORTING AND GROUP STRUCTURE

The Group's business segments are the Fireplaces Business, Natural Stone Products Business and Other Operations. The Fireplaces Business includes soapstone and ceramic fireplaces sold under the Tulikivi and Kermansavi brands and also soapstone lining for heater manufacturers. 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 other segments, tax and financial expenses, as well as sales of ceramic utensils and the expenses of this business.

The companies included in the Group are the parent company Tulikivi Corporation (Kermansavi Oy merged with the parent company as at December 31, 2007), its fixed establishment in Germany Tulikivi Oyj Niederlassung Deutschland and the subsidiaries Kivia Oy, AWL-Marmori 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 Uuni Vertriebs GmbH and The New Alberene Stone Company, Inc., which are dormant.

THE BOARD'S DIVIDEND PROPOSAL

The parent company's distributable equity amounts to EUR 6 946 thousand, of which the profit for the period accounts for EUR 1 173 thousand. The Board proposes to the Annual General Meeting that the distributable equity be used as follows:

Dividend payout:
EUR 0.0280/share on Series A shares
EUR 0.0263/share on Series K shares
To a total of EUR 1 022 thousand
Retained in equity EUR 5 924 thousand.

It is the Board's opinion that the proposed distribution of dividends will not endanger the company's solvency.

Consolidated Financial Statements, IFRS
Consolidated Income Statement

EUR 1 000	Note	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007
Sales	2	66 502	69 887
Other operating income	4	684	590
Increase/decrease in inventories of finished goods and in work in progress		-608	2 086
Production for own use		785	1 085
Raw materials and consumables		12 454	14 237
External services		9 990	11 059
Personnel expenses	5	23 079	27 054
Depreciation	6	5 432	5 644
Amortisation		250	6
Other operating expenses	7	12 912	14 683
Operating profit		3 246	965
Financial income	8	243	234
Financial expenses	9	-1 426	- 1 039
Share of loss (-) / profit (+) of associates		0	0
Profit before income tax		2 063	160
Income taxes expense	10	634	-201
Profit for the year		1 429	361
Calculated from profit attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	11	0.04	0.01

Consolidated Balance Sheet

EUR 1 000	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Non-current assets			
Property, plant and equipment	12	20 596	23 755
Goodwill	13	4 266	4 266
Other intangible assets	13	11 163	11 140
Investment properties	14	265	229
Investments in associates	15	24	24
Other financial assets	16	27	33
Deferred tax assets	17	855	996
Total non-current assets		37 196	40 443
Current assets			
Inventories	18	11 452	12 660
Trade and other receivables	19	5 729	5 862
Current income tax receivables	19	13	64
Cash and cash equivalents	20	11 705	3 765
Total current assets		28 899	22 351
Total assets		66 095	62 794
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
Treasury shares	21	-78	
Translation differences	21	-38	-70
Revaluation reserve	21	-60	
Retained earnings		13 770	13 993
Total equity		27 242	27 571
Non-current liabilities			
Deferred income tax liabilities	17	2 043	2 252
Provisions	24	919	859
Interest-bearing liabilities	25	21 582	17 751
Other liabilities	26		347
Total non-current liabilities		24 544	21 209
Current liabilities			
Trade and other payables	26	9 064	9 389
Current income tax liabilities		101	77
Provisions	24		687
Short-term interest-bearing liabilities	25	5 144	3 861
Total current liabilities		14 309	14 014
Total liabilities		38 853	35 223
Total equity and liabilities		66 095	62 794

Consolidated Cash Flow Statement

EUR 1 000	Note	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007
Cash flows from operating activities			
Profit for the period		1 429	361
Adjustments:			
Non-cash transactions	29	5 747	5 520
Interest expense and finance costs		1 426	1 040
Interest income		-237	-224
Dividend income		-6	-10
Income taxes	10	634	-201
Changes in working capital:			
Change in trade and other receivables		96	3 430
Change in inventories		1 208	-2 048
Change in trade and other payables		-467	-3 929
Change in provisions		-677	746
Interest paid		-1 169	-899
Interest received		217	156
Dividends received		5	10
Income tax paid		-607	-1 434
Net cash flow from operating activities		7 599	2 518
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		-347	-10
Purchases of property, plant and equipment (PPE)		-1 380	-3 966
Grants received for PPE			1 077
Purchases of intangible assets		-1 509	-1 707
Grants received for intangible assets		86	185
Proceeds from sale of PPE		93	121
Disposals of other financial assets		4	
Net cash flow from investing activities		-3 053	-4 300
Cash flows from financing activities			
Proceeds from short-term borrowings			1 836
Repayments of borrowings		-1 836	
Proceeds from long-term borrowings		10 000	6 704
Repayments of borrowings		-3 051	-4 391
Purchase of own shares		-75	
Dividends paid		-1 655	-3 459
Net cash flow from financing activities		3 383	690
Net decrease (-) / increase (+) in cash and cash equivalents		7 929	-1 092
Cash and cash equivalents at the beginning of the year		3 765	4 913
Exchange gains (+) / losses (-)		11	-56
Cash and cash equivalents at the end of the year	20	11 705	3 765

Consolidated Statement of Changes in Equity

Attributable to equity holders of the Company	Share capital	Share premium	Translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total equity
EUR 1 000							
Equity							
Balance at January 1, 2007	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
Translation differences			33				33
Revaluation reserve				-60			-60
Acquisition of treasury shares					-78		-78
Profit for the year						1429	1 429
Dividends paid						-1 653	-1 653
Balance at December 31, 2008	6 314	7 334	-37	-60	-78	13 769	27 242

BASIC INFORMATION OF THE GROUP

The parent company is Tulikivi Corporation (Business ID 0350080-1) 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 sails of ceramic utensils and the expenses of this business. Soapstone 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 10, 2009. 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, 2008. The term IFRS refers to the standards and interpretations that are approved for adoptation 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 comply with the additional requirements under the Finnish accounting and company legislation.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets classified as available for sale and financial assets and financial liabilities (including derivatives) 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, 2008:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. The interpretation clarifies the scope of the rules pertaining to equity-settled transactions (IFRS 2) and requires these transactions be reconsidered in subsidiaries. The interpretation has not had an impact on the consolidated financial statements.
- IFRIC 12 Service Concession Arrangements. The Group's business activities do not involve service concession arrangements and consequently the interpretation does not have an impact on the consolidated financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction. This interpretation does not have an impact on the consolidated financial statements as all of the Group's pension plans are defined contributions plans.
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. The amendments were issued in October 2008 due to the international financial crisis and they pertain to the reclassification of certain financial assets. The amendments have no impact on the consolidated financial statements for the financial year 2008 or on those for subsequent periods since the Group assesses that at the balance sheet date the consolidated balance sheet did not include such financial assets covered by the amendments which would have been necessary to be reclassified.

Tulikivi has not early adopted the following new standards, amendments or interpretations to existing standards published before December 31, 2008:

- IFRS 8, Operating Segments (effective January 1, 2009)
- IAS 1 Presentation of Financial Statements (revised) (effective from January 1, 2009)
- Amendment to IFRS 2 Share-based Payment (effective from 1 January 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)
- Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective from 1 July 2009)
- Amendment to IAS 28 Investments in Associates (and consequential amendments to IAS 32 Financial

Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures) (effective from 1 January 2009)
- Amendment to IAS 36 Impairment of Assets (effective from 1 January 2009)
- Amendment to IAS 38 Intangible Assets (effective from 1 January 2009)
- Amendment to IAS 19 Employee Benefits (effective from 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008 onwards)
- IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008)
- Amendment to IAS 16 Property, Plant and Equipment (effective from 1 January 2009)
- Amendment to IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 January 2009)
- Amendment to IAS 31 Interests in Joint Ventures (effective from 1 January 2009)
- Amendment to IAS 40 Investment Property (effective from 1 January 2009)
- Amendment to IAS 20 Accounting for Government Grants and Disclosures for Government Assistance (effective from 1 January 2009)
- IFRIC 15 Agreements for the Construction of a Real Estate (effective from 1 January 2009)
- IFRIC 17 Distribution of Non-cash Assets to Owners (effective from 1 July 2009). The interpretation has not yet been endorsed by the EU.

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. Management assesses that the adoption of other standards and interpretations as listed above will not have a material impact on the consolidated financial statements in the year 2009. The Group will adopt the amended IAS 27 Consolidated and Separate Financial Statements and the revised IFRS 3 Business Combinations as well as the interpretation IFRIC 17 Distribution Of Non-cash Assets to Owners in 2010.

