ANNUAL REPORT 2011

Tulikivi

Contents

The Year 2011 in Brief	5
Strategic Policies	6
Product Groups	9
Managing Director's Review	12
Fireplace Business	14
Natural Stone Business	17
Export Review	18
Stone Supplies and Reserves	22
Corporate Responsibility	24
Highlights of the Year 2011	27
Board of Directors	28
Management Group	30
Corporate Governance Statement 2011	32
Salary and Remuneration Report	37
Information for Shareholders	38
Annual Summary	39
Tulikivi Corporation´s Board of Directors´ Report and Financial Statements 2011	40
Board of Directors' Report	41
Consolidated Financial Statements, IFRS	46
Key Financial Indicators	84
Calculation of Key Ratios	86
Parent Company Financial Statements, FAS	87
Tulikivi Corporation's Shareholders and Management Ownership	98
Signatures to Board of Directors´ Report and Financial Statements	99
Auditor's Report	99
Contact Information	100

8
Fireplaces

10
Sauna

11
Interior

The Year 2011 in Brief

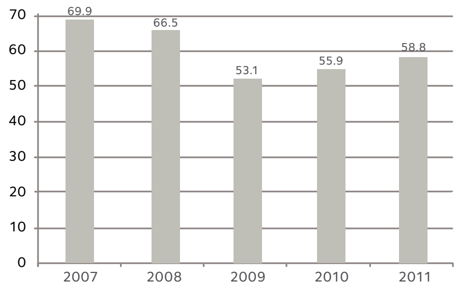
The Tulikivi Corporation, a listed family enterprise, is the world's largest manufacturer of heat-retaining fireplaces.

Tulikivi has three product groups: fireplaces, sauna and interior. Manufacturing of dishware ended 2011. Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy. Tulikivi's net sales are slightly under EUR 56 million, of which exports account for about half. Tulikivi employs approximately 400 people. www.tulikivi.com

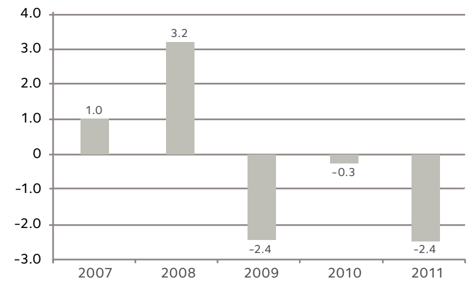
The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland as well as Kivia Oy, AWL Marmori Oy, Tulikivi U.S., Inc., and OOO Tulikivi. Group companies include The New Alberene Stone Company, Inc., which is no longer engaged in business operations. The associate Companies of Tulikivi Group are Stone Pole Oy, Leppävirran Matkailukeskus Oy (untill November 18, 2011) and Rakentamisen MALL Oy.
Calculation of key ratios, page 86

	2011	2010	Change, %
Net Sales, MEUR	58.8	55.9	5.1
Operating result, MEUR	-2.4	-0.3	-700.0
Result before income tax, MEUR	-3.1	-1.0	-210.0
Return on investments, %	-4.8	-0.1	
Solvency ratio, %	33.3	37.0	
Earnings per share, EUR	-0.07	-0.02	-217.7
Equity per share, EUR	0.51	0.60	-15.0
Payment of dividend on:			
A share, EUR	-	0.0250	
K share, EUR	-	0.0233	

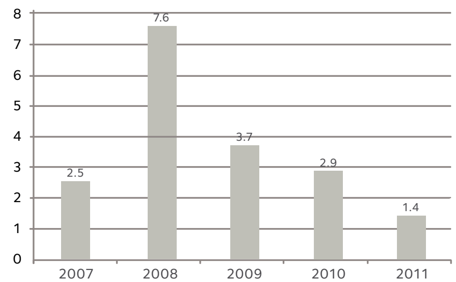
Development of Net Sales, MEUR



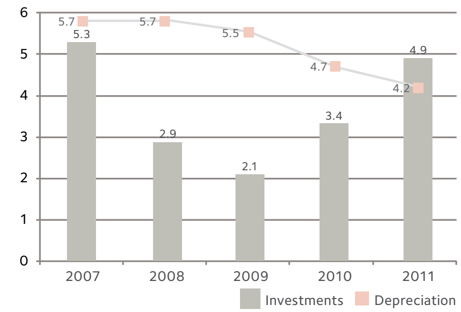
Operating Result, MEUR



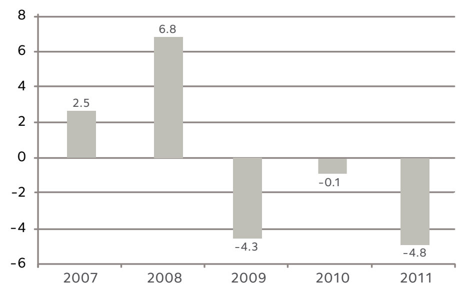
Net Cash Flow from Operating Activities, MEUR



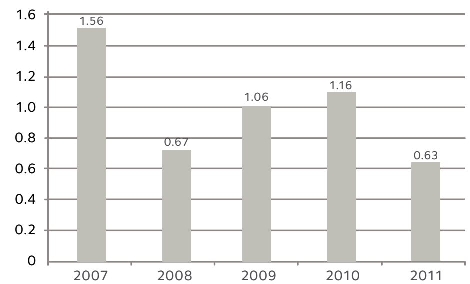
Investments and Depreciation, MEUR



Return on Investments, %



Share Price of the A Share, Dec. 31, EUR



Tulikivi's Strategy

Tulikivi's Strategy

Tulikivi's mission is as follows: Because it's such a cold cold world, Tulikivi brings warmth and comfort to homes. Tulikivi's strategy is based on the fact that consumers are becoming more and more interested in interior design, well-being, bioenergy and ecology.

Financial targets for the next five years

- Profitable operations in 2012
- As the economic situation improves, the organic growth target will be 10% per year
- Return on investment will be greater than 20% in 2016
- Operating profit will be 10% of net sales in 2016

Tulikivi's Values

Tulikivi

- is innovative
- values its customers
- values entrepreneurial spirit
- values fairness and honesty

Customer Pledge

Tulikivi's manufacturing processes, as well as its products and their life cycles, appeal to environmentally conscious consumers who use the products as primary and secondary heating sources, as an interior decoration and for creating a comfortable atmosphere.
Using the best combustion technology, Tulikivi products offer the best possible energy efficiency. They also serve the aesthetic, usability and service needs of individual customer groups. The products create a pleasant atmosphere for relaxing after a busy day, and the warmth they generate provides homes with a unique ambience. All products come with expert service.

Operating Environment

- Ecological and economic considerations are increasing the use of bioenergy
- Wellbeing and comfortable living are key values for consumers
- Housing construction is increasing in many markets
- Turnkey construction projects are also increasing
- Fireplace regulations are becoming stricter

Competitiveness

- Product concepts tailored to customer needs
- A comprehensive distribution and service network
- A well-known company with highly valued products
- An efficient network-based approach
- An ample supply of high-quality raw materials
- Innovative and committed staff
- Cost-effective manufacturing process

Procedures

Our focus is on finished consumer products, but we also provide consumers with tailor-made solutions. We also sell lining stone products to major European heating-appliance manufacturers and interior stone products to Finnish kitchen manufacturers and professional builders through business-to-business deals.

Powerful and Intelligent.




Product groups

Fireplaces

Heat-retaining soapstone and ceramic fireplaces

- Fireplaces, bake ovens, fireplace/bake ovens, stoves, etc.
- For customers who are building or renovating their home
- These customers are interested in the environment, energy-efficiency, costs, and comfortable heating

Design Stoves

- For customers who are building or renovating their home
- These customers are interested in aesthetic design, comfortable heating, the environment and durability

Tulikivi Green products

- Pellet, water-heating and fireplace control systems, etc.
- Ideally suited for low-energy houses

Available in all market areas

A New Way to Enjoy Sauna.

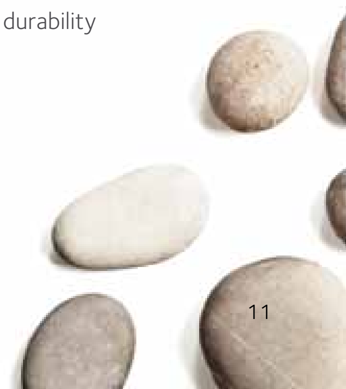
Tulikivi Sauna

- The first soapstone, ceramic and natural-stone electric sauna heaters were introduced to the market in spring 2011
- The collection was complemented with wood-fired sauna heaters in spring 2012
- Customers value aesthetic design, a good sauna steam and ecological issues and environment
- The principal market will initially be Finland
- Export operations to Russia and Sweden will be commenced in 2012

Impressive and Durable.

Tulikivi Interior

- Stone countertops,interior claddings and paving stones
- For customers who are building or renovating their home
- These customers are interested in aesthetic design, the environment and durability
- The principal market Finland



Helsinki, January 14., 2012
Heikki Vauhkonen, Managing Director

Managing Director's Review

Tulikivi Corporation, which is known as a producer of heat-retaining fireplaces and interior stone products, is focusing its growth strategy on the manufacture of fireplace, sauna and interior stone products, the development of related product concepts and marketing to consumers. Promoting the growth is the value placed on bioenergy and well-being, and investments in interior design. Despite the challenging operating environment, development of the company has systematically been continued, and the objective is to obtain a sufficiently broad customer base.

Changing Environment

2011 began in positive spirits. Strengthened consumer confidence increased demand for our products both in Finland and abroad. In the early part of the year, demand for fireplaces was also boosted by continuously rising consumer energy prices and the cold winter.

Due to the euro crisis, consumer confidence weakened substantially, and this began to show in the order flows for Tulikivi products in the autumn. Demand weakened the most on the export markets.

Net sales of Tulikivi's interior stone products and fireplaces in Finland performed positively for the year as a whole. Fireplace exports and sales of lining stone products were at the previous year's level. In the subcontracted lining stone business, demand weakened substantially in late autumn, due to the euro crisis and the exceptionally warm autumn weather. The Group's net sales were up 5.1 per cent and the operating loss was MEUR 0.8. The result was in addition adversely affected by non-recurring expenses of MEUR 1.6.

Focus on New Business

In 2011, an important development project that supports the growth strategy was the launching of the sauna business. The decision to launch the sauna business is supported by Tulikivi's brand, which is well-known and well-suited to the business. The distribution channels and target groups are also largely the same as in the company's other product groups. Tulikivi's special expertise in raw materials and combustion technology can also be utilised in the product group.

The range of electric sauna heaters presented in spring 2011 has aroused much interest among consumers as a result of its distinctive and modern design. In 2011, the Tulikivi organisation's sauna expertise was strengthened through recruitment and training. Distribution was commenced in Tulikivi Showrooms and Tulikivi Service Points. Distribution agreements were also signed with Elektroskandia Oy and Onninen Oy. Investments were substantially greater than profits, which is typical for a newly-launched business. The profitability outlook for 2012 is clearly better in this respect.

Concentrating on Core Businesses

In accordance with its strategy, Tulikivi decided to divest the Kermansavi utility ceramics business and building stone business in order to improve profitability. The manufacture of interior stone products was concentrated at the Espoo production plant. A major share of the machine work in quarrying was outsourced. The Taivassalo-based building stone business was sold to Vientikivi Oy Finland on June 30, 2011. By divesting the businesses, Tulikivi will be able to increase investment in growth in new product groups and distribution in accordance with its strategy. The net sales of the utility ceramics and building stone businesses totalled around EUR 3 million in 2010, and the result was a clear loss. Focusing on core businesses resulted in a reduction of the company's personnel by 55 people.

Profitability is Being Improved

In addition to focusing on core businesses, the company is seeking around EUR 3 million in structural savings for next year. As a part of this project, the number of employees in the company was reduced by 51 people as a result of co-determination negotiations that ended at the end of December. All in all, the number of employees working in the company decreased by 106. In addition to reductions in personnel costs, the profitability of the distribution network will be improved and other fixed costs will be reduced.

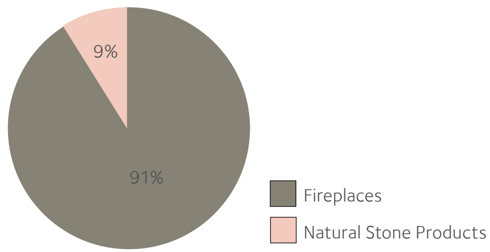
Renewed Product Range and Image

With the divestment of the utility ceramics and building stone businesses Tulikivi is left with a uniform product range of fireplaces, sauna products and interior stone products at its core. The redesign of the corporate image also reflects the renewal of the company and its products.

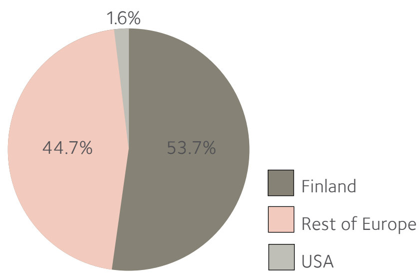
New ERP System

The company's renewal was not limited to its external look and products. In order to improve the efficiency of operations, a new enterprise resource planning (ERP) system was introduced at Tulikivi on 1 January 2012. In 2010, a decision was made to postpone the project by a year. Due to the additional time, the implementation and initialisation phase have gone according to plan, and the project has remained, for the most part, within the original budget. Through the implemented adjustment measures, it will also be possible to put the efficiency benefits of the ERP system into use.

Net Sales per Business Area, %



Net Sales per Geographical Area, %



Fireplace Business

In Finland, the fireplace market grew by around 5 per cent in 2011. The growth of the market was due to the increase in renovations. As Tulikivi's net sales in Finland increased by just under 10 per cent, the company was able to increase its market share substantially. The net sales growth was achieved by opening new Tulikivi Service Points. The new Green products have also increased consumers' interest in heat-retaining fireplaces in Finland.

At the turn of the year, Tulikivi had 33 Tulikivi Showrooms and 190 Tulikivi Service Points. The number of service points grew by 60 when co-operation with the S Group was started. A total of 90 new distribution outlets were opened during the year. Many of the points are only in the early stages of their sales work, so they will be able to increase their sales in the future. The role of the Tulikivi Showrooms is to offer a turnkey service to customers with new building projects and other customers requiring these services. The Tulikivi Service Points provide services to renovators, hobby builders and builders in smaller municipalities.

Heat-retaining Fireplaces Dominate

In Finland, heat-retaining fireplaces' market share of the overall market remained at the level of 2010, i.e. at around 70 percent. In Finland, the position of heat-retaining fireplaces is supported extensive use of heating and the relatively inexpensive price. In addition to the heat-retaining fireplaces, many stoves and inserts produced by foreign companies have entered the market.

The lack of national emissions standards is a negative factor for the development of the Finnish fireplace market. Unlike most Western countries, Finland does not have emissions standards for fireplaces and this allows fireplaces of varying standards to be marketed without additional information for consumers. Standards are likely to be introduced in Finland no later than August 1, 2013, when the EU Construction Products Regulation enters into force.

Export Market

The performance of the export market was a clear reflection of the effects of the European financial crisis. Tulikivi's exports to Sweden and the Baltic countries grew substantially. Sales also grew in Russia and Germany. Correspondingly, exports elsewhere to Central Europe and the USA were down on the previous year. Overall fireplace exports were at last year's level. The new design fireplaces contributed to sales.
The cold winters and higher consumer energy

prices have increased consumers' interest in fireplaces. Consumers are very interested in fireplace projects, but the economic crisis has delayed their decisions.

Despite the sales growth, Russia's market development has not been satisfactory in relation to the investments made. The organisation of Russian operations is being renewed, and sales expertise is being increased.

In France, government support for energy-efficient acquisitions such as fireplaces was continued. The support has been reduced gradually, but this has not dramatically decreased demand for fireplaces. In 2012, the government will provide consumers with a grant covering 15 per cent of an energy-efficient fireplace investment in a newly built home, and 26 per cent in a renovation project.

We have sought growth in fireplace exports by introducing new products to existing distribution channels, and also by creating new distribution channels for existing products. Exports to Poland and Slovenia were started in 2010. In 2011, exports to the Czech Republic and Slovakia was also launched. Creating new markets for heat-retaining fireplaces is time-consuming, but the number of people living in detached houses is growing and the price of consumer energy is rising, so this opens up new markets for heat-retaining products.

Lining Stones

The economic uncertainties were reflected in the lining stone business more directly than in the fireplace business. Demand for lining stones was good in the early part of the year. High demand in the Nordic countries strengthened order books during the spring. Economic uncertainties and a very warm autumn weakened sales of soapstone-clad fireplaces to such a degree that the substantial increase in net sales in the spring then turned into a drop in net sales. In business to business operations, the decrease in net sales was spurred on by the market conditions and by customers' efforts to reduce their own inventories.

Production of lining stone products is centralised at the Suomussalmi factory. Tulikivi's competitive advantages in lining stone products are high quality, reliable deliveries and proximity to the principal market. We have been able to network with our clients more and more efficiently, and are able to offer them an even more comprehensive service.

Product Development

There are two types of general requirements regarding fireplaces. On the one hand, many governments encourage consumers to obtain the most energy-efficient products in order to make use of bioenergy as efficiently as possible. On the other hand, environmental authorities strive to reduce the damage caused by burning low-quality fuel, i.e. fine particle emissions, through their own regulations. The regulations are most strict in Germany and Austria.

The EU has a positive attitude to fireplaces. In order to support energy efficiency, the EU is striving to guide the development of fireplace regulations with its Energy using Products (EuP) Directive. Unfortunately, the schedule of this regulatory development has been delayed. Tulikivi has been involved in the standards' preparatory work. If created, EU-level regulations would clarify the fireplaces requirements on different markets.

Product development is guided primarily by customer needs rather than technical market requirements. The aim is to combine these needs with modular products which allow the technical platform and appearance to be developed separately.

In addition to interior design trends and efficiency features, being able to integrate fireplaces with building automation systems will be emphasised in the future. Such properties have been developed and incorporated in Tulikivi Green products.

Production

Soapstone Fireplaces

In 2011, the main challenge in production and procurement was adjusting to relatively low delivery volumes. During the year, soapstone production was adjusted mainly through temporary layoffs. In the co-determination negotiations which ended in December, soapstone production capacity was adjusted to the lowered demand outlook. 30 people were made redundant in production, and this will reduce the need for layoffs and increase the efficiency of production this year. At the same

time, cleaning operations were outsourced. Auxiliary work related to soapstone quarrying was outsourced during the year. These measures enabled a reduction in the costs of machine work. At the same time, it was possible to get rid of a large amount of machinery that is becoming obsolete. Due to the outsourcing, the company will not need to make substantial investments in equipment in the coming years.

Ceramic Fireplaces

Significant changes were made in the production of ceramic fireplaces during the latter part of the year. The divestment of the utility ceramics business meant that the layout of the Heinävesi factory could be designed solely according to the needs of fireplace production. At the same time, it was possible to give up some of the production space, and thus reduce rent and operating expenses.


sanctum

Natural Stone Products Business

The natural stone products business was given a major overhaul in 2011.

The Taivassalo factory and its building stone business was sold to Vientikivi Oy Finland in June. The Taivassalo factory produced building stone as a subcontractor for construction firms and other companies in the stone industry. The operations were loss-making. After the divestment, the manufacture of kitchen countertops that took place at the Taivassalo factory was concentrated at the Espoo factory. As a result the Espoo factory adopted a two-shift system, and its profitability improved substantially.

Tulikivi's strategy is to produce and market interior stone products that are suitable for consumer use. The most important products are kitchen countertops, tiles, mosaic tiles and paving stones. Tulikivi has the broadest selection of marble, limestone, composites, granite and soapstone on the market. Tulikivi is able to offer a comprehensive product selection and service for demanding sites.

Our principal market is Finland. Soapstone tiles and mosaics are also sold through Tulikivi's international distribution network.

The new sauna products provide Tulikivi with an opportunity to develop more natural stone products. In conjunction with the sale and marketing of sauna products, there is the possibility of expanding the use of natural stone also to bathrooms. Sauna heater backdrops, tiling and shower corners are obvious settings for natural stone. Soapstone is especially well-suited for the bathroom, as it is not slippery even when wet. Its good thermal conductivity means soapstone feels very pleasant against the skin.

Export Reviews

Around half of Tulikivi's net sales are derived from exports.

Around half of Tulikivi's net sales are derived from exports. The Tulikivi family includes over 90 importers and dealers, and some 240 Tulikivi service points outside Finland. Tulikivi's dealers have often started out as a small family business, and have grown along with Tulikivi. Here, we present three of our importers who have been working with us for a long time. Hervé Gehin from France, August Järvik from the Baltic countries, and Ron Pihl from the USA.

In France, the Government Supports the Acquisition of Energy-efficient Fireplaces

France is Tulikivi's biggest export country. Exports to the country were commenced in 1991. The current importer system was built in 1998.

In difficult economic circumstances, consumers are careful and save money.
Nevertheless, wood-burning fireplaces are selling in France, as fossil fuels will have to be replaced with greener energy. The French government is of the same opinion, and supports energy-efficient acquisitions such as fireplaces. In 2012, the government will provide French consumers with a grant covering 15 per cent of an energy-efficient fireplace investment in a newly built home, and 26 per cent in a renovation project.

Hard-working Family Business

Hervé Gehin's career in Tulikivi fireplaces began in 1993, when he says, in his own words, that he fell in love with the products at first sight. Hervé Gehin sells Tulikivi fireplaces to consumers in four of his own stores, and also through his dealers throughout France. The company employs 30 people, 5 of whom are members of Hervé's family. The company employs 12 fireplace installers directly, but the dealers also have their own fireplace installers.

"It is a pleasure to sell Tulikivi products, as the sales arguments are true. I can provide customers with warmth, comfort and enjoyment through the products. French customers are attracted to the fact that Tulikivi fireplaces are heat-retaining, provide pleasant radiant heat and are not reliant on electric heating, for example."

In the future, the fireplace market in France will shrink, as it has been expanding like bread dough in recent years. The number of opportunists has also risen. The markets are stagnant. Due to the difficult economic circumstances and the gloomy atmosphere created by the media, making predictions is difficult. In this situation, it is important to quickly adjust to the changing market and be active. Probing the operating environment, anticipation, speed and flexibility will be keys to success also in the future. This also applies to product development. If product development is too slow, the markets will overtake you.

"We will do our utmost to achieve the same financial success as before despite the difficult economic conditions. We just have to work three times harder than before in order to achieve it and this be the case even more so in the future."

Close Co-operation

Good co-operation is based on keeping in close contact. Hervé Gehin visits Finland at least once a year. Sometimes, he will have just one partner with him, and at others he will be accompanied by a larger group of partners. The trips are always greatly anticipated, as it brings the sellers closer to the manufacturer. According to Hervé, the reception at Juuka has always been warm, friendly and motivating. Each journey to Finland has also left Hervé with unforgettable memories.

"Without the good times together and complete mutual understanding, this kind of co-operation would not be possible. My work is completely dependent on Tulikivi. I am happy that I have devoted myself to a product in which I believe and to which I can commit myself fully. Tulikivi allows me and my company to thrive. Now, more than ever, we are fighting for a product that employs 30 people in our company alone. For this I thank Tulikivi and hope that by further developing and focusing on the quality of products, Tulikivi will be the market leader in soapstone fireplaces also in the future," Hervé Gehin says.

August Järvik

A History of Heat-retaining Fireplaces in Estonia

Tulikivi commenced export operations to Estonia 20 years ago. The co-operation with August Järvik has lasted just as long. For the first few years, August worked as a fireplace installer, but for the last five years, he has been a sales representative. Järvik works as a Tulikivi dealer in the Baltic countries: Estonia, Latvia and Lithuania.

Estonia has a history of heat-retaining fireplaces, which has had a resurgence in the last five years. People want a fireplace in addition to electric heating in order to reduce heating costs. Estonians are also familiar with ceramic fireplaces, as there used to be three ceramic fireplace factories in Estonia. All Finnish and Swedish companies in the fireplace industry operate in Estonia. Tulikivi has two Tulikivi Showrooms in Estonia, and these are run by two dealers. There is also co-operation with two log house manufacturers.

Lithuania is a country of ceramic fireplaces. There, the sale of Tulikivi products was restarted in 2010. There are currently two Tulikivi Showrooms and one dealer in Lithuania. In Latvia, fireplaces that are built on-site out of brick and not industrially produced are most common. In Riga, there is one Tulikivi Showroom and five dealers.

"Tulikivi is a good and durable natural stone product with the best combustion technology. I cannot even imagine not selling these products. At Tulikivi, business is not the only concern, but also really good partnerships. I visit Tulikivi in Finland every year with all my dealers to visit the factories and for training in installation," Järvik says.

August Järvik has a cautious view of the future. However, he believes that demand for heat-retaining fireplaces will remain good, even if the economic situation deteriorates. Even if energy prices rise, there is plenty of forest in the Baltic countries for firewood.

"I hope that the co-operation with Tulikivi will continue as well as it has until now. I also hope that Tulikivi will continue to develop and manufacture better and better fireplaces," August Järvik says.

Tulikivi Unites

Ron Pihl is one of our longest-serving Tulikivi importers in the USA. Ron is building sales in the Rocky Mountains. Ron sold his first Tulikivi fireplace in 1991.

The WarmStone Fireplaces and Designs company has seven employees. Three partners have been working together for almost 20 years. The company has designers, fireplace installers and an office manager. Everyone also participates in sales work. Co-operation takes place with dealers and sales agents. The dealers work quite independently. WarmStone Fireplaces and Designs provides them with planning support and it co-ordinates deliveries. The company does the planning work and installs fireplaces for the sales agents.

"I have been in the habit of saying that customer satisfaction motivates me to sell Tulikivi products, but I recently realised that my real motivation comes from the friendships that you make on the way. Tulikivi fireplaces are efficient, safe and create a pleasant ambience. Of course customers' aesthetic requirements must also be taken into account. When it comes to design Tulikivi is the market leader. Our success lies in the fact that we can really make our customers' dreams come true," Ron Pihl says.

Non-heat-retaining fireplaces are popular

The most non-heat-retaining stone fireplaces are sold in the Western United States. The fireplaces are sold to affluent people who retire to the West. They build houses to which they can invite their children and grandchildren. They are drawn to the West in search of a refreshing outdoor lifestyle and a more relaxed way of life. Tulikivi suits this customer segment perfectly. The customers just need to be captured before they make a purchase decision regarding a more traditional fireplace. The familiar phrase, "heart of the home", still perfectly describes what a customer gets in a Tulikivi fireplace: efficiency, comfort and a way of life.
With respect to consumer confidence, WarmStone Fireplaces and Designs and Tulikivi are in the same boat as other businesses and companies.

"Each day brings new hope and new fears with respect to the future. Working with Tulikivi is very rewarding. I have been able to build a company that sustains several families and unites the world with wonderful, innovative products. My friends in Finland are much more than just business partners. Together, we have gone through good and bad times," Ron Pihl says.

Ron Pihl


The Journey from Finnish Quarries to Homes
Around the World.

Stone Supplies and Reserves

In accordance with its strategy, Tulikivi Corporation is focusing on ensuring that the company is in possession of the best possible soapstone reserves. The company has systematically studied soapstone reserves for over 30 years, using the expert services of the Geological Survey of Finland, for example. The aim of the research work is to investigate current soapstone reserves in greater detail and to seek new soapstone reserves.

Tulikivi Corporation's stone supplies and reserves total just over 8 million m³. The investigated deposits are located at Nunnanlahti, Kuhmo, Paltamo and Suomussalmi. There are eight valid mining patents: two at Suomussalmi, one at Kuhmo, one at Paltamo and four at Juuka. The total area of the mining patents is 340 ha. Soapstone is currently quarried and products are manufactured at Nunnanlahti and Suomussalmi.
In 2011 deposit investigations were focused at Nunnanlahti. Work to establish potential deposits will continue in 2012.

Stone Supplies Used Sparingly

In geographic terms quarrying is limited to small areas compared with clear cutting, for example. A total of around 160.000 cubic metres of soapstone is quarried from the company's quarries every year. Around 30.000 cubic metres of this ends up in three soapstone factories. Just under 100.000 cubic metres of adjoining rock that is not part of the deposits is quarried every year. Earth also needs to be moved from time to time when excavating quarries in order to access the deposit. When a quarry is closed, the area is made safe, and the quarry's stacking area is landscaped.
In accordance with Tulikivi's environmental strategy, sparing use of natural resources and the management of quarrying and production processes are important. Tulikivi's strategic target is sufficient raw material reserves.

Soapstone Extraction

Soapstone is extracted by sawing. The extraction does not require chemical treatment, and no poisonous chemicals that could get released into the environment are used in the quarrying. The saws used in the quarrying run use electricity, and only bio-oils such as rapeseed oil and tall oil are used for oiling the blades. During extraction no poisonous substances are released into the environment that would cause eutrophication of watercourses, for example. No cooling water is used in the saws.
The rainwater and groundwater entering the quarry are pumped into sedimentation pools. Water samples are taken from the runoff three times a year and inspected by the authorities. The values have always been below the regulated limits.
The extraction of soapstone creates a certain amount of harmless soapstone dust, but this does not travel more than 150 metres. Soapstone dust contains mainly talc, magnesium carbonate and chlorite minerals. None of these substances are hazardous to humans or the environment. Efforts are made to prevent the dust from spreading in dry weather, e.g. by watering.
The noise arising from the extraction is mainly sawing and machine noise which must not exceed 50 decibels (corresponds to normal speech). At Tulikivi, the noise levels are below the imposed limits. In the quarrying the blasting of adjoining rock takes place a few times per week. Tulikivi employs professional, trained blasters. The company has permits for storing and using explosives.

Quarrying is Compliant with Environmental Permits

Tulikivi takes into account the environmental impacts of its operations in the acquisition of raw materials, production and the end products. Quarrying of soapstone has environmental impacts which are handled according to the Mines Act, environmental legislation and issued operating permits. Tulikivi is in possession of quarrying permits issued by the environmental permit authorities.

Corporate Responsibility

Tulikivi's operations are guided by the company's values. The company complies with the relevant legislation and regulations in all its operations. We act responsibly towards our stakeholders. Our most important stakeholders are our customers, personnel, shareholders , investors and other cooperation partners, both in Finland and abroad.

Environmental Responsibility

Environmental and safety work at Tulikivi continues to be developed in accordance with the ISO 14001 and OHSAS 18001 standards. The main focus areas are risk management and cost-efficiency.

Improvements in energy efficiency at Tulikivi are being made in accordance with the energy efficiency agreement of the Confederation of Finnish Industries (EK). The purpose of the agreement is to meet Finland's international commitments in mitigating climate change, based on the national energy and climate strategy.

Tulikivi is committed to the measures set out in the energy efficiency agreement's action programme for 2008-2016. The agreement aims to increase the efficiency of corporate energy use by at least 9 per cent by 2016, continuously improve energy efficiency and promote renewable energy sources.

Tulikivi's environmental management system focuses on further developing waste management. Tulikivi's sites will adopt a waste sorting system, aiming to reduce the amount of landfill waste and to reuse virtually all waste for energy production and other purposes. The environmental impact of logistics will be reduced by centralizing all waste management in the Tulikivi Group with one service provider.

All of Tulikivi Corporation's operational quarries and the ceramics production of the Heinävesi factory have valid environmental permits. Tulikivi applied for new permits for its Kivikangas quarry and factory, which are in Suomussalmi. The environmental permit became legally valid on November 18, 2011. In addition, the quarries' mining waste and monitoring plans were updated, resulting in more extensive monitoring of the groundwater effects of quarrying and stacking in the future.

The landscaping process and vegetation growth of the discontinued Verikallio quarry have progressed according to plan. The planting of trees and vegetation in the stacking area was carried out during spring 2011.

Environmentally Friendly Products

Tulikivi carries out long-term product development in order to develop environmentally friendly products. The products must be safe to use, and their environmental loading must be minimised. The materials used in the products are tested regularly.

Our aim is to provide research-based information on the environmental impacts of our products during their use and production. We are also seeking financial savings through eco-efficiency and material efficiency. The material choices and energy consumption of suppliers in the production chain as well as the modes of transport we select play an essential role in the environmental impact of our products.

Using fireplaces as a heating source instead of electricity helps to cut the $CO2$ emissions of energy production. The carbon footprint of the manufacture of the fireplace is offset. If a fireplace is used instead of electric heating, the carbon footprint of the manufacture of the fireplace will be offset in a very short time during its use when compared with electricity production depending on the size of the fireplace, the number of concrete parts and the delivery distance. In general it will take approximately 150-200 effective heating cycles to offset the amount of coal that was used in the manufacture of the fireplace, compared with electric heating.

Tulikivi fireplaces already meet the world's strictest emissions standards (the Austrian standard).

The safety and quality of products and their operation are defined in the company's quality policy. Tulikivi has been granted the ISO9001 quality certificate in its capacity as a fireplace manufacturer.

No substances that are hazardous to the environment are used in the processing of soapstone, and none are produced in the manufacture. Soapstone, in particular, has been tested extensively; for example food tests and chemical and mineral studies have been carried out. Tulikivi's soapstone has been approved as a material that can come into contact with food, for example. The process water cycle in manufacturing is completely closed, and no water is released into the environment. The residual stone material generated in manufacture is transferred to the same stacking areas as the residual stone from quarrying. Normal waste is recycled (e.g. board and paper) and managed through normal waste management.

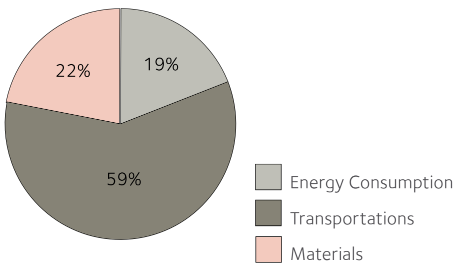
Financial Responsibility

The Tulikivi Group's main line of business is the stone processing industry. In addition, the Group engages in ceramic production and in extensive research into combustion and heat transfer.