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. Control exists when the Group owns more than half of the voting rights, or it has otherwise control. Also the existence of potential voting rights is considered when assessing the conditions of control if the instruments entitling to potential voting rights are exercisable. Control means the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup share holdings are eliminated according to the purchase method. Subsidiaries are consolidated from the date on which control is transferred to the Group, and disposed subsidiaries until the control ceases. 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. Tulikivi Corporation has a full ownership in its all subsidiaries and therefore no profit or loss attributable to minority interest is included in the consolidated result nor is minority interest presented within equity.

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 (Functional currency) in which the entity operates. The consolidated financial statements are presented in euros, which is the parent company's functional and presentation currency.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate 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 using the exchange rate 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.

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN GROUP COMPANIES

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 and they shall not be transferred to the income statement afterwards in connection with disposal of subsidiaries. Translation differences arising after January 1, 2004 are presented in equity as separate item.

From 1 January 2004 goodwill arisen from acquisition of foreign entities and related fair value adjustments to the assets and liabilities of the acquired entity are recognized as assets and liabilities of the said foreign entities and are translated to euro using the exchange rates at the balance sheet date. For those acquisitions occurred prior to 1 January 2004 goodwill and fair value adjustments are recognized in euro.

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 and the remaining part of the asset is expensed. 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 in other operating 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 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 and basins and other auxiliary quarry constructions 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 live 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 and trademarks	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 and basins	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 live 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 sale.

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.

SHARE-BASED PAYMENTS

The Group has an incentive plan in which payments are settled in equity instruments and in cash. The benefits granted are measured at fair value at the grant date and recognized as an expense in the income statement on the straight-line basis over the vesting and restriction period. For the cash-settled part the related liability and the change of the liability's fair value are expensed correspondingly. The impact of the incentive plan on the income statement is presented under personnel expenses.

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 recognised 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 2008 and 2007.

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 following categories: financial assets at fair value through profit or loss, loans and 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 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. Derivatives that do not qualify for hedge accounting are classified as held for trading. derivatives and financial assets with maturities less than 12 months are included in 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 held 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.

Financial liabilities are classified as current liabilities if the Group does not have an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed during the period in which they are incurred.

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

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured their fair value. Gains and losses from the fair value measurement are recognized following the purpose of use of the underlying derivative. Changes in the fair value of derivatives that are designated and qualify as effective hedges are presented in the income statement, together with any changes in the hedged item. When the group enters into a derivative contract, it is accounted for either as a hedge of the fair value of receivables or liabilities or firm commitments (fair value hedge), or in respect of foreign currency risk, as a cash flow hedge or as a derivative not qualifying for hedge accounting.

At the inception of hedge accounting the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and at least each balance sheet date, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

CASH FLOW HEDGES

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized directly in the revaluation reserve within equity. The gains and losses accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. Gains and losses from the derivatives designated to hedge future sales denominated in foreign currency are recognized as an adjustment to revenue when the sale is realized. The ineffective portion is recognized in the income statement in other operating income or in other operating expenses. If the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred to the initial measurement of the cost of the asset.

When a hedging instrument designated as a cash flow hedge expires or is sold or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss remains in equity until the forecast transaction realizes. However, if the forecast transaction is no longer expected to occur, the cumulative gain or loss deferred in equity is immediately transferred to the income statement.

EQUITY

If Tulikivi Corporation repurchases its own equity instruments the cost of these instruments is deducted from equity.

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 adjusted with finished 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

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, especially in respect of future growth estimates of the cash-generating units and changes in profitability. Further information on the sensitivity of the recoverable amount to the changes in the assumptions used is in Notes 13.3. and 13.4.

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. During the financial years 2008 and 2007 no business combinations have occurred.

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

2008	Fireplaces	Natural stone products	Other operations	Group
Sales	56 415	7 968	2 119	66 502
Operating profit	6 555	278	-3 587	3 246
Finance income/expense, share of profit of associates and income taxes			-1 817	-1 817
Profit for the year				1 429
Assets by segment	43 971	4 959	17 165	66 095
Liabilities by segment	7 699	877	30 278	38 854
Capital expenditure	2 159	233	393	2 785
Depreciation and amortisation expenses	4 629	298	755	5 682

2007	Fireplaces	Natural stone products	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. Geographical segments

2008	Finland	Rest of Europe	USA	Group
Sales	34 864	30 218	1 420	66 502
Assets by segment	64 843	838	414	66 095
Capital expenditure	2 722	63		2 785

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

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 2008
The Group has not undertaken any business combinations during the financial years 2008 and 2007. On the basis of additional information gained during 2007, the accounting for the acquisition of the shares in Kermansavi Oy in 2006, was adjusted in 2007 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, 2008 and December 31, 2007.

4. Other operating income	2008	2007
Proceeds from sale of PPE	15	82
Rental income from investment properties	28	26
Public grants	294	136
Other income	347	346
Other operating income, total	684	590
5. Employee benefit expense		
Wages and salaries	17 773	21 158
Pension costs – defined contribution plans	3 373	3 763
Other social security expenses	1 933	2 133
Employee benefit expense, total	23 079	27 054
5.1. Group's average number of personnel for the financial period		
Fireplaces business	419	542
Natural stone products business	53	54
Other operations	54	86
Personnel, total	526	682
6. Depreciation, amortisation and impairment		
Depreciation and amortisation by class of assets		
Intangible assets		
Capitalised development costs	159	147
Other intangible assets	791	847
Amortisation on quarries based on the unit of production method *)	133	91
Depreciation of intangible assets, total	1 083	1 085
Tangible assets		
Buildings	622	620
Machinery and equipment	3 170	3 378
Motor vehicles	305	306
Amortisation on land areas based on the unit of production method	31	33
Other tangible assets	214	218
Depreciation of tangible assets, total	4 342	4 555
Investment property		
Buildings	7	4
Impairment by class of assets		
Investments		6
Trademark	250	
Total depreciation, amortisation and impairment	5 682	5 650

*) The group changed its accounting policy for amortising quarries and mining rights from the straight-line method to the unit of production method in 2007. 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	2008	2007
7. Other operating expenses		
Losses on sales of tangible assets	20	5
Rental expenses	1 387	1 398
Maintenance of real estates	28	67
Marketing expenses	3 252	3 927
Other variable production costs	4 127	4 779
Other expenses	4 098	4 507
Other operating expenses, total	12 912	14 683
7.1. Research and development expenditure		
Research and development costs expensed totalled EUR 1 347 thousand (1 491 thousand in 2007).		
7.2. Auditors' fees		
Audit fees	36	78
Tax advice	33	11
Other fees	10	9
Audit fees, total	79	98
In 2008 and 2007 the statutory audit was performed by the firm of authorized public accountants KPMG Oy Ab and in 2007 partly by the firm of authorized public accountants PricewaterhouseCoopers.		
8. Finance income		
Changes in fair values of derivative contracts		70
Dividend income	5	10
Foreign exchange transaction gains	88	34
Interest income on trade receivables	34	29
Other interest income	116	91
Finance income, total	243	234
9. Finance expense		
Changes in fair values of derivative contracts	234	
Interest expenses on financial liabilities at amortised cost and other liabilities	1010	939
Foreign exchange transactions losses	147	90
Other finance expense	35	10
Finance expense, total	1426	1039
10. Income taxes		
Current tax	682	1092
Tax carried from previous years		9
Transfer of income taxes to the revaluation reserve	21	
Deferred tax	-69	-1 302
Income taxes, total	634	-201
The reconciliation between Income statement tax expense and tax calculated based on Group's domestic tax base (26%).		
Profit before tax	2063	160
Tax calculated at domestic tax rates	536	42
Effect of foreign subsidiaries and branch offices different tax bases	10	13
Income not subject to tax	-2	-3
Expenses not deductible for tax purposes	42	47
Tax losses for which no deferred income tax asset was recognised	48	-251
Tax carried from previous years		9
Other		-58
Income statement tax expense	634	-201

EUR 1 000	2008	2007
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)	1 429	361
Weighted average number of shares for the financial period	37 128 494	37 143 970
Basic/diluted earnings per share (EUR)	0,04	0,01

12.Property, plant and equipment 2008	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 264	15 075	42 381	3 568	2 455	107	64 850
Additions	2	94	1 054	203	25	51	1 429
Reclassification to investment property		72					72
Disposals		3	172	100	35	107	417
Cost December 31	1 266	15 094	43 263	3 671	2 445	51	65 790
Accumulated depreciation and impairment January 1	186	6 478	30 795	2 555	1 081		41 095
Depreciation	31	622	3 170	305	214		4 342
Depreciation related to the disposals			138	49	26		213
Accumulated depreciation on reclassified investment property		30					30
Accumulated depreciation and impairment December 31	217	7 070	33 827	2 811	1 269		45 194
Property, plant and equipment, Net book amount January 1, 2008	1 078	8 597	11 586	1 013	1 374	107	23 755
Property, plant and equipment, Net book amount December 31, 2008	1 049	8 024	9 436	860	1 176	51	20 596

The group did not receive any grants for machinery and equipment in 2008 (totalling to EUR 10 thousand in 2007).

The Group's production machinery within property, plant and equipment has carrying amount of EUR 9 498 (10 232) thousand.

2007	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 061	14 777	40 371	3 270	2 066	110	61 655
Additions	203	298	2 071	568	389		3 529
Disposals			61	270		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	153	5 858	27 462	2 492	863		36 828
Depreciation	33	620	3 378	306	218		4 555
Depreciation related to the disposals	0		45	243			288
Accumulated depreciation and impairment December 31	186	6 478	30 795	2 555	1 081		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

EUR 1 000

13. Intangible assets

13.1. Goodwill and other intangible assets

2008	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Other intangible assets	Total
Cost January 1	4 266	3 678	847	9 458	164	9 691	28 104
Additions		34		488		428	950
Capitalised development costs			406				406
Cost December 31	4 266	3 712	1 253	9 946	164	10 119	29 460
Accumulated amortisation January 1		368	211	6 768	104	5 247	12 698
Depreciation		23	159	350	31	520	1 083
Impairment		250					250
Accumulated amortisation and impairment December 31		641	370	7 118	135	5 767	14 031
Goodwill and other intangible assets, Net book amount January 1, 2008	4 266	3 310	636	2 690	60	4 444	15 406
Goodwill and other intangible assets, Net book amount December 31, 2008	4 266	3 071	883	2 828	29	4 352	15 429

The group received grants totalling to EUR 188 (70) 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 4 102 (3 315) thousand 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 50 (96) thousand of expenditures relating to mineral resources exploration and evaluation have been recognised directly as an expense in the income statement.

2007	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Other intangible assets	Total
Cost January 1	4 266	3 660	749	8 607	164	8 997	26 443
Additions		18		851		694	1 563
Capitalised development costs			98				98
Cost December 31	4 266	3 678	847	9 458	164	9 691	28 104
Accumulated amortisation January 1		346	63	6 751	71	4 382	11 613
Depreciation		22	148	17	33	865	1 085
Accumulated amortisation December 31		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

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 trademark 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 Product	Fireplaces	Other Operations
2008			
Goodwill	632	3 634	
Trademark		2 712	229
Total	632	6 346	229
2007			
Goodwill	632	3 634	
Trademark		2 712	479
Total	632	6 346	479

13.3. Recognition and allocation of impairment losses

During the course of the year ended an impairment loss amounting to EUR 250 thousand has been recognized on Utility Ceramics unit under Other Operations segment. The impairment was allocated to the trademark. After the recognition of the impairment loss the carrying amount of the trade mark amounts to EUR 229 thousand. The main reason for impairment was the sales volume and the result of the Utility Ceramics unit, which did not meet the targets set.

13.4. Impairment testing

In impairment testing the recoverable amounts of the business segments are determined based on value in use. The estimated cash flow projections are based on forecasts approved by management covering a five-year period. The pre-tax discount rate used range from 7.0 to 7.4 per cent which equal the weighted average cost of capital. The future cash flows beyond the forecast period approved by management are extrapolated by using a constant 1 per cent growth rate. The growth rate used does not exceed the actual long-term growth rate of the industry in question.

The key assumptions used in determining value in use were as follows:

1. Budgeted sales margin

- The budgeted sales margin is determined based on the last year's actual sales margin. The Group does not expect any material changes to occur in the sales margin during the forecast period.

2. Budgeted market share is determined based on the previous year's actual market share. The value of the assumption is based on actual development. The market share is not expected to change materially, when continuous product development and anticipated tightening of competition is taken into account.

3. Budgeted royalty percentage, which is the amount that an external party 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) where the cost of capital is weighted average cost of equity and liabilities.

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 result in an additional impairment loss of EUR 350 thousand in Utility Ceramics unit under Other Operations segment. An increase in the discount rate with 1 percentage point would not lead to recognition of an impairment loss in Fireplaces and Natural Stone Products business areas. The result being 20 per cent lower than the target set would result in an impairment loss in Ceramic fireplaces unit under Fireplaces business segment, amounting to EUR 600 thousand, but would not lead to recognition of an impairment loss in Natural Stone Products business segment.

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 29 (60) 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	2008		2007	
14. Investment property	Land	Buildings	Land	Buildings
Acquisition cost January 1 and December 31	188	115	188	115
Reclassification from property, plant and equipment / buildings		72		
Cost December 31	188	187	188	115
Accumulated depreciation and impairment January 1		73		69
Accumulated depreciation on reclassified building		30		
Disposals		7		4
Accumulated depreciation and impairment December 31		110		73
Net book amount January 1	188	42	188	46
Net book amount December 31	188	77	188	42
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	2008	2007
Shares and interest in associates		
Acquisition cost January 1	24	24
Share of the (loss)/profit of associates	0	0
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). 2008	Domicile	Assets	Liabilities	Sales	Profit/Loss	% of shares
Leppävirran Matkailukeskus Oy, Leppävirta	Leppävirta	79	5	85	-1	33,0
Stone Pole Oy, Juuka	Juuka	285	281	398	22	27,3
Associate financials are unaudited.						
2007						
Leppävirran Matkailukeskus Oy, Leppävirta	Leppävirta	79	4	78	-1	33,0
Stone Pole Oy, Juuka	Juuka	253	262	246	2	27,3

Stone Pole Oy is a stone business development company. The purpose of the limited liability company Leppävirran Matkailukeskus Oy is to lease and own real estates that relate to or serve tourism.

16. Other financial assets	2008	2007
Financial assets available for sale		
Balance sheet value January 1	33	39
Disposals	6	6
Balance sheet value December 31	27	33

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					
Changes in deferred taxes during year 2008:	Jan. 1, 2008	Adjustments made	Recognised through profit and loss	Translation differences	Dec. 31, 2008
Deferred tax assets:					
Provisions	400		-176		224
Unused tax losses	15			-1	14
Accumulated negative depreciation difference	278		-28		250
Change in the revaluation reserve			21		21
Other items	303	-18	61		346
Deferred tax assets, total	996	-18	-122	-1	855
Deferred tax liabilities:					
Capitalisation of intangible assets	-155		-36		-191
The effect of the business combinations	-1 937		227		-1 710
Other items	-160	18			-142
Deferred tax liabilities, total	-2 252	18	191		-2 043
Changes in deferred taxes during year 2007:	Jan. 1, 2007	Adjustments made	Recognised through profit and loss	Translation differences	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		-155
Accumulated depreciation difference	-574		574		0
The effect of the business combinations	-2 088		151		-1 937
Other items	-304	162	-18		-160
Deferred tax liabilities, total	-3 144	162	730		-2 252

At December 31, 2008 deferred tax assets of EUR 147 (147) thousand retaling to accumulated negative depreciation difference were not recorded since it is not probable that the subsidiary in question will generate taxable income for the Group against which the unused depreciations can be utilised.

18. Inventories	2008	2007
Raw materials and consumables	5 488	6 088
Finished goods	5 964	6 572
Inventories, total	11 452	12 660

The cost of inventories recognized as expense amounted to EUR 36 301 (40 953) thousand.

A write-down of EUR 80 (46) thousand was recognised during the financial year to lower the book value of the inventories to their net realisable value.

EUR 1 000	2008		2007
19. Trade and other receivables			
19.1. Current trade and other receivables			
Trade receivables	5 292		5 309
Trade receivables from associates	1		
Current tax assets based on the taxable income for the financial period	13		64
Accrued incomes			
Grant receivables	202		85
Prepayments			123
Other accrued income	190		267
Other receivables	44		78
Current receivables, total	5 742		5 926
19.2. Aging analysis of trade receivables and impairment losses at balance sheet date	Gross 2008	Impairment 2008	Gross 2007
Not past due	4 071		3 722
Past due 1-30 days	731		993
Past due 31-90 days	430		446
Past due over 90 days	253	193	223
Total	5 485	193	5 384
19.3. Trade receivables by risk categories			
Largest customers by customer groups			
Stove producers	1 046		486
Distributors of fireplaces in foreign countries	1 305	102	1 845
Construction companies	911	64	922
Distributors in home country	984		940
End users	1 239	27	1 191
Total	5 485	193	5 384
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	2008		2007
Cash in hand and at bank	11 705		3 765

At the balance sheet date, fixed-term deposit under cash and cash equivalents amounted to EUR 8 503 thousand, with maturities of less than three months.