Tulikivi's strategy covers all key operating and financial targets to the end of 2016. According to the strategic goals, the company's organic growth target is an annual growth of over 10 per cent in the next few years. The target for operating profit is 10 per cent of net sales over the next five years, and the target for return on equity is more than 20 per cent. The company will pay approximately half of its

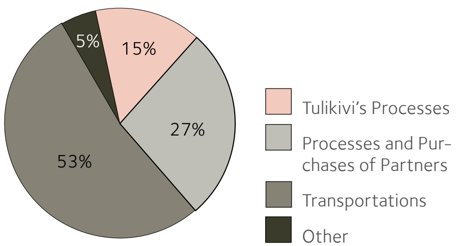
Formation of Carbon Footprint in Tulikivi's Own Production.

(calculated 2010)



Formation of Carbon Footprint in Tulikivi Fireplace's Life Cycle.

(calculated 2010)



The carbon equivalent was calculated per a kilo of soapstone; the result is 0.612 CO_2 eqv kg/kg.

annual net earnings in dividends and retain an solvency ratio of at least 40 per cent.

Its operations affect many stakeholders: customers, suppliers, service providers, employees, investors and the public sector. The direct financial impact of Tulikivi's operations on stakeholders consisted of the following in 2011 (figures for 2010 in parentheses):

Customers generated a total of EUR 58.8 million (55.9 million) in net sales. This consisted of Tulikivi and Kermansavi fireplaces, natural stone products, utility ceramics and product-related services sold to customers.

Tulikivi paid EUR 12.0 million (10.3 million) to suppliers of goods and semifinished products and EUR 23.1 million (21.8 million) to service providers. In addition, the company paid EUR 1.2 million (1.1 million) for machinery and equipment.

Employees' salaries and fees totalled EUR 17.4 million (15.7 million), and the related pension and other insurance contributions were EUR 4.4 million (3.6 million). The figures include the impact of the restructuring provision.

Financiers were paid a net total of EUR 0.7 million (0.7 million) in interest and other financing expenses. Shareholders were paid EUR 0.9 million (0.9 million) in dividends for the year 2010 (2009).

Social Responsibility

As part of its profitability and centralisation programme, Tulikivi carried out adjustments related to finances and production in all of its locations during 2011. The most significant adjustment measures were the sale of the Taivassalo factory and the divestment of the utility ceramics business at Heinävesi. At the end of the year, the company decided on adjustment measures to meet the current demand.

The Tulikivi Group's personnel policy focuses on strengthening the integration of the company's units and ensuring the appropriate competence. In order to develop employee wellbeing, the Liiku Kuntoon 2011 exercise campaign for all employees was implemented.

The company enhanced its partnership with the North Karelia Adult Education Centre by increasing the amount of customised training. Supervisor training of various levels was also arranged at all of Tulikivi's locations, especially for production supervisors. Various forms of occupational safety training were also provided throughout the Group during 2011.

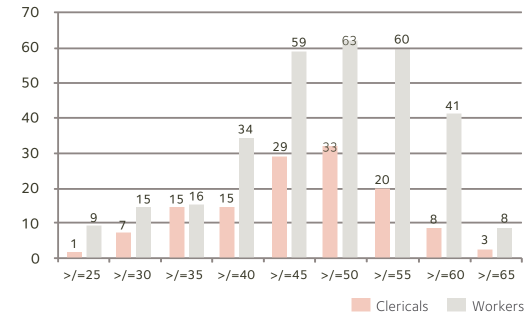
As a part of the profitability and centralisation programme, an extensive project to implement a new enterprise resource planning system was carried out in 2011. The new system will harmonise Tulikivi's internal processes in the various production plants and businesses. It will also make the management of the partner network and the entire delivery chain more efficient.

The company also continued to develop its ACT! scheme for inviting initiatives from employees. The scheme generated almost 400 initiatives in 2011. In addition to the initiative scheme, the system also extends to employees' product suggestions and reporting of near-miss situations which improves occupational safety. The frequency of accidents has remained at a relatively good level compared with the construction industry in general. There has been a very positive trend in occupational safety in recent years.

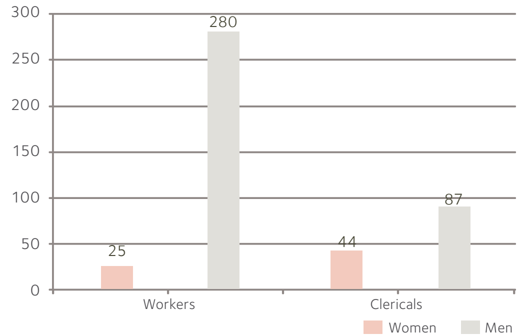
The TUPLA projects, in which employees are actively involved, further enhanced the development of Tulikivi's lean manufacturing model. All production development projects will be processed by the system. This model of continuous development was extended to all of Tulikivi's operations during 2011 to ensure efficiency and a customer-oriented approach.

Occupational healthcare focuses on preventive measures. Supervisors monitor sick leave absences and discuss the situation with employees at 40-hour monitoring intervals to assess working capacity. The emphasis is on daily communication between supervisors and subordinates and close co-operation with occupational health care. The development discussion process is being developed further and systematically expanded to apply to the entire personnel.

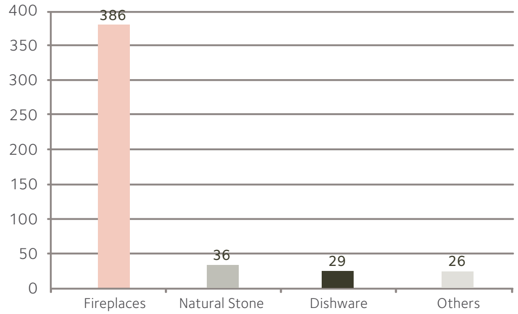
Age Distribution of Personnel, Dec. 31, 2011



Gender Distribution of Personnel, Dec. 31, 2011



Personnel per Segments Average During the Year 2011



Community Spirit

Community spirit in the workplace at Tulikivi supports competence, occupational health and productivity, which brings together the different focus areas of personnel policy. The company continuously maintains and further develops interaction with employees. Their inclusion in development activities is ensured through the lean manufacturing model and various working groups, to name just a few examples.

Tulikivi Corporation is a member of numerous organisations and forums, including the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, the Bioenergy Association of Finland, the Fine Particle Forum, the Finnish Family Firms Association, the Finnish Chamber of Commerce, Finnpro, Work Efficiency Institute (TTS), 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 Fireplace and Chimney Association (TSY).

For several years, the primary recipient of Tulikivi's sponsorship has been the Finnish Stone Centre in Juuka and its exhibitions. The exhibition operations support the purpose of the Finnish Stone Centre, which is to raise the profile of stone and increase its use. The exhibitions bring visitors to the Stone Village at Juuka and provide Tulikivi with positive visibility. Tulikivi also sponsors community hobby activities of children and young people in the municipalities where its plants are located.

Heinävesi Plant Focuses on Fireplace Production

At the turn of the year the production space at the Heinävesi plant was converted to suit the production of ceramic fireplaces alone.

The production of Kermansavi cookware was terminated by the end of 2011 because it was unprofitable.
The manufacture of cookware and fireplace tiles have many shared processes, so it has been possible to convert the production space at a relative low cost.
As a result of the changes, production will also be intensified, as production lines and warehouse systems have been designed according to the plant's layout in a more streamlined manner.

Favourable Winds for Tulikivi Green Product Sales

Tulikivi launched Green products in 2010, which make fireplace use easier and more efficient.

In 2011, sales of the Tulikivi Green pellet, water-heating and fireplace control systems got off to a good start. The pilot users of the water-heating system were very pleased with their experiences of the system. Green products allow consumers to choose whether to burn pellets or firewood in their fireplace. With the water-heating system, part of the heat generated by the fireplace can be transferred to the home's water heating and thus reduce the costs of purchasing energy. Tulikivi Green products also feature prominently in advertising in Finland.

New Enterprise Resource Planning System

As a part of the Tulikivi Group's profitability and centralisation programme, the overall implementation of the enterprise resource planning (ERP) project was started.

It is a question of business development, and through it the development and harmonisation of Tulikivi's data architecture. The new ERP system was introduced at the beginning of 2012.
The Group's core processes were first profiled, and then they were harmonised, developed and automated at the plants and in the businesses.
The system functions as a base for developing business processes long into the future.
The ERP project will allow the Group's shared processes and data systems to carry out efficient operations, profitable growth, commensurate reporting, the allocation of resources and networking.

New Products Launched

Tulikivi launched new products at the Habitare fair in autumn 2011.

The Heinä, Ruoko and Nukka fireplaces are heat-retaining fireplaces that have been decorated with nature-themed ceramic transfers. The fireplaces combine the age-old tradition of ceramic decoration with modern technology. Ceramic transfers can also be created with customers' own pictures and used on any of Tulikivi's fireplaces that are decorated with smooth-surface tiles. Ceramic decoration is very hardwearing thanks to its production technique. The Suvas design fireplaces which were also launched at the fair consist of grand streamlined modules that can be used to make a fireplace merge seamlessly with the surroundings. Due to its modularity, practical details can be added to the structure of a Suvas fireplace, such as a firewood storage space, bench and storage box for fireplace tools, and it can also be stylishly recessed to make it a part of the wall structure.
In early 2012 Tulikivi also launched new wood-fired sauna heaters, which were designed together with the design office Provoke, and Hiisi fireplaces, which are very good at retaining heat in spite of their small size. The Hiisi is a low-emission hybrid fireplace with a firebox that can burn both pellets and wood. Hiisi was also presented for export at the Verona fireplace exhibition in February. The updated design fireplace collection was also presented at the Verona exhibition. The Nietta and Kaita design fireplace family was expanded with new products with a door that opens to the side. The advanced combustion technology, automatic air intake and new door ensure that these design fireplaces are very easy to use. Clear-cut design has been emphasised in the fireplaces.

Tulikivi in the Social Media

Tulikivi has systematically gathered a group of fans on its Facebook page.

The company has a large group of fans on its international Facebook page and on its Finnish fan page. The members are mainly end customers, but there are also many dealers and installers. Facebook is an excellent, two-way communications channel. It also has an important role in aftermarketing. Our Finnish Facebook page includes all our product groups: sauna, interior and fireplaces. The export-oriented site is focused on fireplaces.

Board of Directors

Matti Virtaala (b.1951)
Chairman of the Board
B.Sc. (Eng.), Industrial Counsellor. Member of the Board of Directors of Tulikivi Corporation since 1994, Chairman of the Board since 2003, Member of the Audit Committee since 2009, Member of the Nomination Committee since 2006.
Other key positions of trust: Member of the Board of Metroauto Group Ltd, Member of the Board of Turvatiimi Corporation, Chairman of the Board of Arctic Shipping Ltd.
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: 976.116

Juhani Erma (b. 1946)
LL.Lic. (trained on the Bench). Member of the Board of Tulikivi Corporation since 2000 and chairman of the Audit Committee since 2009.
Other key positions of trust: Vice Chairman of the Board of Oral Hammaslääkärit Plc, Vice Chairman of the Panel on Takeovers and Mergers at the Central Chamber of Commerce of Finland, Member of the Board of Turvatiimi Corporation, Vice Chairman of the Board of the Finnish Stone Research Foundation.
Primary work experience: In-house lawyer at Enso-Gutzeit Ltd, 1972–1979; various positions at Union Bank of Finland Ltd, including head of legal affairs department and of the financial and legal affairs group, 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, 2002–2009.
Tulikivi Corporation share ownership:
Series A shares: 46.343

Olli Pohjanvirta (b. 1967)
LL.M., honorary professor (International Banking Institute, St. Petersburg). Member of the Board of Tulikivi Corporation since 2010.
Other key positions of trust: Member of the Board of PCK Group Oy, Chairman of the Board of Nurminen Logistics Plc, Member of the Board of Matkayhtymä Oy, Member of the Board of Russian Capital Management Ltd, Member of the Board of International Banking Institute, St. Petersburg
Primary work experience: Partner at ETL Law Offices Oy, 1993-2006; Area Manager, Russia, for Hannes Snellman Attorneys Ltd, 2006–2009; Managing Director of Russian Capital Management Ltd, 2010–present
Tulikivi Corporation share ownership:
Series A shares: 9.979

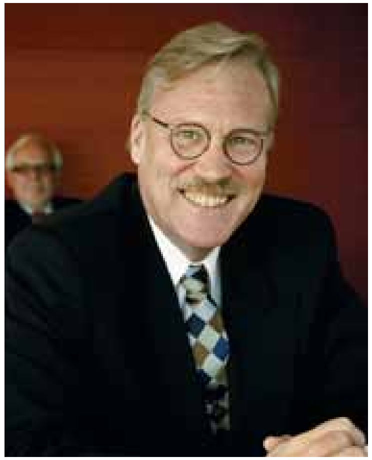
Markku Rönkkö (b. 1951)
M.Sc. (Econ. & Bus. Admin.) Member of the Board of Tulikivi Corporation since 2009, Member of the Audit Committee since 2009.
Other key positions of trust: Member of the Board and Audit Committee of Altia Plc, Member of the Board of Digital Foodie Ltd, Member of the Board of Hotel Artos Oy, Member of the Board of Järvi-Suomen Portti Oy, Member of the Board of Osuuskunta LTK, Member of the Board of MP-Maustepalvelu Oy, Vice Chairman of the Board of Osuuskunta KPY, Member of the Board of the Orthodox Church Museum Foundation of Finland, Chairman of the Board of Voimatel Oy, Deputy Member of the Auditing Board of the Central Chamber of Commerce, shareholder/partner at Boardman Ltd.
Primary work experience: Part-time authorised public accountant in a number of companies, 1984–2003; CFO of IS-Yhtymä Oy, 1977–1982; CFO of Olvi plc, 1983–1985; Managing Director of Olvi plc, 1985–2004; Managing Director of Savon Voima Oyj, 2004–2006; Managing Director of Karelia-Upofloor Ltd, 2006–2007; and Managing Director of Järvi-Suomen Portti Oy, 2008–2011
Tulikivi Corporation share ownership:
Series A shares: 14.816

Pasi Saarinen (b. 1968)
M.Sc. (Eng.) Member of the Board of Tulikivi Corporation since 2011.
Other key positions of trust: Member of the Board of Finnsecurity ry and Chairman of Finnsecurity's Company Division; Chairman of the Locks and Fittings Group of The Federation of Finnish Technology Industries.
Primary work experience: Abloy Oy: Production Engineer 1995-1996; Project Manager 1996-1997; Production Manager 1997-2000, Exports Manager 2000-2003; Manager of Baltic Operations (Tallinn, Estonia) 2003-2004. Assa Abloy Asia Pacific: Business Unit Director (Shanghai, China) 2004-2005. Abloy Oy: Vice President of Domestic Sales 2006-2010; Vice President of Construction Locking 2011-present.
Tulikivi Corporation share ownership:
Series A shares: 6.229

Maarit Toivanen-Koivisto (b. 1954)
M.Sc. (Econ.), Senior Industrialist. President of Onvest Oy. Member of the Board of Tulikivi Corporation since 2007.
Other key positions of trust: Chairman of the Board of Onninen Oy, Chairman of the Board of Onvest Oy, Chairman of the Board of Are Oy, Member of the Board of Itella Corporation, Vice Chairman of the Board and Member of the Delegation of the Central Chamber of Commerce, Vice Chairman of the Helsinki Chamber of Commerce, Member of the Nordea Advisory Board, Member of the Advisory Board of the City of Vantaa, Member of the Board and Committee of the Foundation for Economic Education, Member of the Board of Trustees and Member of the Association Committee of the Finnish Cultural Foundation.