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, 2008	37 143 970	100,0	100,0	6 314 475

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 NASDAQ OMX Helsinki Ltd.

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.

Revaluation reserve

The revaluation reserve includes the effective portion of changes in the fair value of derivatives that qualify as cash flow hedges.

Treasury shares

During the financial year the company has acquired 74 000 own shares based on the authorization given by the Annual General Meeting on 17 April 2008. The acquisition price has been the stock exchange rate of the share at the time of acquisition. The acquired shares represent 0.2 per cent of the share capital and 0.06 per cent of the voting rights. The acquisition of own shares has not had any material impact on the distribution of ownership or voting rights of the company.

During the financial year the parent company has purchased its own shares as follows:	Period	Number of shares	Consideration transferred (average), eur	Consideration transferred (range), eur
	1.08. - 31.08.2008	13 334	1,344	1,31 - 1,39
	1.09. - 30.09.2008	19 270	1,298	1,23 - 1,34
	1.10. - 31.10.2008	5 000	1,124	0,90 - 1,23
	1.11. - 30.11.2008	22 396	0,890	0,80 - 0,96
	1.12. - 31.12.2008	14 000	0,654	0,65 - 0,67
Total at December 31, 2008		74 000	1,050	0,65 - 1,39

22.Group's distributable equity

Parent company's distributable earnings were EUR 6 946 (7 504) thousand.

Dividends

The Board of Directors has proposed after the balance sheet date that a dividend of EUR 0.0280 per share will be paid for A series shares and EUR 0.0263 per share to be paid for the K series shares.

23. Pension obligations

All Group's pension plans where defined contribution plans at December 31, 2008. The group had no defined benefit liabilities at the year-end 2008, nor 2007.

EUR 1 000

24. Provisions	Environmental provision		Warranty provision		Restructuring provision	
	2008	2007	2008	2007	2008	2007
Provisions January 1	397	410	462	382	687	
Increase in provisions	120	115	238	330		687
Effect of discounting, change	-60	-95				
Used provisions		-33	-238	-250	-687	
Provisions December 31	457	397	462	462		687

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 restructuring provision recognized in 2007 was used in 2008. The provision related to termination benefits resulting from the dismissals decided based on the co-operation negotiations carried out in 2007.

	2008	2007
Non-current provisions	919	859
Current provisions		687
Total	919	1 546
25. Interest-bearing liabilities		
Balance sheet value	26 725	21 612
25.1 Non-current		
Bank borrowings	12 810	15 211
TyEL premium loans	7 000	
Other non-current interest bearing liabilities	1 772	2 540

EUR 1 000	2008	2007
25.2. Current		
Current portion of non-current bank borrowings	4 670	2 852
Current portion of other non-current interest bearing liabilities		473
Other current interest-bearing liabilities	473	536
Non-current loans expire as follows:		
2008		3 326
2009	5 144	4 839
2010	6 301	4 186
2011	5 166	2 900
2012	3 643	2 264
2013	2 612	1 498
Later	3 859	2 063
Total	26 725	21 076

25.3. The terms of interest-bearing liabilities

Debt obligations are denominated in euro.

At December 31, 2008 interest-bearing non-current liabilities effective interest rate weighted average was 4.0 per cent (4.5 per cent) including the effect of interest rate swaps and 4.2 per cent (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 59.8 per cent (87.0 per cent) of the liabilities have floating interest rates and the interest rate of fixed rate loans approximates the interest rate of corresponding liabilities at the balance sheet date. In order to manage interest rate risk the group has entered into interest rate swaps, amounting to EUR 13.0 million (EUR 7.4 million).

Special terms financing
Total amount of EUR 17.8 (16.1) 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.

26. Trade and other payables	2008	2007
26.1. Non-current		
Unpaid acquisition price of subsidiaries		347
26.2. Current		
Trade payable	1 876	2 418
Advances received	20	2
Accrued expenses		
Wages and social security expenses	4 394	4 511
Discounts and marketing expenses	653	505
External services	445	334
Other accrued expenses	903	757
Amounts due to associates	39	6
Other liabilities	734	856
Current trade and other payables, total	9 064	9 389

Other 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 minimisize 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 95 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 2008 or 2007. 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:

	2008	2008	2007	2007
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets		42	1	47
Current assets	559	62	905	25
Current liabilities	9	3	50	15
Net position	550	101	856	57

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2008 and 2007. 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.

		2008 Income statement		2007 Income statement
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes		+/- 55		+/- 86
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes		+/- 6		+/- 6

27.2. Interest rate risk

The Group's short-term money market investments expose Tulikivi to interest rate risk but their effect as a whole is not material. The Group's result and cash flows from operating activities are mainly independent from changes in interest rates.

The group is exposed to fair value interest rate risk which largely relates to the loan portfolio. 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. In accordance with the risk management principles the amount of fixed rate borrowings and borrowings hedged with interest derivatives shall be over 50 per cent of the total loan portfolio. The share of interest rate sensitive loans amounted to EUR 15.9 (18.3) million representing 59.8 per cent (87.0 per cent) for interest-bearing liabilities at the year-end. At the balance sheet date the group had open long-term interest rate swaps denominated in Euro with a nominal value of EUR 8.8 (7.4) million. Based on these interest rate swaps the group receives floating rate interest based on Euribor rates (EUR 6.2 million / 3 months, EUR 2.6 million / 6 months) and pays fixed interest on average 3.9 (3.7) per cent. In addition the Group has a short-term interest rate swap with the nominal amount of EUR 4.2 million, under which the Group pays 3 months Euribor and receives 1 month Euribor. The Group applies hedge accounting to those interest rate swaps which result in effective hedging. The fair value changes of these interest rate swaps, resulting in a loss of EUR 81 thousand at the balance sheet date, are rocognized in the revaluation reserve under equity. The fair value changes of other interest rate swaps resulted in a loss of EUR 224 thousand (gain of EUR 70 thousand), which has been recognized in the income statement

The interest rate risk related to loans amounts to EUR 72 thousand (110 thousand) assuming 1 per cent change in market interest rates. The impact of derivatives on interest rate risk has been taken into account.

Interest rate risk		2008		2007
EUR 1 000		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		10 750		2 750
Floating rate instruments				
Financial assets		11 705		3 765
Financial liabilities		15 975		18 326

27.3. Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single costumer or a group of customers is not 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 238 (97) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 54.2 (61) per cent of the outstanding accounts at balance sheet date. 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. Derivative contracts are only entered into the banks having a good credit rating.

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 asses 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 is ensured, in addition to liquid funds, by using credit limits and different financial institutions for raising funds. The unused credit limits and undrawn credit facilities amounted to EUR 4.0 (6.5) million at the balance sheet date. Management is in the opinion that the Group has adequate amount of financing available for the near future.

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

27.5. Maturity analysis

December 31, 2008						
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	24 480		5 659	6 324	11 549	4 028
Cash flows from derivatives			17	20	28	
Hire-purchase liabilities	2 246		581	829	1 052	
Credit limit accounts		4 000				
Trade and other payables	9 210		9 210			
Total	35 936	4 000	15 467	7 173	12 629	4 028
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
Derivatives, nominal value Interest rate swaps				2008		2007
Arrive at maturity 2008						1 131
Arrive at maturity 2009				5 735		1 131
Arrive at maturity 2010				1 498		3 394
Arrive at maturity 2011-2013				5 558		1 698
Arrive at maturity 2014 or later				236		
Total Interest rate swaps				13 027		7 354

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*Equity / (Balance sheet total - Advances received)

	2008	2007
Equity	27 242	27 571
Balance sheet total	66 095	62 794
Advances received	21	2
Solvency ratio, %	41,2	43,9

28. Currying 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			51		51	51
Short-term assets						
Trade and other receivables		5 336			5 336	5 336
Cash and cash equivalents		11 705			11 705	11 705
Carrying amounts of financial assets by categories		17 041	51		17 092	17 092
Long-term liabilities						
Interest bearing liabilities				21 582	21 582	21 582
Derivatives	177*)				177	177
Short-term liabilities						
Interest bearing liabilities				5 144	5 144	5 144
Trade and other payables				2 472	2 472	2 472
Carrying amounts of financial liabilities by categories	177			29 198	29 375	29 375

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 81 thousand.