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, 1997–2001; President of Onvest Oy, 2001–present.
Tulikivi Corporation share ownership:
Series A shares: 70.997

Heikki Vauhkonen (b.1970)
LLB, BBA. Managing Director of Tulikivi Corporation 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: Vice President of Tulikivi U.S., Inc., 1997-2001; Marketing Director of the Fireplace Business, Tulikivi Corporation, 2002–2007; Managing Director of Tulikivi Corporation, 2007–present.
Tulikivi Corporation share ownership:
Series K shares: 2.957.000
Series A shares: 63.953







Tulikivi's Board of Directors from left to right:

*Matti Virtaala, Juhani Erma, Olli Pohjanvirta,
Markku Rönkkö, Pasi Saarinen, Maarit Toivanen-Koivisto
and Heikki Vauhkonen.*








The Management Group from left to right: Heikki Vauhkonen, Michel Mercier, Ismo Mäkeläinen, Martti Purtola, Juha Sivonen, Jouko Toivanen, Anu Vauhkonen and Risto Vidgren

Management Group

Heikki Vauhkonen (b. 1970)
LLB, BBA. Managing Director of Tulikivi Corporation since June 2007. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.
Primary area of responsibility: Management of Tulikivi Corporation.
Positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Chairman of the Board of Stone Pole Oy.
Primary work experience: Vice President of Tulikivi U.S., Inc., 1997-2001; Marketing Director of the Fireplace Business, Tulikivi Corporation, 2002–2007; Managing Director of Tulikivi Corporation, 2007–present.
Tulikivi Corporation share ownership:
Series K shares: 2.957.000
Series A shares: 63.953

Michel Mercier (b. 1966)
B.Sc. (Eng.) (ISARA, France) Export Director. Member of the Management Group since 2011. Has worked for Tulikivi since 1997.
Primary area of responsibility: Management and development of export sales.
Positions of trust: No positions of trust.
Primary work experience: Rhône-Poulenc Pepro: Sales Representative 1990-1993, Rhône-Poulenc Ceres: Head of Finance and Logistics 1993-1994, Export Manager 1994-1997, Tulikivi Corporation: Export Manager, France and Benelux 1997-2002, Area Manager Middle Europe 2002-2006, Export Manager 2006-2009, Export Director 2009-present.
Tulikivi Corporation share ownership:
Series A shares: 1.000

Ismo Mäkeläinen (b. 1962)
Master Builder. Head of Production and Purchasing. Member of the Management Group since 2009. Has worked for Kivia Oy, a Tulikivi subsidiary, since 1999. Has worked for Tulikivi since 2007.
Primary area of responsibility: Overall responsibility for production and purchases
Positions of trust: No positions of trust.
Primary work experience: Building technology work at Kostamus and Helsinki, 1980-1985; Building Consultant at the Municipality of Nurmes, 1987; General Foreman at Industrial Power Corporation/Posiva Oy, 1987-1990; General Foreman at Rakennusliike Mustonen Oy, 1990–1991; Site Manager at the Kainuu Regional Environment Centre, 1991; General Foreman/Construction Supervisor at Kuhmon Lämpö Oy, 1991–1992; Site Manager at Posiva Oy, 1993–1998; Production Manager at Kivia Oy, 1999–2004; Sales Manager at Kivia Oy, 2002–2004; Plant Manager at Kuhmo and Suomussalmi at Kivia Oy/Tulikivi Corporation, 2005–2007; Production Manager at Tulikivi Corporation, Soapstone Business, 2007–2008; Production Manager at Tulikivi Corporation, Fireplace Business, 2008–2009; Head of Production, 2009–2010; Head of Production and Purchasing, 2010–present.
Tulikivi Corporation share ownership:
Series A shares: 1.000

Martti Purtola (b. 1966)
B.Sc. (Eng.) Director, saunas and design fireplaces. Member of the Management Group since 2011. Has worked for Tulikivi in 1999-2006 and 2008-present.
Primary area of responsibility: Direction and development of sauna business.
Positions of trust: No positions of trust.
Primary work experience: Sales Engineer at Enerpac Oy, 1992-1996; product development engineer at Halton Oy, 1996-1999; Marketing Manager at Kiantastone Oy, 1999-2002; Product Manager at Tulikivi Corporation, 2003-2006; Sales Manager at Kesla Oyj, 2006-2008; Product Manager at Tulikivi Corporation, 2008-2009, Business Development Manager at Tulikivi Corporation, 2009-2011, Director, saunas and design fireplaces at Tulikivi Corporation, 2011-present.
Tulikivi Corporation share ownership:
No shareholding

Juha Sivonen (b. 1962)
M.Sc. (Civil Eng.). Director, heat-retaining fireplaces and domestic sales. Member of the Management Group since 1987. Has worked for Tulikivi since 1987.
Primary area of responsibility: Management and development of domestic sales.
Positions of trust: Chairman of the Board of the Fireplace and Chimney Association (TSY).
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, President 1992; Tulikivi Corporation: Production Manager 1993-1996, Exel Oy: Product Manager 1997, Tulikivi Corporation: Marketing Director 1998-1999, Business Unit Manager 2000-2001, Managing Director 2001–2007, Director of the Fireplace Business, 2007-2009, Sales Director 2009-2011, Director of heat-retaining fireplace and domestic sales 2011-present.
Tulikivi Corporation share ownership:
Series K shares: 100.000
Series A shares: 1.000

Jouko Toivanen (b. 1967)
D.Sc. (Tech.), M.Sc. (Eng.). Director, lining and interior decoration stone products. Member of the Management Group since 1995. Has worked for Tulikivi since 1993.
Primary area of responsibility: Direction of Tulikivi's lining and interior decoration stone products businesses.
Positions of trust: Member of the Board of the Finnish Natural Stone Association.
Primary work experience: Tulikivi Corporation: Accounting Manager 1995-1997, Tulikivi Corporation: Financial Manager 1997-1999, Tulikivi Group: Manager of operational accounting and management systems, 1999-2001, Financial Director 2001-2007, Director of Natural Stone Products Business 2003-2011, Director, lining and interior decoration stone products 2011-present.
Tulikivi Corporation share ownership:
Series A shares: 1.250

Anu Vauhkonen (b. 1972)
M.A., Diploma in Communication Management Director of Corporate Communications. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.
Primary area of responsibility: Group communications, marketing and brand management.
Positions of trust: Member of the Board of the Social Policy Committee of the Finnish Family Firms Association.
Primary work experience: Wärtsilä Diesel Oy: PR 1995-1997, Tulikivi Corporation: PR 1998, Tulikivi U.S. Inc.: PR and Communications Manager 1998–2001, Tulikivi Corporation: Communications Director 2001-2011, Director of Corporate Communications 2011-present.
Tulikivi Corporation share ownership:
Series K shares: 500
Series A shares: 500

Risto Vidgren (b. 1968)
M.Sc. (Econ.) Financial Director. Member of the Management Group since 2011. Has worked for Tulikivi since 2011.
Positions of trust: No positions of trust.
Primary area of responsibility: Direction of Tulikivi's financial, IT and personnel administration.
Primary work experience: Konecranes Plc: Business Controller 1995-1997; Huhtamäki Oyj Leaf: Business Controller, project manager 1997-1999; Nokia Corporation, Nokia Networks: Business Controller 1999-2003; OOO Veho: Head of Finances and Administration 2003-2005; Itella Corporation, Itella Logistics: Financial Director 2005-2009; OOO National Logistics Company: Development Director 2009-2011; Tulikivi Corporation: Financial Director 2011-present.
Tulikivi Corporation share ownership:
No shareholding

Corporate Governance Statement 2011

The governance of Tulikivi Corporation and its subsidiaries is based on the law, the Articles of Association and the Finnish Corporate Governance Code which entered into force on 1 October 2010. The company complies with the Guidelines for Insiders of the Helsinki Stock Exchange.

This Corporate Governance Statement has been prepared in accordance with recommendation 54 of the Finnish Corporate Governance Code and Chapter 2(6)(3) of the Finnish Securities Markets Act.

The Corporate Governance Statement will be published separately from the Board of Directors' report and is available on the company's website and in the Annual Report.

The Corporate Governance Code is available to the public at the website of the Securities Market Association, www.cgfinland.fi.

Tulikivi Corporation diverges from recommendation 22 of the Corporate Governance Code, according to which the board should appoint its committee members and chairmen from among the directors. The Nomination Committee has three members, two of whom may be elected from outside the Board of Directors. The reason for the divergence 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.

Tulikivi Corporation prepares the consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), which have been adopted by the EU. In communications, the Group complies with the Securities Markets Act, applicable standards of the Financial Supervisory Authority and NASDAQ OMX Helsinki's regulations. The Board of Directors' Report and the parent company's financial statements are prepared in accordance with the Finnish Accounting Act and the instructions and statements of the Finnish Accountancy Board.

Organisation of the Tulikivi Group

The companies included in the Tulikivi Group are the parent company Tulikivi Corporation, its branch in Germany, Tulikivi Oyj Niederlassung Deutschland, and the subsidiaries Kivia Oy, AWL-Marmori Oy, Tulikivi U.S. Inc. (USA) and OOO Tulikivi (Russia). The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The Group has interests in associated companies Stone Pole Oy, Leppävirran Matkailukeskus Oy (until November 18, 2011) and Rakentamisen MALL Oy.

The Board of Directors, which is elected by the Annual General Meeting, the Board committees, the Managing Director and the Management Group, which assists the Managing Director, are responsible for the Tulikivi Group's administration and operations.

Description of the Composition and Operations of the Board of Directors and the Board Committees

The Board of Directors is responsible for the company's administration and the due organisation of operations. The Board of Directors is composed of no less than five and no more than seven members. The Annual General Meeting elects the members for terms of one year. The Board of Directors elects a Chairman from among its members. The Board of Directors of the Group's parent company decides on the composition of the subsidiaries' Boards of Directors.

Composition of the Board of Directors

Tulikivi Corporation's Annual General Meeting of 14 April 2011 elected seven members to the Board.

The Personal Information of the Board Members:

- Matti Virtaala, born 1951, Chairman of the Board. M.Sc. (Tech.). Industrial Counsellor. Board membership in several companies.
- Juhani Erma, born 1946. LL.Lic., (trained on the Bench). Board membership in several companies.
- Olli Pohjanvirta, born 1967. Master of Law. Managing Director of Russian Capital Management Oy. Board membership in several companies.
- Markku Rönkkö, born 1951. M.Sc. (Econ. & Bus. Admin.). Managing Director of the Järvi-Suomen Portti co-operative. Board membership in several companies.
- Pasi Saarinen, born 1968. Board member since April 14, 2011. Master of Science in Engineering. Abloy Oy, Vice President of Construction Locking , Finnsecurity ry (Finnsecurity ry is a registered security association in Finland), Member of the Board of Directors, Technology Industries, Chairman of the Group

Maarit Toivanen-Koivisto, born 1954. M.Sc. (Econ.), Professional Development Diploma. Chairman of the Boards of Onninen Oy and Onvest Oy, Board membership in several companies.

- Heikki Vauhkonen, born 1970. LLB and BBA. Managing Director of Tulikivi Corporation. Chairman of the board of Stone Pole Oy.
- Bishop Ambrosius, born 1945. Board member until April 14, 2011. M.Theol., B.Soc.Sc. Metropolitan of the Helsinki Orthodox Diocese. Board membership in several companies.

The Board members who are independent of the company are Juhani Erma, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Maarit Toivanen-Koivisto and Matti Virtaala. The Board members who are independent of the company's major shareholders are Juhani Erma, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen and Maarit Toivanen-Koivisto.

In the period of Jan.1 –April 14, 2011 the board members were Bishop Ambrosius, Juhani Erma, Olli Pohjanvirta, Markku Rönkkö, Maarit Toivanen-Koivisto, Heikki Vauhkonen and Matti Virtaala.

Primary Duties of the Board of Directors

Pursuant to the Limited Liability Companies Act, the Board of Directors must see to the administration of the company and the appropriate organisation of its operations. The Board of Directors is responsible for the appropriate arrangement of the control of the company accounts and finances. The Board directs and supervises the company's operational management, appoints and dismisses the Managing Director, approves the company's strategic objectives, budget, total investments and their allocation, and the incentive systems employed, decides on agreements that are of far-reaching consequence and the principles of risk management, ensures that the management system is operational, confirms the company's vision, values to be complied with in operations and organisational model, approves and publishes the interim reports, annual report and financial statements, determines the company's dividend policy and summons the General Meeting. It is the duty of the Board of Directors to promote the best interests of the company and all its shareholders.

In 2011, the company's Board of Directors convened 16 times. The average attendance at Board meetings was 98.2 per cent. The participation of each member in the meeting is shown in the table below.

Board Committees

Tulikivi Corporation's Board of Directors has two committees, namely the Nomination Committee and the Audit Committee. The Board of Directors appoints the members and Chairmen of the committees.

The Nomination Committee has three members. In 2011, the committee was composed of Reijo Vauhkonen (Chairman), Bishop Ambrosius and Matti Virtaala. Two members of the Nomination Committee may be elected from outside the Board of Directors. The reasons for diverging from the recommendation of the Corporate Governance Code are presented at the beginning of this Corporate Governance Statement. The duties of the Nomination Committee include the preparation of proposals for the election of directors to be presented to the general meeting, the preparation of matters relating to the compensation of directors and succession planning with respect to the directors. The Nomination Committee met two times in 2011. The average attendance at committee meetings was 100 per cent.
The Personal Information of the Members of Nomination Committee:

- Reijo Vauhkonen, born 1939. Chairman of the Nomination Committee. M.Sc. (Civil Eng.). Industrial Counsellor.
- Bishop Ambrosius, born 1945. M.Theol., B.Soc.Sc. Metropolitan of the Helsinki Orthodox Diocese. Board membership in several companies.
- Matti Virtaala, born 1951, Chairman of the Board of Tulikivi Corporation. M.Sc. (Tech.). Industrial Counsellor. Board membership in several companies.

The Audit Committee is made up of three members, who are appointed by the Board from among its members. In 2011, the committee was composed of Juhani Erma (Chairman), Markku Rönkkö and Matti Virtaala. The Audit Committee's task is to assist and expedite the work of the Board by dealing with issues associated with the company's financial reporting and control and taking care of communications with the auditors. The Audit Committee met on four occasions in 2011. The average attendance at committee meetings was 91.7 per cent.

Managing Director

Tulikivi Corporation's Managing Director is Heikki Vauhkonen. Pursuant to the Limited Liability Companies Act, the Managing Director

Participation by Board Members in the Meetings of the Board and Various Committees

Jan.1.-Dec. 31, 2011	Board meetings	Audit Committee	Nomination Committee
Matti Virtaala	16/16	4/4	2/2
Heikki Vauhkonen	16/16		
Juhani Erma	16/16	4/4	
Olli Pohjanvirta	15/16		
Markku Rönkkö	15/16	3/4	
Pasi saarinen (since April 14, 2011)	11/12		
Maarit Toivanen-Koivisto	16/16		
Bishop Ambrosius (board member until April 14, 2011)	4/4		2/2
Reijo Vauhkonen			2/2

sees to the executive management of the company in accordance with the instructions and orders given by the Board of Directors. The Managing Director must 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. The Managing Director must supply the Board and its members with the information necessary for the Board to perform its duties. The Managing Director may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the company only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the company. In the latter case, the Board of Directors must be notified of the measures as soon as possible. The Managing Director is responsible for line operations, the implementation of the budget, the Tulikivi Group's financial result, and the activities of his subordinates.

Management Group

In the management and planning of line operations, the Managing Director is assisted by the Management Group, whose members, in addition to the Managing Director, are Michel Mercier, Export Director; Ismo Mäkeläinen, Head of Production; Martti Purtola, Head of the Sauna Business; Juha Sivonen, Sales Director; Jouko Toivanen, Head of the Lining Stone and the Natural Stone Business; Anu Vauhkonen, Corporate Communications Director and Risto Vidgren, Chief Financial Officer. Management Group met on eleven occasions in 2011.

Description of the Main Characteristics of the Internal Control and Risk Management Systems Associated with the Financial Reporting Process

1. Description of the Control Environment

Tulikivi's Business Idea

Tulikivi has three product groups: Fireplaces, Saunas and Interior & Design. Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy.

Environmental Policy

Engaging in mining activities requires the forming of a mining concession and an environmental permit. Ceramic 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 aim of environmental work is to improve the company's ability to use natural resources sparingly, as well as to manage processes and products in a way that minimizes their environmental loading. The Group complies with the environmental legislation and norms that concern its operations and engages, through continuous improvement of operations, in anticipatory environmental work. The Group acknowledges and is aware of its responsibility as an environmental operator.

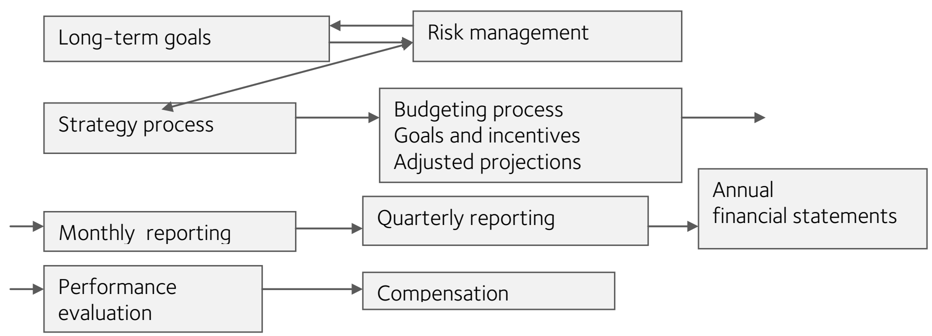
Planning and Monitoring Processes

The Tulikivi Group plans its operations during its annual strategy and budgeting processes. These processes also ensure the efficiency of all

FIGURE: Division of Responsibilities in Internal Control and Risk Management

Responsible person/group	Responsibilities
Board of Directors	– establishes guidelines for internal control – ensures effective monitoring – approves risk management principles – reviews auditors' reports – establishes incentive systems
Audit Committee	– evaluates the efficiency of internal control – attends to issues related to reporting – maintains contact with auditors
Managing Director, assisted by the Management Group	– oversees the different areas of internal control and ensures their efficiency – ensures operational compliance with company values – adjusts operating principles and policies – ensures efficient and appropriate use of resources – establishes control mechanisms, including approval principles, reconciliations and reporting practices – establishes risk management methods and practices
Members of the Management Group, according to responsibility area: communications, domestic oven sales, exports, natural stone, lining stone, sauna products, production and economy	– delegate specific control tasks in their respective areas of responsibility to people responsible for different operations – ensure the efficiency of internal control in their respective areas of responsibility – oversee risk management in their areas of responsibility
Chief Financial Officer	– internal accounting: monitoring and analysis of results – external accounting and reporting
Auditor	– statutory audits – expanded audits assigned by the Board of Directors or the Audit Committee – reports to the Board of Directors and the Audit Committee

FIGURE: Planning and Monitoring Process



Internal control is a part of the planning and monitoring process.

operations. Plan implementation and developments in the business environment are monitored through monthly, quarterly and annual reporting.
Risk analysis and risk management are part of line operations and the annual strategy planning process at the Tulikivi Group. The purpose of internal control and risk management is to ensure that all operations are efficient and profitable, based on reliable information and compliant with regulations and operating policies.

Control Functions

Based on organizational structure and job descriptions, powers and responsibilities are delegated to persons with budgetary responsibility and to responsible persons in the line organisation. Compliance with laws and regulations is ensured through the operational handbook and other internal guidelines. The objectives of internal control within the Group include operational goals, financial reporting and compliance with laws and regulations.
In 2011 operating processes were developed to optimize operations and to improve internal control mechanisms. The new enterprise resource planning (ERP) system was introduced on 2 January 2012.
It will harmonise Tulkivi´s internal processes in the various production plants and businesses. It will also make the management of the partner network and the entire delivery chain more efficient
In 2012 the focus will be on the effective implementation of the new ERP system in all central areas, whereby the reporting processes will also be clarified. Effectiveness of the internal control mechanisms will be ensured.
Internal control is carried out not only by responsible persons within the company, but also by the auditors through expanded audits on specific items and operations. In 2011, the auditors conducted extended audits in the field of inventory reporting. With regard to the size of the Group and the nature of its activities, it has not been deemed necessary to appoint an internal auditor. The Board may choose to use an external expert in certain fields.
Risk management is part of the Tulikivi Group's control system. Risk management seeks to ensure that the risks related to the Group's business are identified and constantly monitored and evaluated as part of normal operations.

2. Risk Evaluation

Risk management ensures that the risks related to the Tulikivi Group's business operations are identified and managed as efficiently as possible. This allows the Group to reach its strategic and financial goals. All goals have been assigned risk limits. If these limits are exceeded, or if other divergences from operating plans so require, the responsible person will implement enhanced risk management measures. Regular reporting indicates when financial risk limits have been exceeded.

FIGURE: Risk identification and management

Risk analysis and prioritization	– identifying risks at the group level and in different areas of responsibility – evaluating the effects and probability of risks – determining risk limits for set goals – determining control points – identifying risks related to reporting
Risk management	– establishing risk management procedures – assigning responsible persons for different procedures – setting a time frame for implementation – establishing procedures for monitoring implementation
Risk management process control	– responsible persons report to the Managing Director on risk materialization, implemented measures and their effectiveness – risk evaluations related to controls
Risk management process continuity	– measures implemented during a reporting period, as well as foreseeable changes in the business environment, will affect the plans and risk management measures for the subsequent period – risk identification requires continuous collection of background information.

3. Reporting System

The Managing Director reports monthly to the Board of Directors on the operations and performance of the Group and its business units and on any divergence from the budget and adjusted projections (monthly report). The Managing Director reports quarterly to the Board of Directors on operating profit based on the interim reports or annual financial statements. The Managing Director must also report immediately on fundamental changes in the Group's business environment. The responsible persons report according to the internal reporting system.
The Chief Financial Officer of the parent company is reponsible for the Group-level reporting. The parent company's financial department handles accounts and group-level accounting for domestic companies. Qualified accounting firms or outside experts handle accounts and reporting for foreign subsidiaries. The parent company's auditors compare the contents of the Russian subsidiary's Russian reporting to the financial reporting delivered to the parent company for the consolidated financial statements.
Financial reporting guidelines, competence development, reliable information systems, standard control mechanisms and expanded audits ensure accuracy in reporting. Any divergences from the budget and operating plans call for closer analysis to find the underlying causes.
The Chief Financial Officer, along with the auditors, monitors the accuracy of financial reporting. Periodic information system evaluations also serve this purpose. The Group seeks to ensure operational compliance with laws and regulations by using outside experts and services.
The Tulikivi Group has financial reporting guidelines that all units must adhere to. The Group ensures organizational competence through briefings and training. Accounting schedules and any changes to accounting policies and laws are reviewed in preparatory meetings related to the annual financial statements.
The Audit Committee evaluates the functionality of the financial reporting system quarterly on the basis of performance analyses of profit outlooks and the accuracy assessment of reporting. The evaluation also includes studying the risks associated with malpractice and illegal activity. The auditors audit the contents of the deviation reporting during the extended audit. The Management Group monitor the accuracy of result reporting on a monthly basis and evaluate the reasons for any deviation in their respective areas of responsibility.

4. Communications

The guidelines for reporting and accounting principles are provided to all financial personnel and those who produce information and audit results into the financial system. The Managing Director reports any defects observed in the field of internal control, including the accuracy of reporting, to the Audit Committee. The Audit Committee processes the audit reports and extended audit reports and the statements for those reports provided by persons in charge in its meetings. Moreover, the Audit Committee reports to the Board about any observations it has made and any guidelines or recommendations it has supplied to the organisation

The Communications Director is responsible for communications at the Tulikivi Group. The Group's communications guidelines define the persons responsible for internal, external and crisis communications and the persons with the right to speak on behalf of the company.

The Chief Financial Officer is responsible for compliance with the regulations related to stock exchange releases. The aim is to ensure that internal and external communication is accurate, transparent and well-timed. One of the Group's values, openness, is implemented through effective communications.

5. Monitoring

The efficiency of internal control is evaluated regularly in conjunction with management and governance and, specifically, based on audit reports. In financial reporting, continual monitoring measures include comparing goals with actual results, implementing reconciliations and monitoring the regularity of operational reports.

The Board of Directors' annual plan includes planning and monitoring meetings. The Group's information systems are largely well established, and outside experts regularly evaluate their reliability.

6. Auditing

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.

Salary and Remuneration Report 2011

Board Members

The fees paid to members of the Board of Directors are decided on by Tulikivi Corporation's Annual General Meeting.

The annual remuneration of Board members since April 14, 2011 is EUR 18 000 (before that period the annual compensation was EUR 15 600, respectively), of which 60 per cent was paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Each Board member received 6 229 Series A shares. The shares were acquired on the Helsinki Stock Exchange. 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 6 500 (6 240) monthly fee and the director serving as secretary to the Board of Directors a EUR 1 400 (1 224) monthly fee. The members of committees of the Board were paid EUR 330 (300) remuneration per each meeting. In 2011 the members of the Board have not been paid other compensation than that for Board and committee work.

Principles of the Incentive Plan for the Managing Director and other Key Management

The remuneration of the Managing Director and of other members of the Management Group is composed of a fixed basic salary and annual incentive pay (variable portion of the remuneration) and share-based payment, which are set in the incentive plan.

The Managing Director's salary, bonuses and other service agreement terms are decided on by the Board of Directors. The incentive plan for other members of the Management Group is decided by the Board of Directors, and their fixed salaries by the Managing Director in conjunction with the Board Chairman.

The fixed salary of the Managing Director was EUR 221 558 (218 382) in 2011. The Managing Director will not receive incentive pay for 2011. The Managing Director's term of notice is three months. If the company terminates his employment contract, the period of notice is 12 months. The Managing Director does not receive redundancy pay if his employment is terminated.

In addition to the statutory pension, supplementary pension plans entitle the Managing Director and one other member of the Management Group to retire at the age of 60. Supplementary pension plan is defined contribution plan. Supplementary pension accrues as agreed relative to the salary paid during the years of employment and it's annual costs to the company currently amounts to EUR 40 647 in all.

Incentive Plan

Tulikivi Corporation has an incentive pay scheme for all personnel. The Board decides on the calculation method and amount of these rewards each year and the reward system will be in force for one year at a time. The Board approves the payments to the Managing Director and to other members of the Management Group and the Managing Director the rest of the payments in accordance with the incentive plan after the related calculations are completed.

The incentive pay scheme is for all personnel and is based on improvement of the Group's result and productivity, and the Managing Director, Management Group and other key persons also have personal targets in addition to this. The result in 2011 (2010) did not justify the payment of an incentive bonus. For achievement of personal targets in 2011 an incentive pay of EUR 92 156 will be paid out, and the Management Group´s share of this figure will be EUR 21 500. This incentive pay will be paid in March 2012. For 2010, EUR 71 400 in incentive pay was paid out, and the management Group´s share of this figure was EUR 30 200. This incentive pay was paid in March 2011.

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 is KPMG Oy Ab, Authorized Public Accountants. In 2011, the auditing firm were paid a total of EUR 84 176, of which the portion of statutory audit amounted to EUR 44 500.

Annual Compensation paid to Board Members for Board and Committee Work in 2011 (EUR):

	Annual remunerations	Audit Committee	Nomination Committee	Total
Bishop Ambrosius, (board member until April 14, 2011), member of the Nomination Committee			600	600
Erma Juhani, member and secretary of the Board	34 189	1 290		35 479
Pohjanvirta Olli, member of the Board	18 000			18 000
Rönkkö Markku, member of the Board	18 000	990		18 990
Saarinen Pasi (since April 14, 2011), member of the Board	18 000			18 000
Toivanen-Koivisto Maarit, member of the Board	18 000			18 000
Vauhkonen Heikki, member of the Board	18 000			18 000
Virtaala Matti, member and chair of the Board	95 097	1 290	600	96 987
Total	219 286	3 570	1 200	224 056

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Tulikivi Corporation will be held in the Kivikylä auditorium in Nunnanlahti, Juuka, on April 12, 2012, starting at 13:00. Financial statement documents will be available for inspection at the company's Internet site and head office in Nunnanlahti as from March 20, 2012. 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 29, 2012 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 April 2, 2012, either by telephoning at +358 207 636 251 or +358 207 636 322; by emailing kaisa.toivanen@tulikivi.fi or by writing to the address Tulikivi Corporation / Annual General Meeting, FI-83900 Juuka. Holders of nominee registered shares: instructions for the partisipants in the general meeting in address www.tulikivi.com>Investors>General Meeting>General Meeting 2012.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid for year 2011.

Share Register

We request shareholders to report any changes in their personal details, address and share owner-ship 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 2012:

Financial statement bulletin for 2011
February 10, 2012
Annual Report for 2011 week 12
Interim Report for January-March
April 24, 2012
Interim Report for January-June
August 8, 2012
Interim Report for January-September
October 26, 2012

The Annual Report, Interim Reports and the company's stock exchange bulletins are published in Finnish and English.
The Annual Report will be published on the company´s website in week 12.

Financial reports are posted on the company´s website, www.tulikivi.com, on their day of publication.
If you have questions concerning investor relations, please contact the company´s chief financial officer Risto Vidgren, Tel. +358 403 063 176.

Analysts following Tulikivi Corporation:

Mika Karppinen / Evli Equity Research,
Tel. +358 9 4766 9643,
mika.karppinen@evli.com and
Matias Rautionmaa / Pohjola Pankki,
Tel. +358 10 252 4408,
matias.rautionmaa@pohjola.fi

Tulikivi Corporation´s Annual Summary of Stock Exchange Releases 2011

22.12.2011	Tulikivi Corporation updates its future outlook for 2011
22.12.2011	Tulikivi Corporation concludes its codetermination negotiations
31.10.2011	Tulikivi Corporation to start codetermination negotiations to improve profitability
21.10.2011	Tulikivi Corporation´s future outlook/ supplement to interim report release of October 20, 2011
20.10.2011	Interim report January-September 2011
13.10.2011	Tulikivi Corporation's General Meeting and Financial Release in 2012
04.08.2011	Interim report 01-06/2011
04.08.2011	Tulikivi Corporation's new Financial Director is Risto Vidgren
30.06.2011	Codetermination negotiations in Tulikivi Corporation's natural stone products business have been concluded
30.06.2011	Tulikivi Group sells its Taivassalo-based building stone business to Vientikivi Oy Finland
17.06.2011	Tulikivi Group has concluded codetermination negotiations at its Heinävesi plant
20.04.2011	Interim report 1-3/2011
18.04.2011	Tulikivi Corporation to publish its Interim Report for January-March on 20 April 2011
14.04.2011	Resolutions of the Annual General Meeting and organisation of the Board
14.04.2011	Tulikivi to focus on its core businesses
16.03.2011	Annual report 2010
16.02.2011	Summons to the Annual General Meeting of Tulikivi Corporation on 14 April, 2011
11.02.2011	Invitation to Tulikivi Corporation´s Analyst and Press Briefing on 17 February, 2011
10.02.2011	Financial Statement Release Jan-Dec 2010
10.02.2011	Corporate Governance Statement 2010
31.01.2011	Tulikivi Corporation´s Annual Summary 2010

Board of Directors' Report and Financial Statements of Tulikivi Corporation for Year 2011

Board of Directors' Report
Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
Consolidated Statement of Changes in Equity
Notes to the Consolidated Financial Statements
Key Financial Indicators
Calculation of Key Ratios
Parent Company Financial Statements, FAS
Parent Company Income Statement
Parent Company Balance Sheet
Parent Company Cash Flow Statement
Notes to the Parent Company Financial Statements
Shares and Shareholders of Tulikivi Corporation
Signatures to Report of the Board and Financial Statements
Auditors' Report

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, 2011. 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.

Board of Directors’ Report

Operating Environment in 2011

The economic operating environment deteriorated throughout 2011. The protraction of the debt crisis prevented economic growth and by the end of the year, the euro area was on the brink of a downturn.

The changes in the operating environment also affected Tulikivi’s operations. Demand for products was positive to begin with in 2011, and net sales grew on the previous year. After the summer, consumer confidence weakened substantially, and this began to show in the order flows for Tulikivi products in the autumn. Tulikivi did not reach its net sales growth target, and the operating result showed a loss. In order to improve profitability, Tulikivi decided to eliminate loss-making product groups and adjust operations to correspond to demand. However, these measures substantially raised expenses during the review period.

In accordance with its strategy, Tulikivi aims to achieve net sales growth that is faster than market growth. Product development and development of operations were continued accordingly. New products and an entirely new business area, the Sauna business, were launched. Tulikivi now has a harmonised product range that consists of fireplaces, sauna products and interior stone products. The corporate image was redesigned to reflect the renewal of the company and its products as well as its consistent approach. The distribution channel was broadened in both Finland and export regions. Tulikivi’s market share grew in Finland, and its position on the fireplace market developed favourably also in France and Germany. The renewal of the enterprise resource planning system was a major development project that will have a substantial effect on the efficiency of internal processes and on diversifying the management of the co-operation network.

Focusing on Core Businesses and Need for Adjustment Measures

The corporate cost structure was streamlined during the year by eliminating sections outside the core business and adjusting the number of staff.

In June Tulikivi decided to concentrate on its core business. The Group’s core businesses are now the manufacture of fireplaces and sauna and interior stone products, development of product concepts and their marketing to consumers.

At the end of the year, Tulikivi divested the loss-making utility ceramics and building stone businesses. As a result, the building stone business in Taivassalo was sold, and manufacture of natural stone products was concentrated at the Espoo factory. A major share of the machine work in quarrying was outsourced. As a result of these arrangements, the number of employees in the Group was reduced by 55 people, of whom 43 people were made redundant. The net cost impact of these arrangements was EUR 0.6 million. The arrangement will reduce annual net sales by slightly under EUR 3.0 million.

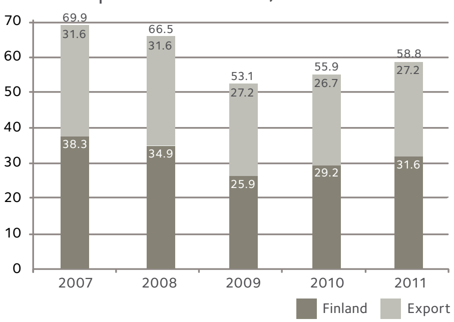
Towards the end of the year, Tulikivi decided to carry out adjustment measures as the sales outlook in Tulikivi’s principal markets deteriorated due to the on-going economic crisis. As a result of the codetermination negotiations, 51 employees are to be made redundant. It was also agreed that the company may need to implement layoffs of a maximum of 90 days in 2012. Owing to the adjustment decision, a restructuring provision was recognised which decreased the year’s result by approximately EUR 1 million.

Thanks to the centralisation and adjusting measures, the corporate cost structure in 2012 will be substantially lighter than last year. With the actions taken, the company is seeking around EUR 3 million in savings for 2012.