EUR 1 000

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		9 354	9 354
Long-term liabilities						
Interest bearing liabilities				17 751	17 751	17 751
Other long-term liabilities				347	347	347
Short-term liabilities						
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

29. Adjustments of cash generated from operations	2008	2007
Non-cash transactions:		
Depreciations and amortizations	5 432	5 644
Impairment	250	6
Share of profit of associates	0	0
Exchange differences	59	-53
Other	6	-77
Non-cash transactions, total	5 747	5 520

30. Leases

Operating leases

30.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:	2008	2007
Not later than 1 year	1 004	868
Later than 1 year and not later than 5 years	163	140

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 2008 includes expensed lease rentals EUR 1 129 (1 066) thousand.

EUR 1 000	2008	2007
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	45	47
Later than 1 year and not later than 5 years	7	3
31. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	18 730	15 312
Credit limits	4 000	5 000
Other long-term liabilities	2 263	3 051
Real estate mortgages given	9 186	8 891
Company mortgages given	13 396	13 396
Object for purchase	2 263	3 051
Pledged leaseholds	219	219
Total given mortgages and pledges	25 064	25 557
Other own liabilities for which guarantees have been given		
Guarantees	450	520
Total other commitments	35	280
Total other own liabilities for which guarantees have been given	485	800
Company mortgages given	450	779
Pledges given	35	35
Total given guarantees on behalf of other own liabilities	485	814
Derivatives (Interest rate swaps)		
Derivatives, nominal value	13 027	7 354
Derivatives, fair value	-177	138
Obligation to repay VAT deductions made in earlier periods	164	292

32. Contingent purchase price

During 2008 was paid the contingent consideration of EUR 0.3 million for Kivia Oy's shares included in the non-current liabilities in 2007.

33. Other contingent liabilities

Tax to be paid and claim for adjustment

The final income tax to be paid for the year 2007 by the group company Kivia Oy amounts to EUR 361 thousand and related interest EUR 13 thousand. In its 2007 tax form the company has requested that the claim for adjustment submitted in 2007 concerning the previous years would be considered in taxation. The claim deals with an error regarding recognition of non-current assets depreciated using the straight-line method. The board of adjustment has not yet discussed the claim. The company is in the opinion that the claim for adjustment is justified and considers that no income tax should become payable for the year 2007. Due to this the income tax to be paid and interest have not been recognized in the financial statements. However, should the income tax or part of it become payable, a deferred tax asset would arise. Thus the decision would have an impact of the group's result and equity only in respect of the unrecognized interest. The unrecognized interest accumulated by the balance sheet date amounts to EUR 16 thousand. The enforcement of the income tax payment decision has been suspended.

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 229 600 in total, and additional EUR 270 000 which were given after the balance sheet date. For other environmental obligations, the Group has given real estate mortgages for EUR 33 638.

34. Indicators relating to environmental obligation	2008	2007	2006
Use of energy, electricity MWh	14 987	18 517	17 897
Use of oil, m^3	825	1 020	811
District and wood chips heating, MWh	1 457	1 312	1 065
Liquid gas, tonne	348	521	825
Fuel for vehicles was used in total 500 (700) tonne, explosives 82 (105) tonne.			
Transfer of soil and use of raw material			
Soapstone, 1 000 fixed-m^3 gross	144	241	219
Soil and residual rock material, 1 000 m^3 (detached material)	115*)	690	880

*) Left over stone, soapstone and soil have been utilized in the preparatory work in the mining patent in Vaaralampi, Juuka, as construction material for dam works and roads as well as for replacement of soil and as crushed stone, totaling approximately 428 000 m^3 (detached material), due to which the amount of residual rock material is considerably lower compared to the previous year.

The lubricant used for saw chains, for soapstone extraction sawing, is rapeseed oil which binds permanently with fine soapstone powder. During the year 2008 105 (135) 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.

	2008	2007	2006
Acquired natural stone, 1 000 tonne	7	7	8

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 2008 100 217 cubic meter new process water and 14 856 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 filted fields.

35. Related-party transactions

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

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

35.2. Related party transactions:	2008	2007
Sales of goods and services		
Sales of goods and services to associated companies	13	2
Purchases of goods and services		
Purchases of goods and services from associated companies	173	86
Transactions with key management		
Leases from related parties	115	105

At December 31, 2008, the Group did not have any receivables from key management.

Transactions with other related parties

Tulikivi Corporation is a founder member of Finnish Stone Research Foundation. In 2008 the company has donated EUR 100 (70) 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 128 (125) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 52 (34) thousand in 2008. The Foundation did not charge any services from Tulikivi Corporation.

35.3. Key management compensation		
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director	416	473
Other long term employee benefits	62	89
Salaries and commissions		
Managing Director	210	242
Members of the Board of Directors		
Bishop Ambrosius	16	15
Erma Juhani	24	23
Makkonen Eero	16	15
Toivanen-Koivisto Maarit	16	15
Vauhkonen Heikki	16	50
Vauhkonen Reijo	28	27
Virtaala Matti	90	86

36. Share-based payments

The Tulikivi Group has a share-based incentive plan for key personnel. Based on the plan the vesting periods are the years 2008, 2009 and 2010. The incentive plan is conditional. The reward from the plan for the vesting period 2008 is based on the Group´s profit after financial items and cash flow from operating activities. In accordance with the terms of the plan for the year 2008 the reward could have been at the maximum 120 000 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. A maximum total of 360 000 Series A shares and cash payment corresponding the value of the shares will be paid as rewards on the basis of the entire share-based incentive plan. The grant date of the incentive plan was 18 April 2008 and the share price at the grant date was EUR 1.5. The 2008 profit/cash flow entitled to 10 per cent of the maximum reward of the incentive plan. Based on the terms of the plan Series A shares will be granted to those participating the plan, in total 9 800 shares. It is prohibited to transfer the shares within the two year restriction period. Furthermore, a key person must own at least 30 per cent of the shares earned on the basis of the plan for two years after the restriction period. The impact of the share-based rewards on the 2008 result amounted to approximately EUR 10 thousand.

37. Events following the end of the financial year

Because of the declining order inflow, the company's Board of Directors has launched a programme to improve the profitability of Tulikivi Corporation's operations and to introduce concentration measures in order to secure the company's profitability in the future. The programme is intended to achieve annual savings of approximately EUR 5 million in future years. As a result of launching the programme, the company has initiated co-determination talks with all Group personnel. The company is seeking a personnel reduction of about 120 persons. The company will also have to introduce lay-offs among its personnel during the current year. It is estimated that the programme will give rise to approximately EUR 2 million in non-recurring costs.

38. Major Risks and their Management

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

STRATEGIC RISKS

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

Unfavorable Changes in Operating Environment, Market Situation and Market Position

The recession and resulting general atmosphere lead to decline in housing construction and even in renovation which decreases the demand for products and thereby profitability. Operations in over twenty countries partly smooth the market risks relating to business cycles. The downturn may also have a negative impact on customers' solvency and subcontractors' operations.

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.

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.

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.