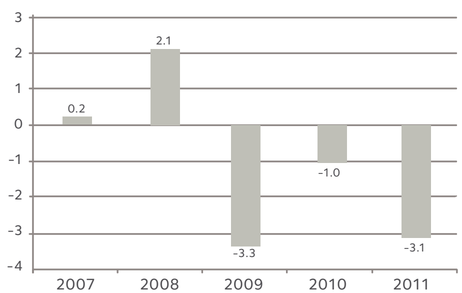
Net Sales and Result

The full year net sales of the Tulikivi Group totalled EUR 58.8 million (EUR 55.9 million in 2010). The net sales of the Fireplaces Segment amounted to EUR 53.5 (50.8) million, and those of the Natural Stone Segment were EUR 5.3 (5.1) million. Towards the end of the year, weakening consumer confidence resulted in lower demand and the target for net sales was not achieved. Net sales of the Natural Stone Segment include EUR 0.4 million in net sales resulting from the sale of the building stone business’s inventories. Otherwise the effect of the sale of the building stone business on net sales for 2011 was EUR -0.6 million. The

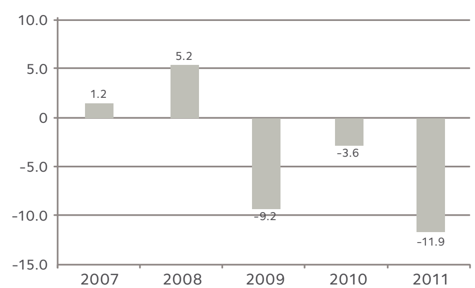
Development of the Sales, MEUR



Result Before Income Tax, MEUR



Return on Equity, %



like-for-like net sales of the Natural Stone Segment remained at the previous year's level. Net sales in Finland totalled EUR 31.6 (29.2) million or 53.7 (52.3) per cent. Exports accounted for EUR 27.2 (26.7) million of the net sales total. The principal export countries were Sweden, France, Germany, Belgium and Russia. The net sales of fireplaces and lining stone products remained at the previous year's level. Demand decreased towards the end of the year, in lining stone products in particular.

The consolidated operating result was EUR -2.4 (-0.3) million. The Fireplaces Segment's operating profit was EUR 0.2 (2.2) million, while the operating result for the Natural Stone Products Segment was EUR -0.6 (-0.5) million, and the expenses not allocated to segments were EUR -2.0 (-2.0) million. The operating result was adversely affected by non-recurring expenses of EUR 1.6 million net caused by the centralisation and adjustment measures. Of these expenses, EUR 1.4 million is allocated to the Fireplaces Segment and EUR 0.2 million net to the Natural Stone Products Segment. In addition to these non-recurring expenses, the operating result for the financial year was burdened by expenses of EUR 0.8 million from the launch of electric sauna heaters, the expansion of the Finnish sales network, the redesign of the corporate image and the introduction of the new ERP system.

The consolidated result before taxes was EUR -3.1 (-1.0) million and total comprehensive result for the year was EUR -2.4 (-0.7) million. The consolidated return on investment was -4.8 (-0.1) per cent. Earnings per share amounted to EUR -0.07 (-0.02).

The Tulikivi Group´s fourth-quarter net sales were EUR 15.5 million (EUR 16.6 million in Q4/2010), the operating result was EUR -1.0 (0.8) million and the result before taxes EUR -1.2 (0.7) million. The fourth-quarter result was adversely affected by the restructuring provision of EUR 1.0 million for adjustment measures.

Cash Flow and Financing

Cash flow from operating activities before investments was EUR 1.4 (2.9) million. Working capital decreased by EUR 1.1 million during the financial year and came to EUR 6.9 million. Interest-bearing debt was EUR 24.9 (25.3) million, and net financial expenses were EUR 0.7 (0.7) million. The current ratio was 1.5 per cent (1.9). The equity ratio was 33.3 (37.0) per cent and the ratio of interest-bearing net debt to equity, or gearing, was 96.5 (68.1) per cent. The equity per share amounted to EUR 0.51 (0.60). In the consolidated balance sheet the soapstone reserves owned or controlled by the company have been recognized at cost.

At the end of the financial year, the Group's cash and other liquid assets came to EUR 6.8 (10.2) million, and the total of undrawn credit facilities and unused credit limits amounted to EUR 4.1 (2.5) million. The Group's debt financing, totalling EUR 14.5 (13.9) million, includes covenant conditions which are tied to the Group's equity. All covenant conditions were met on the balance sheet date.

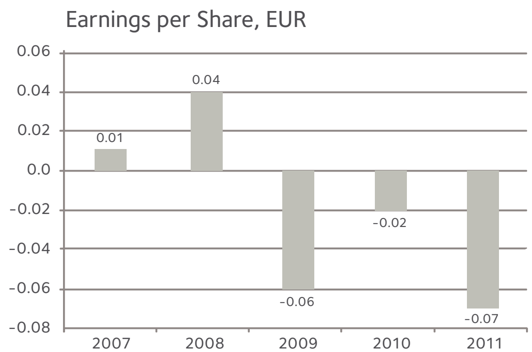
Investments

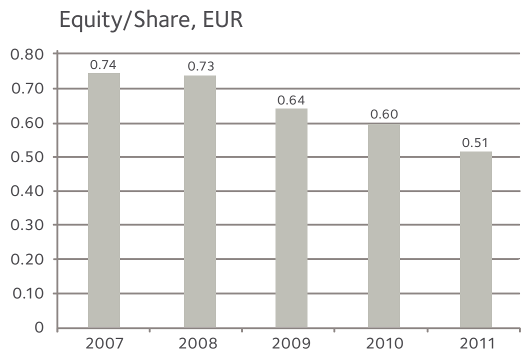
The Group´s investments in production, quarrying and development came to total of EUR 4.9 (3.4) million. The most significant investment in 2011 was the renewal of the ERP system. The new ERP (Enterprise resource planning) system was introduced on 2 January 2012. It will harmonise Tulikivi's internal processes in the various production plants and businesses. It will also make the management of the partner network and the entire delivery chain more efficient. Other major investments included replacement investments in the production plants and quarry investments.

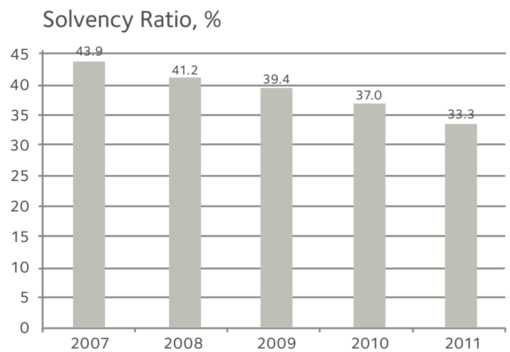
Research and development expenses totalled EUR 2.1 (2.2) million, and their relative share of net sales was 3.6 (3.9) per cent. A total of EUR 0.6 (0.5) million of this figure, after deduction of subsidies, was capitalized. A Tulikivi range of electric sauna heaters was launched during the year, and development of a range of wood-fired sauna heaters was started. Representing a new generation of fireplaces, the new modular design Suvas fireplace was launched during 2011, as well as a range of decorated ceramic linings for fireplaces. Development of the Green products continued. With the Green products Tulikivi seeks to meet the energy efficiency and environmental requirements for future buildings.

Personnel

The Group employed an average of 427 people during the financial year (404 in 2010; 417 in 2009). The average was calculated according to the period of employment, taking account of the impact of layoffs. The number of personnel at the end of the year was 436 (497; 484) people. Of these employees, 389 (426; 406) were employed by the Fireplaces Segment, 24 (48; 52) by the Natural Stone Products Segment and 23 (23; 26) in activities not allocated to a segment. The number of personnel decreased during the year by 55 people as a result of the centralisation measures and will further decrease by 51 people in 2012 as a result of the adjustment







measures decided upon in December.

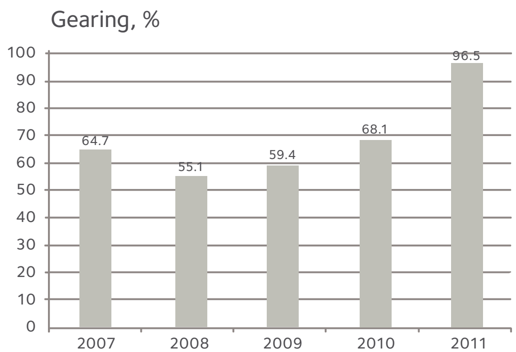
In all, 98.5 per cent of the employment relationships were permanent and 1.5 per cent were temporary. Salaries and bonuses during the year totalled EUR 17.4 (15.7; 15.9) million. The figure includes EUR 0.9 million in restructuring costs.

The Tulikivi Group has an incentive pay scheme for all personnel. The incentive pay scheme is based on improvements in the Group's result and productivity, and the Managing Director and key personnel also have personal targets in addition to this. The 2011 result did not justify the payment of incentive pay. The cost impact of incentive pay given on the basis of personal targets was EUR 0.1 (0.1) million in the financial year.

Occupational safety during the year was good. The number of occupational accidents per million working hours was 34 (30; 25).

Board of Directors, Managing Director and Auditors

Tulikivi Corporation´s Annual General Meeting held on April 14, 2011 elected the following persons to the Board of Directors: Juhani Erma, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Maarit Toivanen-Koivisto, Heikki Vauhkonen and Matti Virtaala. The Board of Directors elected from among its members Matti Virtaala as Chairman. Tulikivi Corporation´s Managing Director is Heikki Vauhkonen. KPMG Oy Ab, Authorized Public Accountants, was elected as the auditor.



Share Capital, Shares and Board Authorizations

There have been no changes in Tulikivi Corporation´s share capital during year 2011. Tulikivi Corporation´s share capital entered in the Trade Register, amounted to EUR 6 314 474.90 on December 31, 2011. The number of shares is 37 143 970, of which 27 603 970 are Series A and 9 540 000 Series K shares. According to the articles of association the dividend 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.

4.9 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 series in the company can be bought back. The authorization to acquire shares is valid until the Annual General Meeting 2012.

The Board of Directors has an authorization to decide on share issues and the conveyance of the company´s own shares in 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 authorisation 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 authorisation to share issues is valid until the Annual General Meeting to be held in 2012.

Treasury Shares

At the start and end of the financial year, the total number of Tulikivi shares held by company was 124 200 Series A shares, which corresponds to 0.3 per cent of the company´s share capital and 0.1 per cent of all voting rights. The company did no purchase or assign any of its own shares during the financial year.

Rate Development and Exchange of Series A shares

During 2011 at NASDAQ OMX Helsinki Ltd, 3.8 million shares were traded, with the value of share turnover being EUR 3.8. million. The highest rating for the share was EUR 1.40 and the lowest was EUR 0.61. The closing rate for the financial year was EUR 0.63.

Major Business Risks

The Group's business risks are categorised as strategic and operational risks, damage, casualty and loss risks and financial risks. Strategic risks are related to the nature of business operations, and they concern, but are not limited to, changes in the Group's operating environment, financial markets, market situation and market position as well as consumer habits and demand factors, allocation of resources, raw material reserves, changes in legislation and regulations, 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, new product launches 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, casualty and loss risks also include occupational health and safety risks, environmental risks and accident risks. Financial risks the Group is exposed to are liquidity risks, risks related to capital management, interest rate risks and foreign currency risks.

Risk evaluation is carried out in connection with the drawing up of the strategic planning process and the annual action plan. Following analysis of the risks, the means of preventing and controlling them have been examined on the basis of impact and probability. If risk management methods prove ineffective or cannot be used, realised risks can have a substantial adverse effect on the result, financial position, business and share value. Risks and the means of controlling them are presented in greater detail in note 38 to the consolidated financial statements.

During the financial year, the actions taken to improve profitability will substantially streamline the corporate cost structure. Other development projects to enhance risk management were also continued. As a result, new product lines were launched to complement Tulikivi's core products. In addition to the expanded product range, the distribution network has also been enlarged on the domestic market and in exports.

Any major downturn that might be caused by the euro area crisis could decrease the demand for the company´s products and the company's profitability and equity. The company's balance sheet assets include goodwill, the value of which is based on the management's estimates. If these estimates fail to materialise, it is possible that impairment losses would have to be recognised in connection with the impairment testing processes. Weakened profitability and a drop in equity could lead to deterioration in the company´s financial position.

Environmental Obligations

Tulikivi's environmental strategy is geared towards making systematic progress in environmental matters in specified areas. All of Tulikivi Corporation's operational quarries and the ceramic production of the Heinävesi plant have the environmental permits they require. There are no on-going permit processes.

Under the Mining Act and environmental legislation, the Tulikivi Group has landscaping obligations that must be met during operations and after the quarries and plants are eventually shut down. No hazardous or poisonous substances are left in the environment as a result of the Group's operations. The environmental obligations and provisions recognised for them are presented in greater detail in notes 26, 34 and 35 to the consolidated financial statements.

The Group's operations comply with the environmental permits, the requirements of the authorities and the environmental protection requirements. 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

The Group's new ERP system was introduced on 2 January 2012. The implementation has progressed as planned.

Tulikivi Corporation signed a chain agreement with Rautakesko Oy, effective on 1 March 2012, concerning the distribution of fireplaces, sauna heaters, design fireplaces and interior stone products in Finland. This will further strengthen the sales channel for fireplaces while establishing appropriate conditions for the efficient distribution of sauna heaters and interior stone products in the domestic market.

Future Outlook

The substantial weakening of consumer confidence seen in the principal markets has ceased, and during the past few weeks demand has been higher than last autumn, although the outlook continues to be uncertain.

2012 net sales are expected to be at the same level as 2011. The company has carried out centralisation and adjustment measures, which will bring significant savings and enable a positive operating profit to be posted.

Order books at the end of the year amounted to EUR 5.7 (6.3) million, part of which concerns end-of-year 2012 deliveries.

Monitoring of Strategy Implementation

The Group strategy covers all key operating and financial targets to the end of 2016. Under the strategy, the company is targeting annual organic growth of over 10 per cent in the next few years. The aim is also to achieve an operating profit of 10 per cent within the next five years. The target for return on equity is that is it should exceed 20 per cent. Corporate acquisitions in support of the strategy are also possible.

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

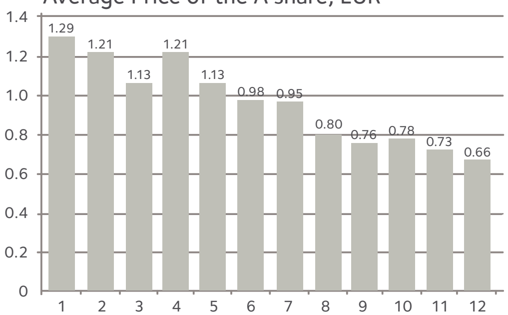
The Group´s reportable segments are the Fireplaces Segment and the Natural Stone Products Segment. The Fireplaces Segment includes Tulikivi and Kermansavi soapstone and ceramic fireplaces, their accessories, fireplace lining stones and, until 31 December 2011, utility ceramics. The Natural Stone Products Segment includes interior design stone products for households and, until 30 June 2011, stone deliveries to construction sites. Expenses not allocated to a segment are recognised under 'Other items' in segment reporting. Expenses not allocated to segments include expenses of the Group administration, expenses pertaining to financial administration, and financial expenses and taxes.

As of 1 January 2012, the Natural Stone Products segment is called the Interior Stone Products segment.

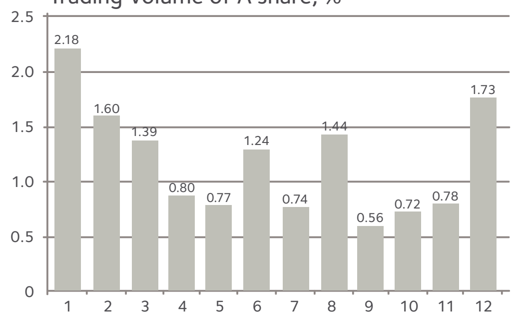
Group Structure

The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland as well as subsidiaries Kivia Oy, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi. Group companies include also The New Alberene Stone Company, Inc., which is dormant. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy.

Monthly Development of the Average Price of the A share, EUR



Monthly Development of the Trading Volume of A share, %



Corporate Governance Statement

Tulikivi Corporation will issue its Corporate Governance Statement for 2011 separately from the Annual Report. The Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code and Chapter 2, section 6 of the Securities Markets Act. Information on corporate governance can be found on Tulikivi's website, at http://www.tulikivi.com/Investors/Corporate governance and management.

Board of Directors´ Proposal on Use of Distributable Equity

The parent company´s distributable equity amounts to EUR 6 377 000. The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid.

Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 – Dec. 31, 2011	Jan. 1 – Dec. 31, 2010
Sales	2	**58 771**	55 895
Other operating income	5	1 031	652
Increase/decrease in inventories of finished goods and in work in progress		-519	766
Production for own use		772	437
Raw materials and consumables		12 215	11 503
External services		8 981	9 234
Personnel expenses	6	22 511	19 720
Depreciation and amortisation	7	4 216	4 733
Impairments	7	25	0
Other operating expenses	8	14 475	12 832
Operating result		**-2 368**	-272
Financial income	9	182	249
Financial expenses	10	-939	-966
Share of result of associates		3	-2
Result before income tax		**-3 122**	-991
Income taxes expense	11	-692	-173
Result for the year		**-2 430**	-818
Other comprehensive income			
Cash flow hedges	10.2	-6	55
Translation differences	10.2	18	33
Income tax on other comprehensive income	10.2	1	-14
Total comprehensive result for the year		**-2 417**	-744
Calculated from result attributable to the equity holders of the parent company			
Earnings per share, EUR			
Basic/diluted	12	**-0,07**	-0,02

Consolidated Statement of Financial Position

EUR 1 000	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Non-current assets			
Property, plant and equipment	13	14 249	15 855
Goodwill	14, 15	4 174	4 174
Other intangible assets	14	12 622	10 796
Investment properties	16	213	252
Investments in associates	17	4	24
Other financial assets	18	26	27
Deferred tax assets	19	2 066	1 608
Other receivables		200	0
Total non-current assets		**33 554**	32 736
Current assets			
Inventories	20	10 748	10 939
Trade and other receivables	21	5 507	5 913
Current income tax receivables		0	47
Cash and cash equivalents	22	6 769	10 210
Total current assets		**23 024**	27 109
Total assets		**56 578**	59 845
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	6 314	6 314
Treasury shares	23	-108	-108
The invested unrestricted equity fund	23	7 334	7 334
Translation differences	23	-10	-27
Revaluation reserve	23	-46	-41
Retained earnings		5 320	8 659
Total equity		**18 804**	22 131
Non-current liabilities			
Deferred income tax liabilities	19	1 426	1 660
Provisions	26	1 311	965
Interest-bearing liabilities	27	19 009	20 385
Other liabilities	28	154	52
Total non-current liabilities		**21 900**	23 062
Current liabilities			
Trade and other payables	28	9 075	9 647
Current income tax liabilities		0	9
Provisions	26	883	104
Short-term interest-bearing liabilities	27	5 916	4 892
Total current liabilities		**15 874**	14 652
Total liabilities		**37 774**	37 714
Total equity and liabilities		**56 578**	59 845

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 - Dec. 31, 2011	Jan. 1 - Dec. 31, 2010
Cash flows from operating activities			
Result for the year		-2 430	-818
Adjustments:			
Non-cash transactions	31	3 547	4 730
Interest expense and finance costs		939	967
Interest income		-178	-244
Dividend income		-4	-5
Income taxes	11	-692	-173
Changes in working capital:			
Change in trade and other receivables		403	-933
Change in inventories		192	-749
Change in trade and other payables		-498	995
Change in provisions		1 066	-194
Interest paid		-960	-959
Interest received		124	104
Dividends received		4	5
Income tax paid		-67	198
Net cash flow from operating activities		**1 446**	2 924
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-1 647	-1 486
Purchases of intangible assets		-3 050	-1 708
Grants received for intangible assets		255	162
Proceeds from sale of PPE		813	31
Proceeds from sale of intangible assets		4	24
Purchases of other investments		-4	0
Proceeds from sale of other investments		1	0
Net cash flow from investing activities		**-3 628**	-2 977
Cash flows from financing activities			
Proceeds from non-current borrowings		5 500	8 000
Repayments of borrowings		-5 853	-7 452
Dividends paid		-909	-909
Net cash flow from financing activities		**-1 262**	-361
Net decrease (-) / increase (+) in cash and cash equivalents		-3 444	-414
Cash and cash equivalents at the beginning of the year		10 210	10 597
Exchange gains (+) / losses (-)		3	27
Cash and cash equivalents at the end of the year	22	**6 769**	10 210

Consolidated statement of changes in equity

Attributable to equity holders of the Company	Share capital	Share premium fund	The invested unrestricted equity fund	Revaluation reserve	Treasury shares	Translation differences	Retained earnings	Total equity
1 000 euro								
Equity at January 1, 2010	6 314	7 334		-82	-108	-60	10 387	23 785
Total comprehensive result for the year				41		33	-818	-745
Transactions with owners								
Dividends paid							-909	-909
Fund transfer		-7334	7334					0
Equity at December 31, 2010	6 314		7 334	-41	-108	-27	8 660	22 131
Total comprehensive result for the year				-5		17	-2 430	-2 418
Dividends paid							-909	-909
Equity at December 31, 2011	**6 314**	**0**	**7 334**	**-46**	**-108**	**-10**	**5 321**	**18 804**

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 FI-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 has two reportable segments, Fireplaces and Natural stone products. Fireplace segment comprises soapstone and ceramic fireplaces sold under Tulikivi and Kermansavi brands, their by-products and Kermansavi utility ceramics (until December 31, 2011), as well as lining stones for heaters and Sauna Heaters. Natural stone products segment comprises interior decoration stone products and paving stones (until June 30, 2011 also deliveries to construction sites). Expenses not allocated to a segment are recognised under 'Other items', which also includes financial expenses and taxes. Expenses not allocated to segments include expenses of the Group administration and expenses pertaining to financial administration. Tulikivi Corporation's Board of Directors has approved these financial statements for publication at its meeting held on February 10, 2012. 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 also has the right to decide on making changes to 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, 2011. The term IFRS refers to the standards and interpretations that are approved for adaptation in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also 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, 2011.

- Revised IAS 24 Related Party Disclosures: The revised standard clarifies the definition of a related party in order to simplify the identification of related party relationships particularly in relation to significant influence and joint control. Certain disclosures in respect of government-related entities have changed.
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues: The amendment relates to the accounting treatment (classification) of issues of rights, options or warrants in a currency other than the issuer's functional currency.
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement: The amended interpretation allows prepayments of certain voluntary contributions being recognised as an asset when there is a minimum funding requirement (MFR).
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments: The interpretation clarifies the accounting treatment when an entity renegotiates the terms of a financial liability with its creditor and as a result issues equity instruments to a creditor of the entity to settle the financial liability fully or partially.
- Improvements to IFRSs (May 2010): The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total seven standards. Their impacts vary standard by standard but are not significant.

Tulikivi Group has not yet adopted the following new and amended standards and interpretations already issued. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

* = not yet endorsed for use by the European Union

- Amendments to IFRS 7 Financial Instruments: Disclosures (effective for financial years beginning on or after 1 July 2011): The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial instruments and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets.
- Amendments to IAS 12 Income Taxes* (effective for financial years beginning on or after 1 January 2012): The amendments deal with the underlying assumption related to the recognition of deferred tax. Based on the amendments the carrying amounts of certain assets carried at fair value, e.g. those of investment properties, are expected to be recovered primarily through sale in future rather than through use.
- Amendments to IAS 1 Presentation of Financial Statements* (effective for financial years beginning on or after 1 July 2012): The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met.
- Amendment to IAS 19 Employee Benefits*

(effective for financial years beginning on or after 1 January 2013): In future all actuarial gains and losses are immediately recognized in other comprehensive income, i.e. the corridor approach is eliminated, and finance costs are calculated on a net funding basis.

- IFRS 10 Consolidated Financial Statements* (effective for financial years beginning on or after 1 January 2013): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11 Joint Arrangements* (effective for financial years beginning on or after 1 January 2013): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed.
- IFRS 12 Disclosures of Interests in Other Entities* (effective for financial years beginning on or after 1 January 2013): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles.
- IFRS 13 Fair Value Measurement* (effective for financial years beginning on or after 1 January 2013): IFRS 13 establishes a single source of for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted.
- IAS 27 (revised 2011) Separate Financial Statements* (effective for financial years beginning on or after 1 January 2013): The revised standard includes the provisions on separate financial statements that are left after the control provisions have been included in the new IFRS 10.
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2013): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* (effective for financial years beginning on or after 1 January 2013): The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realized in two ways: in the form of mineral ores to the production of inventory, and on the other hand in the form of improved access to further quantities of material that will be mined in future periods.
- Amendments to IFRS 7 Financial Instruments: Disclosures* (effective for financial years beginning on or after 1 January 2013): The amended standard requires the presentation of information that will allow evaluation of the effects of netting arrangements on the entity's financial position. The disclosures required by those amendments are to be provided retrospectively.
- Amendments to IAS 32 Financial Instruments: Presentation* (effective for financial years beginning on or after 1 January 2014): The amendments provide clarifications on the application of requirements for offsetting financial assets and financial liabilities on the balance sheet. The amended standard is to be applied retrospectively.
- IFRS 9 Financial Instruments* and subsequent amendments (effective date deferred by IASB for financial years beginning on or after 1 January 2015 (previously 1 January 2013)): IFRS 9 is the first step of the IASB's three-phase project to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase address the classification, measurement and recognition of financial assets and financial liabilities. Different ways of measurement for financial assets have been retained, but simplified. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. For financial liabilities, the standard retains most of the IAS 39 requirements.

The Group's view is that the adoption of the standards and interpretations mentioned above will not have any significant effect on the financial statements of 2012 reporting period or later. The management is yet to assess the full impact of the IFRS 9 Financial Instruments. The preparation of the consolidated financial statements in conformity with IFRS requires the management use of certain estimates and decisions based on judgement. 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. Accounting Policies for the Consolidated Financial Statements

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. The consideration transferred and the identifiable assets acquired and liabilities assumed in the acquired company are measured at fair value at the acquisition date.

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 Oyj owns its subsidiaries in full, therefore the Group's profit for the year or equity do not include non-controlling interests. All business combinations of the Group have taken place before the effective date of the revised IFRS 3/2008.

Associated Companies

Associated companies are all entities over which the Group has significant influence. Significant influence mainly arises 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.

Associated company investment includes goodwill identified on acquisition. Unrealized gains between the Group and an associate are eliminated according to the ownership interest of the Group. The Group's share of the associated company's profit or loss for the year is separately disclosed after operating profit. Respectively, the Group's share in the changes recognized in other comprehensive income of an associate is recognized in other comprehensive income of the Group. Associates of the Group have not had these items in financial years 2010 or 2011.

Translation of Foreign Currency Items

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 reporting 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 profit or loss. 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 recognized in the income statement within financial income and expense.

Translation of Financial Statements of Foreign Subsidiaries

The statements of comprehensive income and income and expense items of separate income statements of foreign Group companies are translated using the exchange rates at the dates of transactions and the statements of financial position of foreign subsidiaries are translated using the exchange rates ruling at the reporting date. Foreign exchange difference arising from translation of profit or loss and other comprehensive income with different exchange rates in the income statement and statement of comprehensive income and in the statement of financial position is recognised within equity in the statement of financial position and this change is recognised in other comprehensive income. Translation differences arising from eliminating the acquisition cost of foreign subsidiaries and from translating the foreign subsidiaries' accumulated equity subsequent to acquisition are recognised in other comprehensive income. When a subsidiary is in part or in full disposed of, the accumulated translation difference is transferred to profit or loss as part of the profit or loss on disposal. The Group has not acquired, nor sold any foreign subsidiaries during the financial year ended or in the previous financial year.

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 reporting date. The fair value adjustments and goodwill arisen from the acquisitions occurred prior to January 1, 2004, have been recognized in euro.

Property, Plant and Equipment

Tangible assets are measured in the balance sheet at cost less accumulated depreciation and impairment charges.

Cost includes expenditure directly attributable to the acquisition of an item of property, plant and equipment. Cost of a self-constructed asset includes material costs, direct employee benefit costs and other direct costs attributable to the cost of preparing the asset for its intended use. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of the asset.

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 to15 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.
Depreciation of property, plant and equipment is discontinued when the item of property, plant and equipment is classified as being held for sale in accordance with the IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. The Group had no items of property, plant and equipment held for sale during years 2010 and 2011
Gains and losses on disposal of property, plant and equipment are recognised in profit or loss and presented in other operating income and expenses. Gain/loss on sale is determined based on the difference between the sale price and residual value.

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 recognised in profit or loss through the depreciations made over the useful live of an asset. Grants received as compensation for costs are deferred and recognised in profit or loss 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 arising on business combinations taking place after 1 January 2010 is recognised as the excess of the aggregate of the consideration transferred, the recognised amount of non-controlling interests and previously held equity interest in the acquired company, over the Group's share of the fair value of the net identifiable assets acquired. No business combinations have taken place in the Group since January 1, 2010.
Business acquisitions taking place between 1 January 2004 and 31 December 2009 have been recognised in accordance with the previous IFRS standards (IFRS 3(2004)). 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. Cost includes expenditure that is directly attributable to the acquisition, such as professional fees. Goodwill is not amortised but tested annually for impairment. For this purpose the goodwill has been allocated to cash generating units or, if an associated company is in question, goodwill is included in the acquisition cost of the associated company. The goodwill is valued at historical cost less impairment.

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 costs arising from the development phase can be reliable measured the entity can demonstrate the technological and commercially feasible of the product and the Group has the intention and resources to complete the development work. 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 years during which the capitalized costs 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 in statement of comprehensive income 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.

Other Intangible Assets

Intangible assets should be recognized in the balance sheet only if the cost of the item can be measured reliably and it is probable that the future economic benefits associated with the asset will flow to the entity.
Costs arising from establishing the soapstone 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. Depreciation of quarry lands, basins and other auxiliary structures is commenced when the quarry is ready and taken into production use, and the depreciations are made over the useful life of the quarry, that is, over the extraction period using the unit of production

method. The extraction periods vary by quarries and can reach tens of years. The amount of depreciation in unit of production method is the portion of acquisition cost equalling to the portion of extracted rock during the reporting period from the estimated total extractable amount of rock of the quarry. The depreciation period of quarries in production phase varies from ten to twenty years. The amortisation of construction expenses of roads and dams is started in the construction year.

Intangible assets with a finite useful life are recognised as expenses in profit or loss on a straight-line basis over the known or estimated useful life of the asset. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Amortisation periods of other 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

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 measured at the lower of cost and 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 acquiring finished products includes all costs of purchase, including direct transportation, handling and other costs. The cost of own finished goods and work in progress consists of raw materials, direct labor, other direct costs and related variable and fixed production overheads systematically 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 the estimated costs of completion and selling expenses.

Leases

Group as Lessee

The leases of the Group are agreements under which substantially all the risks and rewards incident to the leased assets is retained by the lessor and the agreements are therefore classified as operating leases. Payments made under operating leases are charged to the income statement as rental expenses on a straight-line basis over the lease term. When a lease contract includes parts related to both land areas and buildings, the classification of each part as either a finance lease or operating lease is assessed separately.

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 properties 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 Criteria for recognising an impairment loss assets are grouped at the lowest levels for which there are separately identifiable cash-generating units with separately identifiable cash flows. The Group's corporate assets, which contribute to several cash-generating units and which do not generate separate cash flows, have been allocated to cash-generating units in a reasonable and consistent manner and they are tested as a part of each cash-generating unit.

The recoverable amount of and asset is the higher of fair value less costs to sell and 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 profit or loss. 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 plans 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 profit or loss in the period, which they are due. Group's pension plans are defined contribution plans.

Share-based Payments

The Group did not have any share-based incentive plans in 2011. In 2010 the Group had a share-based incentive plan but no incentive bonuses were granted for the year 2010.

Provisions and Contingent Liabilities

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 and risks related to the obligation. The amount of provisions is assessed at each reporting date and adjusted to correspond to the current best estimate. Changes in provisions are recognised in income statement in the same item as the provision was originally recognised.

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 communicated the restructuring plan to those affected by it. No provisions are recognised on expenses related to the Group's continuing operations.

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.

Current and Deferred Taxes

Income tax expense comprises current tax based on taxable income for the period and deferred tax. Taxes are recognised in profit or loss, except when they are directly related to items recognised in equity or other comprehensive income. In this case, also tax is recognised within the item in question. 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.

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 tax is recognised for investments in subsidiaries and associates, with the exception that the Group can determine the moment of reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

The Group´s most significant temporary differences arise from depreciation of property, measuring derivatives at fair value, tax losses carried forward and fair value measurement associated to business 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. The recognition criteria of deferred tax asset in this respect are assessed at each reporting date.

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 and it is probable that economic benefits are received for the services.

Lease Revenue

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 2011 and 2010.

Interest and Dividends

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

Classified as Held For Sale Non-Current Assets and Discontinued Operations

The Group did not have non-current assets held for sale nor discontinued operations during 2011 and 2010 reporting periods.

Financial Assets and Financial Liabilities

Financial Assets

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.

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, which is the date when the Group commits to purchase or sell the financial asset.

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.

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 classification can only be changed under extremely rare conditions. The financial assets measured at fair value through profit or loss include the financial assets held for trading or financial asset items that include one or more embedded derivatives that alter significantly the cash flows under contract, when the compound financial instrument as a whole is measured at fair value. Assets classified as held for trading have been acquired principally for the purpose of short-term profit taking from market price changes. Derivatives that are not financial guarantee contracts or 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 Group had no embedded derivatives or financial guarantee contracts during 2010 and 2009.

Financial assets at fair value through profit or loss are measured at fair value based on quoted market prices at the reporting date. Fair values of interest rate swaps are determined based on the present value of future cash flows and fair values of forward exchange agreements based on forward exchange rates at the reporting date. The Group applies commonly accepted valuation methods in measuring derivatives and other financial instruments that are not held for sale.

Unrealized and realized gains and losses from changes in fair value are recognized in the income statement in the active period

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a maturity date, and the Group intents to and is able to hold the financial assets to the maturity. They are measured at amortised cost using the effective interest method, and they are included in the non-current assets. The Group had no held to maturity financial assets during years 2010 and 2009.