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 break¬down, 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								
	Q4/2008	Q3/2008	Q2/2008	Q1/2008	Q4/2007	Q3/2007	Q2/2007	Q1/2007
Sales	18,3	16,6	17,0	14,6	16,8	16,5	17,4	19,2
Fireplaces business	15,8	14,4	14,2	12,0	14,4	13,9	14,7	16,7
Natural stone products business	1,9	1,7	2,4	2,0	1,7	1,7	2,1	1,9
Other operations	0,6	0,5	0,4	0,6	0,7	0,9	0,6	0,6
Operating profit	1,3	1,3	0,9	-0,3	-0,6	0,3	0,6	0,7
Fireplaces business	2,4	1,9	1,8	0,4	0,8	0,8	1,4	1,4
Natural stone products business	-0,1	0,1	0,1	0,2	0,0	0,1	0,2	0,1
Other operations	-1,0	-0,7	-1,0	-0,9	-1,4	-0,6	-1,0	-0,8

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000	2004	2005	2006	2007	2008
Income statement					
	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	55 291	58 642	82 149	69 887	66 502
Change, %	3,1	6,1	40,1	-14,9	-4,8
Operating profit	6 283	6 285	8 230	965	3246
% of turnover	11,4	10,7	10,0	1,4	4,9
Finance incomes and expenses and share of loss of					
loss of associated companies	-161	-222	-430	-805	-1 187
Profit before taxes	6 122 *)	6 063	7 800	160	2 063
% of turnover	11,1	10,3	9,5	0,2	3,1
Income taxes	1 772	1 697	2 075	-201	634
Profit for the year	4 350	4 366	5 725	361	1 429
Balance sheet					
Assets					
Non current assets	20 981	21 946	40 540	40 443	37 196
Inventories	7 455	7 015	10 611	12 660	11 452
Cash and cash equivalents	5 829	4 141	4 913	3 765	11 705
Other current assets	7 657	7 487	10 444	5 926	5 742
Equity and liabilities					
Equity	23 166	25 517	30 711	27 571	27 242
Interest bearing liabilities	8 647	3 347	17 463	21 612	26 725
Non-interest bearing liabilities	10 109	11 724	18 334	13 611	12 128
Balance sheet total	41 922	40 588	66 508	62 794	66 095

*) 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 2004 – 2008

	2004	2005	2006	2007	2008
	IFRS	IFRS	IFRS	IFRS	IFRS
Return on equity, %	18,7	17,9	20,4	1,2	5,2
Return on investments, %	20,3	20,7	21,7	2,5	6,8
Solvency ratio, %	55,3	63,0	46,2	43,9	41,2
Net indebtness ratio, %	12,1	-3,1	40,9	64,7	55,1
Current ratio	1,9	1,6	1,5	1,6	2,0
Gross investments, EUR 1 000	3 937	5 150	24 118	5 267	2 925
% of turnover	7,1	8,8	29,4	7,5	4,4
Research and development costs, EUR 1 000	1 497	1 652	1 832	1 589	1 799
% of turnover	2,7	2,8	2,2	2,3	2,7
Development costs, capitalised, EUR 1 000	140	377	265	98	422
Order book, EUR million	5,4	9,2	10,4	6,9	4,9
Average personnel	513	514	664	682	526
Key indicators per share					
Earnings per share, EUR	0,12	0,12	0,16	0,01	0,04
Equity per share, EUR	0,64	0,70	0,83	0,74	0,73
Dividends					
Nominal dividend per share, EUR					
A share	0,058	0,070	0,090	0,0450	0,0280*)
K share	0,055	0,068	0,088	0,0433	0,0263*)
Dividend per earnings, %	47,6	58,0	58,1	457,9	71,5
Effective dividend yield, %/A shares	3,6	3,4	2,6	2,9	4,2
Price/earnings ratio, EUR	13,2	17,0	22,6	160,3	16,8
Highest share price, EUR	2,05	2,25	4,05	3,75	1,88
Lowest share price, EUR	1,31	1,39	2,04	1,53	0,60
Average share price, EUR	1,69	1,79	3,18	2,69	1,28
Closing price, EUR	1,58	2,04	3,51	1,56	0,67
Market capitalization, EUR 1 000	57 552	74 308	130 375	57 945	24 837
(supposing that the market price of the K share is the same as that of the A share)					
Number of shares traded, (1 000 pcs)	5 334	4 866	7 454	5 369	2 455
% of the total amount	19,8	18,1	27,0	19,4	8,9
The average issue-adjusted number of shares for the financial year (1 000 pcs)	36 426	36 426	36 785	37 144	37 128
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	36 426	36 426	37 144	37 144	37 070
*) According to the proposal of the Board of Directors.					

Calculations of Key Ratios

Key figures describing financial development	
Return on equity (ROE) =	$100 \times \frac{\text{Profit for the year}}{\text{Average shareholders' equity during the year}}$
Return on investments (ROI) =	$100 \times \frac{\text{Profit before income tax + interest and other finance expenses}}{\text{Balance sheet total - non-interest bearing liabilities (mean value of beginning and end of the year)}}$
Solvency ratio, % =	$100 \times \frac{\text{Shareholders' equity}}{\text{Balance sheet total - advance payments}}$
Net indebtness ratio, % =	$100 \times \frac{\text{Interest-bearing liabilities - assets}}{\text{Shareholders' equity}}$
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, % =	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Effective dividend yield =	$100 \times \frac{\text{Issue-adjusted dividend per share}}{\text{The closing price of A- share at balance sheet date}}$
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	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007
Net Sales	1.1.	65 572	52 150
Increase (+) / decrease (–) in inventories			
in finished goods and in work in progress		–402	2 202
Production for own use		522	914
Other operating income	1.2.	1 005	2 673
Materials and services	1.3.	22 646	18 590
Personnel expenses	1.4.	22 341	22 015
Depreciation and value adjustments	1.5.	5 178	4 233
Other operating expenses	1.6.	13 307	12 666
Operating profit		3 225	435
Financial income and expenses	1.7.	–1 127	–709
Profit / loss before untaxed reserves and income taxes		2 098	–274
Untaxed reserves	1.8.	–177	950
Income taxes	1.9.	–748	–630
Profit for the year		1 173	46

Balance Sheet

EUR 1 000	Note	Dec. 31, 2008	Dec. 31, 2007
Assets			
Fixed asset and other non-current investments			
Intangible assets	2.1.	6 876	6 624
Goodwill	2.1.	6 713	7 459
Tangible assets	2.2.	18 227	20 632
Investments			
Shares in group companies	2.3.	930	917
Group receivables	2.4.	34	34
Participating interests	2.3.	26	25
Other investments	2.5.	27	33
Fixed assets and other non-current investments, total		32 833	35 724
Current assets			
Inventories	2.6.	11 286	12 209
Non-current receivables	2.7.	345	396
Deferred tax assets	2.8.	285	386
Current receivables	2.9.	5 314	5 369
Cash in hand and at banks		11 442	3 479
Total current assets		28 672	21 839
Total assets		61 505	57 563
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock	2.10.	6 314	6 314
Share premium fund	2.10.	7 334	7 334
Revaluation reserve	2.10.	-60	
Treasury shares	2.12.	-78	
Retained earnings	2.10.	5 851	7 458
Profit for the year	2.10.	1 173	46
Total shareholders' equity		20 535	21 153
Untaxed reserves			
Accelerated depreciation		3 034	2 856
Provisions	2.13.	909	844
Liabilities			
Deferred income tax liabilities			18
Non-current liabilities	2.14.	22 728	18 098
Current liabilities	2.15.	14 299	14 594
Total liabilities		37 027	32 710
Total liabilities and shareholders' equity		61 505	57 563

Cash Flow Statement

EUR 1 000	Jan. 1 – Dec. 31, 2008	Jan. 1 – Dec. 31, 2007
Cash flow from operating activities		
Profit before extraordinary items	2 098	-274
Adjustments for:		
Depreciation	5 178	4 233
Unrealised exchange rate gains and losses	23	4
Other non-payment-related expenses	85	12
Financial income and expenses	1 127	709
Other adjustments	3	-75
Cash flow before working capital changes	8 514	4 609
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	-104	3 182
Increase (-) / decrease (+) in inventories	923	-2 186
Increase (+) / decrease (-) in current non-interest bearing liabilities	-878	-2 676
Cash generated from operations before financial items and income taxes	8 455	2 929
Interest paid and payments on other financial expenses from operations	-1 078	-849
Dividends received	56	10
Interest received	168	109
Income taxes paid	-532	-863
Cash flow before extraordinary items	7 069	1 336
Net cash flow from operating activities	7 069	1 336
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-3 310	-6 308
Investment grants received		1 120
Proceeds from sale of tangible and intangible assets	76	118
Loans given		-1 090
Acquired subsidiary companies	-361	
Gains on disposal of other investment		2 051
Disposals of other financial assets	4	
Interest received		127
Net cash used in investing activities	-3 591	-3 982
Cash flow from financing activities		
Purchase of own shares	-75	
Short-term borrowing		1 836
Repayment of short-term loans	-1 836	
Long-term borrowing	11 198	6 704
Repayment of long-term loans	-3 153	-3 520
Dividends paid	-1 655	-3 459
Net cash flow from financing activities	4 479	1 561
Net increase (+) / decrease (-) in cash and cash equivalents	7 957	-1 085
Cash and cash equivalents at the beginning of the financial year	3 479	2 884
Effect of changes in exchange rates	6	-46
Accumulated cash and equivalents in merger		1 726
Cash and cash equivalents at the end of the financial year	11 442	3 479

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	10 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. Revenue from installing and services is recognised in the period when the service is rendered.

Research and Development Cost
Research and development expenditure has mainly been recorded as annual costs when incurred. Other development costs than those relating to fireplaces have been capitalized. 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 divided proposed by the Board of Directors to the annual shareholders' meeting. Dividends are recorded on the basis of the decision made by the annual general meeting.

Comparability of the result
When comparing the current year financial information with the financial information of the previous period it should be taken into account that Kermansavi Oy merged with the parent company at 31 December 2007.

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	2008	2007
1.1. Net sales		
1.1.1. Net sales per business area		
Fireplaces business	55 486	44 750
Natural stone products business	7 967	7 400
Utility ceramics	2119	
Total net sales per business area	65 572	52 150
1.1.2. Net sales per geographical area		
Finland	34 158	21 275
Rest of Europe	30 175	29 612
USA	1 239	1 263
Total net sales per geographical area	65 572	52 150
1.2. Other operating income		
Rental income	276	128
Charges for intergroup services	271	2 245
Government grants	294	113
Proceeds from sale of fixed and other non-current investments	15	80
Other income	149	107
Total other operating income	1 005	2 673
1.3. Materials and services		
Materials and supplies (good)		
Purchases during the fiscal year	12 230	12 176
Change in inventories, increase (-) / decrease (+)	521	16
External charges	9 895	6 398
Total materials and services	22 646	18 590
1.4. Personnel expenses and number of employees		
1.4.1. Personnel expenses		
Salaries and wages	17 587	17 366
Pension expenses	3 344	3 133
Other social security expenses	1 410	1 516
Total personnel expenses	22 341	22 015
1.4.2. Salaries and fees paid to Directors		
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director	416	473
Other long term employee benefits	62	89
Salaries and wages		
Managing Director	210	242
Members of the Board		
Bishop Ambrosius	16	15
Erma Juhani	24	23
Makkonen Eero	16	15
Toivanen-Koivisto Maarit	16	15
Vauhkonen Heikki	16	50
Vauhkonen Reijo	28	27
Virtaala Matti	90	86

EUR 1 000	2008	2007
1.4.3. Average number of employees during the fiscal year		
Clerical employees	151	105
Workers	370	427
Total number of employees	521	532
1.5. Depreciation according to plan		
Development expenditure	9	
Intangible rights	21	20
Other long-term expenditure	656	712
Amortization on quarries based on the unit of production method	133	86
Buildings and constructions	628	554
Machinery and equipment	2 925	2 810
Other tangible assets	30	18
Amortisation on land areas based on unit of production method	30	33
Goodwill	746	
Depreciation according to plan in total	5 178	4 233

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.

EUR 1 000	2008	2007
1.6. Other operating expenses		
1.6.1. Auditors' fees		
Audit fees	36	71
Tax advice	21	11
Other fees	10	9
Audit fees, total	67	91

In 2008 and 2007 the statutory audit was performed by the firm of authorized public accountants KPMG Oy Ab and in 2007 partly by the firm of authorized public accountants PricewaterhouseCoopers.

EUR 1 000	2008	2007
1.7. Financial income and expenses		
Dividend income from group companies	50	
Dividend income from others	6	10
Interest and finance income		
Interest income from group companies	19	93
Interest income from others	139	82
Interest expenses	-1 010	-907
Interest expenses to group companies	-49	
Exchange rate gains / losses	-14	-42
Reduction in value of investments held as non-current assets		-6
Changes in fair value of derivatives	-234	70
Other financial income and expenses	-34	-9
Financial income and expenses in total	-1 127	-709
1.8. Untaxed reserves		
Change in accelerated depreciation	-177	950
1.9. Income taxes		
Income taxes on ordinary operations	645	714
Change in deferred tax liabilities / tax assets	82	-84
Transfer of income taxes to the revaluation reserve	21	
Income taxes in total	748	630

Notes to the Balance Sheet

EUR 1 000	2008	2007
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	42	
Capitalised development expenditure received in merger		42
Additions	116	
Depreciation for the financial year	9	
Balance sheet value of capitalised development expenditure December 31	149	42
2.1.2. Intangible rights		
Acquisition cost January 1	568	550
Additions	34	18
Acquisition cost December 31	602	568
Accumulated depreciation according to plan January 1	460	440
Depreciation for the financial year	21	20
Accumulated depreciation December 31	481	460
Balance sheet value of intangible rights, December 31	121	108
2.1.3. Goodwill		
Acquisition cost January 1	8 804	1 345
Acquisition received in merger		7 459
Acquisition cost December 31	8 804	8 804
Accumulated depreciation according to plan January 1	1 345	1 345
Depreciation for the financial year	746	
Accumulated depreciation December 31	2 091	1 345
Balance sheet value of goodwill, December 31	6 713	7 459
The parent company's goodwill comprises merger losses.		
2.1.4. Other long term expenditures		
Acquisition cost January 1	17 661	13 441
Other long term expenditures received in merger		135
Additions	930	4 085
Disposals	35	
Acquisition cost December 31	18 556	17 661
Accumulated depreciation according to plan January 1	11 187	10 355
Accumulated depreciation received in merger		34
Accumulated depreciation on disposals	26	
Depreciation for the financial year	789	798
Accumulated depreciation December 31	11 950	11 187
Balance sheet value of long term expenditure, December 31	6 606	6 474
Total intangible assets	13 589	14 083

The balance sheet value of other long term expenditure includes EUR 4 102 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	2008	2007
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 378	1 172
Land received in merger		3
Additions	2	203
Acquisition cost December 31	1 380	1 378
Accumulated depreciation January 1	186	153
Amortization based on the unit of production method for the financial year	31	33
Accumulated depreciation December 31	217	186
Balance sheet value of land, December 31	1 163	1 192
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 167	13 280
Buildings and constructions received in merger		1 589
Additions	94	298
Disposals	3	
Acquisition cost December 31	15 258	15 167
Accumulated depreciation according to plan January 1	7 046	5 864
Accumulated depreciation received in merger		628
Depreciation for the financial year	628	554
Accumulated depreciation December 31	7 674	7 046
Revaluation received in merger	505	505
Balance sheet value of buildings and constructions, December 31	8 089	8 626
2.2.3. Machinery and equipment		
Acquisition cost January 1	46 035	38 574
Machinery and equipment acquired in merger		5 562
Additions	1 224	2 221
Disposals	252	322
Acquisition cost December 31	47 007	46 035
Accumulated depreciation according to plan January 1	35 425	28 503
Accumulated depreciation on disposals	187	279
Accumulated depreciation received in merger		4 391
Depreciation for the financial year	2 925	2 810
Accumulated depreciation December 31	38 163	35 425
Balance sheet value of machinery and equipment, December 31	8 844	10 610

EUR 1 000	2008	2007
2.2.4. Other tangible assets		
Acquisition cost January 1	281	198
Additions	13	83
Acquisition cost December 31	294	281
Accumulated depreciation according to plan January 1	184	166
Depreciation for the financial year	30	18
Accumulated depreciation December 31	214	184
Balance sheet value of other tangible assets, December 31	80	97
2.2.5. Advance payments		
Advance payments	51	37
Advance payments received in merger		70
Total advance payments	51	107
Total tangible assets	18 227	20 632
Amount of machinery and equipment included in balance sheet value	8 065	9 559
2.3. Shares in Group Companies	Ownership,	Ownership,
	%	%
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
In addition to its subsidiaries, Tulikivi Corporation has a branch office		
in Germany, Tulikivi Oyj Niederlassung Deutschland.		
Associated companies		
Stone Pole Oy, Juuka	27	27
Leppävirran Matkailukekus Oy, Leppävirta	33	33
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	34	34
Receivables from Group companies, total	34	34
2.5. Other investments		
Stone Pole Oy	1	1
Other	26	32
Total other investments	27	33
2.6. Inventories		
Raw material and consumables	5 463	5 985
Finished products/goods	5 823	6 224
Total inventories	11 286	12 209

EUR 1 000	2008	2007
2.7. Non-current receivables		
Receivables for group companies		
Loan receivables	310	381
Prepayments and accrued income	35	15
Total non-current receivables	345	396
2.8. Deferred tax assets		
Provisions and accrued expenses	285	244
Provisions and accrued expenses received in merger		142
Deferred tax assets, total	285	386
2.9. Current receivables		
Receivables form group companies		
Trade receivables	13	98
Receivables from participating interest undertakings		
Trade receivables	1	
Receivables form others		
Trade receivables	4 925	4 712
Other receivables	29	66
Other accrued income		
Receivables from grants	202	85
Prepayments	101	123
Employment pension receivable		26
Interest receivable	25	141
Other prepayments and accrued income	18	118
Receivables from other, total	5 300	5 271
Total current receivables	5 314	5 369
2.10. Shareholders' equity		
Capital stock January 1	6 314	6 314
Capital stock December 31	6 314	6 314
Share premium fund January 1	7 334	7 334
Share premium fund December 31	7 334	7 334
Revaluation reserve January 1		
Revaluation reserve December 31	-60	
Retained earnings January 1	7 504	10 903
Dividend paid	-1 653	-3 320
Charitable contribution		-124
Treasury shares	-78	
Retained earnings December 31	5 773	7 458
Profit for the year	1 173	46
Total shareholders' equity	20 535	21 153

EUR 1 000	2008	2007
2.11. Statement of distributable earnings December 31		
Profit for the previous years	5 773	7 458
Profit for the year	1 173	46
Total distributable earnings	6 946	7 504

2.12. Treasury shares

During the financial year the company has acquired 74 000 own shares based on the authorization given by the Annual General Meeting on 17 April 2008. The acquisition price has been the stock exchange rate of the share at the time of acquisition. The acquired shares represent 0.2 per cent of the share capital and 0.06 per cent of the voting rights. The acquisition of own shares has not had any material impact on the distribution of ownership or voting rights of the company.

During the financial year the parent company has purchased its own shares as follows:

Period	Number of shares	Consideration transferred (average)	Consideration transferred (range)
1.08. - 31.08.2008	13 334	1.344	1.31 - 1.39
1.09. - 30.09.2008	19 270	1.298	1.23 - 1.34
1.10. - 30.10.2008	5 000	1.124	0.90 - 1.23
1.11. - 30.11.2008	22 396	0.890	0.80 - 0.96
1.12. - 31.12.2008	14 000	0.654	0.65 - 0.67
Total at December 31, 2008	74 000	1.05	0.65 - 1.39

2.13. Provisions	2008	2007
Warranty provision	452	447
Environmental provision	457	397
Provisions, total	909	844
2.14. Non-current liabilities		
Liabilities to group companies		
Other long-term current liabilities	1 146	
Loans from credit institutions	19 810	15 211
Installment credit	1 772	2 540
Other non-current liabilities		347
Total non-current liabilities	22 728	18 098

EUR 1 000	2008	2007
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	338	1 271
Liabilities to associates		
Trade payables	39	6
Liabilities to others		
Loans from credit institutions	4 670	2 852
Advances received	21	2
Trade payables	2 332	2 811
Other current liabilities	632	1 225
Accrued liabilities		
Salaries, wages and social costs	4 361	4 902
Discounts and marketing expenses	653	505
External charges	402	276
Interest liabilities	433	219
Tax liabilities	101	39
Other accrued liabilities	317	486
Total current liabilities	14 299	14 594
2.16. Given guarantees, contingent liabilities and other commitments		
Loans and credit limit accounts with related mortgages and pledges		
Loans from financial institutions and loan guarantees	18 730	15 312
Credit limit accounts	4 000	5 000
Other long-term liabilities	2 263	3 051
Real estate mortgages given	9 186	8 891
Company mortgages given	13 396	12 975
Object for purchase	2 263	3 051
Pledged leaseholds	219	219
Given mortgages and pledges, total	25 064	25 136
Other own liabilities for which guarantees have been given		
Guarantees	420	520
Other commitments	35	680
Other own liabilities for which guarantees have been given	455	1 200
Collaterals given on behalf of group companies	30	
Company mortgages given		420
Real estate mortgages given	450	745
Pledges given	35	35
Guarantees given on behalf of other own liabilities	485	1 200

EUR 1 000	2008	2007
Leasing commitments		
Due during the financial year 2009	8	20
Due later	10	18
Leasing commitments, total	18	38
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps , nominal value	13 027	7 354
Interest rate swaps , fair value	-177	138

Contingent purchase price

During 2008 was paid the contingent consideration of EUR 0.3 million for Kivia Oy's shares included in the non-current liabilities in 2007.

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 the environmental authorisations, the Group has given guarantees to the effect of EUR 229 600 in total, and additional EUR 270 000 which were given after the balance sheet date.

3. Share-based payments

The terms of the share-based incentive plan

The Tulikivi Group has a share-based incentive plan for key personnel. Based on the plan the vesting periods are the years 2008, 2009 and 2010. The incentive plan is conditional. The reward from the plan for the vesting period 2008 is based on the Group´s profit after financial items and cash flow from operating activities. In accordance with the terms of the plan for the year 2008 the reward could have been at the maximum 120 000 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. A maximum total of 360 000 Series A shares and cash payment corresponding the value of the shares will be paid as rewards on the basis of the entire share-based incentive plan. The grant date of the incentive plan was 18 April 2008 and the share price at the grant date was EUR 1.5. The 2008 profit/cash flow entitled to 10 per cent of the maximum reward of the incentive plan. Based on the terms of the plan Series A shares will be granted to those participating the plan, in total 9 800 shares. It is prohibited to transfer the shares within the two year restriction period. Furthermore, a key person must own at least 30 per cent of the shares earned on the basis of the plan for two years after the restriction period. The impact of the share-based rewards on the 2008 result amounted to approximately EUR 10 thousand.

4. Events following the end of the financial year

Because of the declining order inflow, the company's Board of Directors has launched a programme to improve the profitability of Tulikivi Corporation's operations and to introduce concentration measures in order to secure the company's profitability in the future. The programme is intended to achieve annual savings of approximately EUR 5 million in future years. As a result of launching the programme, the company has initiated co-determination talks with all Group personnel. The company is seeking a personnel reduction of about 120 persons. The company will also have to introduce lay-offs among its personnel during the current year. It is estimated that the programme will give rise to approximately EUR 2 million in non-recurring costs.

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	1 334 327	11.27
2. Vauhkonen Heikki	2 957 000	46 887	8.09
3. Elo Eliisa	477 500	2 479 520	7.96
4. Virtaala Matti	1 460 000	961 300	6.52
5. Ilmarinen Mutual Pension Insurance Company		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		718 430	1.93
9. Nuutinen Tarja	397 500	277 040	1.82
10. Investment Fund Phoebus		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	1 334 327	24.28
2. Vauhkonen Heikki	2 957 000	46 887	24.08
3. Virtaala Matti	1 460 000	961 300	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		1 902 380	1.55
9. Suomen Kulttuurirahasto	100 000	340 000	1.09
10. Sivonen Juha	100 000		0.81

The members of the Board and Managing Director control 7 269 500 K shares and 2 581 246 A shares representing 61.20 % of votes.

Breakdown of share ownership of December 31, 2008 Number of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	359	7.87	25 090	0.07
101 - 1000	2 159	47.34	1 211 979	3.26
1001 - 5000	1 469	32.21	3 624 196	9.75
5001 - 10000	291	6.38	2 208 639	5.95
10001 - 100000	260	5.70	6 234 806	16.79
100001 -	23	0.50	23 839 260	64.18
Total	4 561	100.00	37 143 970	100.00

On December 31, 2008 the Company's shareholders were broken down by sector as follows: Sector	Holding, %	Votes, %
Enterprises	2.19	0.66
Financial and insurance institutions	10.24	3.09
Public organisations	5.16	1.56
Non-profit organisations	2.79	1.58
Households	79.38	93.04
Foreign	0.24	0.07
Total	100.00	100.00

Nominee-registered shares, 2 623 118 in total (7.06 % of the capital stock), are entered under financial and insurance institutions.

Signatures to Report of the Board and Financial Statements

In Nunnanlahti February 10, 2009

Matti Virtaala

Bishop Ambrosius

Juhani Erma

Eero Makkonen

Maarit Toivanen-Koivisto

Reijo Vauhkonen

Heikki Vauhkonen
Managing Director

Auditors' Report

TO THE ANNUAL GENERAL MEETING OF TULIKIVI CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tulikivi Corporation for the financial period 1 January – 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

The consolidated financial statements and the parent company's can be adopted and the members of the Board of Directors of the parent company and the Managing Director can be discharged from liability for the financial period audited by us. The proposal by the Board of Directors on how to deal with the result for the financial period is in compliance with the Limited Liability Companies Act.

In Nunnanlahti February 24, 2009
KPMG OY AB

Ari Eskelinen
Authorized Public Accountant

Contact Information

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