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 or are not explicitly designated as available for sale at initial recognition. They are recognised at amortised cost using the effective interest method. Loans and receivables are included in trade and other receivables and are classified as current or non-current based on their 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 designated 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. The fair value of financial assets is determined based on market bid prices. If no quoted market prices are available for the available for sale financial assets, the Group applies other methods of measurement. These can include, for example, recent transactions between independent parties, discounted cash flows and measurements of similar instruments. Market information is mainly applied in measurement minimising the application of factors determined by the Group itself.

The changes in fair value of available for sale financial assets are recognised in other comprehensive income net of tax effect and presented within equity in the fair value reserve. 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 adjustment due to reclassification. Interest income from available for sale interest investments are recognised in finance income using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments which are easily tradable for a known amount of cash and for which the risk of changes in fair value is minor. Cash and cash equivalents maturities in three months or less.

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 the fair value of financial assets is significantly lower compared to the acquisition cost and time period defined by the Group, this is indication of impairment. If there is indication of impairment, the loss accumulated in the revaluation reserve is transferred in profit or loss. Impairment losses on equity instruments designated as available for sale financial assets are not reversed in profit or loss, whereas, subsequent reversal of impairment losses on interest instruments are recognised in profit or loss.

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.

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 unless the Group has an unconditional right to postpone the settlement of the liability at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred. Transaction fees related to loan commitments are recognised as transaction costs to the extent that it is probable that the loan commitment will be utilised fully or in part. In these cases, the fees are capitalised until the loan is taken out. As the loan is taken out, any related transaction fees are recognised as part of transaction costs. To the extent that it is probable that the loan commitment will not be acquired, transactions fees are recognised as prepayments for liquidity services and amortised as expenses during the loan commitment period.

The principles applied in determination of fair values of all financial assets and financial liabilities are presented in note 30. Currying amounts of financial assets and financial liabilities by categories and their fair values.

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, hedges of cash flows related to very probable transaction 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 relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair Value Hedges

The fair value changes of derivative contracts satisfying the criteria of fair value hedges are recognised in profit or loss. The fair value changes of the hedged asset or liability are treated in a similar manner in respect of the hedged risk. The Group held no derivative contracts meeting the criteria of fair value hedges in 2010 or 2009.

Cash Flow Hedges

The effective portion of changes in the fair values of derivatives designated and qualifying as cash flow hedges are recognised in other comprehensive income and presented in the revaluation reserve in equity. The cumulative gain or loss presented in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Gains or losses on derivatives hedging predicted foreign currency denominated sales cash flows are recognised as sales adjustments when sales are realised. The ineffective portion of the changes in fair values is recognised in profit or loss in finance income or finance costs. If the hedged predicted transaction results in acquisition of an item not included in financial assets, such as an item of property, plant and equipment, gains and losses recognised in equity are transferred as acquisition cost adjustment of the item in question.

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 profit or loss.

The fair values of hedging instruments are presented in Note 33 Commitments. Changes in the fair value reserve are presented in Note 10.2 Other comprehensive income.

Equity

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

Operating Result

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. Negative operating profit is referred to as Operating result in the reporting.

Critical Accounting Judgements 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.

Critical Accounting Judgments

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 related to, amongst others, deferred tax assets, measurement of inventories, property, plant and equipment related to excavations, fair value measurement and impairment testing of assets acquired in business combinations, that are described in detail below. The Group management believes that these are the key areas in the financial statement, since they include the most complex accounting policies and require most significant estimates and assumptions. In addition, changes in the estimates and assumptions used in these areas of financial statements are estimated to have the most extensive effects.

Impairment Testing

The Group tests goodwill and intangible assets under progress annually for potential impairment and evidence on impairment of property, plant and equipment and intangible assets is assessed at each reporting date. 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 15.3. Impairment testing.

EUR 1 000

2. Segments

The Group has two reportable segments, Fireplaces and Natural stone products.
Fireplace and Natural Stone Products businesses produce different product and services and they are managed as separate units because the businesses require different marketing strategies and use of different distribution channels. Expenses not allocated to the segments form Other items. Expenses not allocated to segments include among others expenses of the Group administration and expenses pertaining to financial administration, financial expences and taxes.
The Group's segment information is based on internal management reporting, in which measurement principles of assets and liabilities are in accordance with IFRS. In the internal management reporting the following product groups are presented: the fireplades sold under the Tulikivi and Kermansavi brands and their accessories, fireplace lining stones as well as sauna heaters and utility ceramics (the operations of the product group utility ceramics were discontinued at December 31, 2011). These operating segments have been aggregated into reportable Fireplaces-segment. The aggregation is based on the similar economic characteristics of these product groups, similar nature of the products and services, the nature of the production processes, the type and class of customer for products and services and the similar product distribution methods. The Natural Stone Products are presented at the segment level in internal management reporting.
Evaluation of segment performance and decisions on resource allocation to segments are based on segments' operating result. The management believes that this is the most suitable indicator of profitability in comparison to other companies operating in the industries in question. In the Group the reviews as discussed above are the responsiblity of the Manging Director as the chief operating decision maker. Segment's assets and liabilities are items that the segment uses in its operations or that can be reasonably allocated to segments. Capital expenditure comprise additions to property, plant and equipment and intangible assets used over more than one reporting period.

2.1. Segments

Fireplaces
Natural stone products
Other items

2011	Fireplaces	Natural stone products	Other items	Group
Sales				
External revenue	53 475	5 296		58 771
Operating result	214	-611	-1 971	-2 368
Finance income/expense, share of profit of associates			-754	-754
Income taxes			692	692
Result for the year				-2 430
Assets by segment	42 480	2 900	11 198	56 578
Liabilities by segment *)	9 702	736	27 336	37 774
Capital expenditure (net)	2 728	32	1 757	4 517
Depreciation and amortisation expenses	3 707	148	386	4 241
2010	**Fireplaces**	**Natural stone products**	**Other items**	**Group**
Sales				
External revenue	50 754	5 141		55 895
Operating result	2 227	-513	-1 986	-272
Finance income/expense, share of profit of associates			-719	-719
Income taxes			173	173
Result for the year				-818
Assets by segment	43 478	3 697	12 670	59 845
Liabilities by segment *)	9 307	676	27 731	37 714
Capital expenditure (net)	2 520	11	668	3 199
Depreciation and amortisation expenses	4 191	208	334	4 733

*) The liabilities of the segment are not reported to the management and they do not affect the resource allocation decisions. The distribution of liabilities to segments is asymmetrical due to, among others, treatment of financing loans within Other items.

EUR 1 000

2.2. Geographical information 2011	Finland	Rest of Europe	USA	Group total
Sales	31 550	26 275	946	58 771
Assets	55 340	827	411	56 578
2010				
Sales	29 229	25 648	1 018	55 895
Assets	58 145	1 319	381	59 845

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

2.3. Information on most important clients

Group's revenue was distributed so that no one external client generated over 10 % of the company's total revenue in 2011 (2010).

3. Business combinations

The Group has not undertaken any business combinations during the financial years 2011 and 2010.

4. Net sales per goods and services	2011	2010
Sales of goods	54 162	51 968
Rendering of services	4 609	3 927
Sales, total	58 771	55 895
5. Other operating income		
Proceeds from sale of PPE	547	27
Rental income from investment properties	40	34
Public grants	84	233
Other income	360	358
Other operating income, total	1 031	652
6. Employee benefit expense		
Wages and salaries	17 425	15 743
Pension costs – defined contribution plans	3 502	2 664
Other social security expenses	1 584	1 313
Employee benefit expense, total	22 511	19 720

There are restructuring-related expenses included in salaries and bonuses, amounting to EUR 935 thousand, and in pension expenses, amounting to EUR 454 thousand.

6.1. Group's average number of personnel for the financial period	2011	2010
Fireplaces	384	343
Natural stone products	21	40
Other operations	22	21
Personnel, total	427	404

Information on key management personnel compensation is disclosed in note 36.5. Key management compensation.

EUR 1 000	2011	2010

7. Depreciation, amortisation and impairment

Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	27	25
Capitalised development costs	418	339
Other intangible assets	646	672
Amortisation on quarries based on the unit of production method *)	196	318
Amortisation of intangible assets, total	1 287	1 354
Tangible assets		
Buildings	584	590
Machinery and equipment	1 934	2 409
Motor vehicles	237	263
Depdeciation on land areas based on the unit of production method *)	29	28
Other tangible assets	139	82
Depreciation of tangible assets, total	2 923	3 372
Investment property		
Buildings	6	7
Impairment by class of assets		
Investments in associates	25	0
Total depreciation, amortisation and impairment	4 241	4 733

*) The Group applies unit of production method based on the usage of stone in calculating the amortisation according to plan for quarries and mining rights. Land areas are depreciated on a unit-of-use basis based on the consumption of the rock material or stacking area filling time.

During the financial year the depriciation period for the roads and dams in the new quarry area has been extended from 5 years to 15 years, which corresponds better with the quarry's working life. The useful life of one of the production lines has also been extended to correpond with the working life of the production line in question. These changes have reduced the depreciation in the peporting period by EUR 91 thousand.

8. Other operating expenses

Losses on sales of tangible assets	8	2
Operating expenses of investment properties	3	4
Rental expenses	1 505	1 256
Maintenance of real estates	23	24
Marketing expenses	4 700	3 461
Other variable production costs	3 946	3 696
Other expenses	4 290	4 389
Other operating expenses, total	14 475	12 832

8.1. Research expenditure

Research costs expensed totalled EUR 1 353 thousand (EUR 1 458 thousand in 2010).

8.2. Auditors' fees

Audit fees	45	42
Tax advice	6	4
Other fees	33	48
Audit fees, total	84	94

EUR 1 000	2011	2010
9. Finance income		
Dividend income on available for sale financial assets	3	5
Changes in fair values of derivative contracts	48	110
Foreign exchange transaction gains	45	83
Interest income on trade receivables	24	14
Interest income on held to maturity financial assets	62	37
Finance income, total	182	249
10. Finance expense		
10.1. Items recognised in profit or loss		
Interest expenses on financial liabilities at amortised cost and other liabilities	762	762
Foreign exchange transactions losses	54	87
Other finance expense	123	117
Finance expense, total	939	966

Changes in fair value due to risk hedged with interest rate swaps are recognised as adjustments to interest expenses, in total EUR -132 (-174) thousand in accordance with the cash flow hedging policy.

10.2. Other comprehensive income

Financial items recognised in other comprehensive income:

	2011			2010		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	-6	1	-5	55	-14	41
Translation differences	18		18	33		33
Other comprehensive income, total	12	1	13	88	-14	74

	2011	2010
11. Income taxes		
Current tax	1	43
Tax carried from previous years	0	22
Transfer of income taxes to the revaluation reserve	1	-14
Deferred tax	-694	-224
Income taxes, total	-692	-173

The reconciliation between Income statement tax expense and tax calculated based on Group's domestic tax base (26%).

	2011	2010
Profit before tax	-3 123	-991
Tax calculated at domestic tax rates	-812	-258
Change in domestic tax rate	51	0
Effect of foreign subsidiaries different tax bases	-33	-76
Income not subject to tax	17	-1
Expenses not deductible for tax purposes	89	118
Tax losses for which no deferred income tax asset was recognised	-2	12
Tax carried from previous years	0	22
Other	-2	10
Income statement tax expense	-692	-173

EUR 1 000	2011	2010

12. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to equity holders of the parent company (EUR 1 000)	-2 430	-818
Weighted average number of shares for the financial period	37 019 770	37 019 770
Basic/diluted earnings per share (EUR) – continuing operations	-0,07	-0,02

13. Property, plant and equipment

2011	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 318	15 318	44 789	3 725	2 556	120	67 826
Additions	4	35	1 103	120	365	59	1 686
Disposals	35	310	3 253	73	0	120	3 791
Cost December 31	1 287	15 043	42 639	3 772	2 921	59	65 721
Accumulated depreciation and impairment January 1	281	8 277	38 773	3 233	1 408		51 972
Depreciation	29	584	1 934	237	139		2 923
Depreciation related to the disposals	0	305	3 058	59	0		3 422
Accumulated depreciation and impairment December 31	310	8 556	37 649	3 411	1 547		51 473
Property, plant and equipment, Net book amount January 1, 2011	1 037	7 041	6 016	492	1 148	120	15 854
Property, plant and equipment, Net book amount December 31, 2011	978	6 487	4 990	361	1 374	59	14 249

The Group's production machinery within property, plant and equipment has carrying amount of EUR 4 369 (5 311) thousand.
Disposals in property, plant and equipment and accumulated depreciation on disposals in property, plant and equipment comprise assets scrapped amounting to EUR 1 770 thousand.

2010	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 266	15 109	44 136	3 702	2 510	22	66 745
Additions	52	211	974	118	186	120	1 661
Disposals	0	2	321	95	140	22	580
Cost December 31	1 318	15 318	44 789	3 725	2 556	120	67 826
Accumulated depreciation and impairment January 1	253	7 688	36 673	3 056	1 466		49 136
Depreciation	28	590	2 409	263	82		3 372
Depreciation related to the disposals	0	1	309	86	140		536
Accumulated depreciation and impairment December 31	281	8 277	38 773	3 233	1 408		51 972
Property, plant and equipment, Net book amount January 1, 2010	1 013	7 421	7 463	646	1 044	22	17 609
Property, plant and equipment, Net book amount December 31, 2010	1 038	7 041	6 016	492	1 148	120	15 855

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2011	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Quarry lands and mining patents	Other intangible assets	Total
Cost January 1	4 174	3 755	1 956	7 216	287	4 799	5 436	27 623
Additions		26		529	101	447	1 729	2 832
Disposals				1 195			21	1 216
Capitalised development costs			285					285
Cost December 31	4 174	3 781	2 241	6 550	388	5 246	7 144	29 524
Accumulated amortisation and impairment January 1		916	972	5 017	176	2 894	2 678	12 653
Amortisation		26	418	106	33	179	525	1 287
Amortisation related to the disposals				1 195			16	1 211
Accumulated amortisation and impairment December 31		942	1 390	3 928	209	3 073	3 187	12 729
Goodwill and other intangible assets, Net book amount January 1, 2011	4 174	2 839	984	2 199	111	1 905	2 758	14 970
Goodwill and other intangible assets, Net book amount December 31, 2011	4 174	2 839	851	2 622	180	2 173	3 957	16 796

The group received grants totalling to EUR 127 (177) thousand for development costs and other intangible assets. The grants have been recognised as deduction of the carrying amount.

Internally generated intangible assets are costs incurred from opening new quarries and construction of basins as well as development costs of new businesses. The carrying amount of intangible assets includes costs incurred from opening quarries EUR 4 508 (4 340) thousand in total. Costs from opening quarries are a few €/m3 for the total stone reserves of the quarry in question. All stone reserves do not have carrying amount.

Exploration and evaluation expenditures of mineral resources comprise EUR 101 thousand research costs for which the related work was exceptionally carried out based on the consent of the land owner. The reason for the exception is the congest of applications for right of appropriation at the Ministry of Employment and the Economy. 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 14 (36) thousand of expenditures relating to mineral resources exploration and evaluation have been recognised directly as an expense in the income statement.

Disposals in other non-current expenditures and accumulated amortisation on disposals in other non-current expenditures include assets scrapped amounting to EUR 1 194 thousand.

2010	Goodwill	Patents and trademarks	Development costs	Internally generated capitalised intangible assets	Mineral resource exploration and evaluation assets	Quarry lands and mining patents	Other intangible assets	Total
Cost January 1	4 174	3 730	1 589	10 129	238	4 562	5 910	30 332
Additions		26		214	49	428	477	1 194
Disposals		1		3 128		191	951	4 271
Capitalised development costs			367					367
Cost December 31	4 174	3 755	1 956	7 215	287	4 799	5 436	27 622
Accumulated amortisation and impairment January 1		892	633	7 829	155	2 969	3 055	15 533
Amortisation		25	339	316	21	116	538	1 355
Amortisation related to the disposals		1		3 128		191	915	4 235
Accumulated amortisation and impairment December 31		916	972	5 017	176	2 894	2 678	12 653
Goodwill and other intangible assets, Net book amount January 1, 2010	4 174	2 838	956	2 300	84	1 593	2 855	14 800
Goodwill and other intangible assets, Net book amount December 31, 2010	4 174	2 839	984	2 198	112	1 905	2 758	14 970

EUR 1 000

15.1. Goodwill

The Group's goodwill totals EUR 4.2 (4.2) million. Of that amount EUR 3.5 million has been allocated to Ceramic fireplaces unit under Fireplaces segment and EUR 0.6 million to Natural stone products segment, which form 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 and EUR 0.5 million to Utility ceramics unit under Fireplaces operating segment. The amount has been derecognised in full as impairment losses transpired in impairment testing during previous years. The useful life of the trademark has been estimated to be indefinite. Beacause of its established brand, the management believes that the trademark will generate net cash inflows for the group for an undefined period of time.

The carrying amounts of goodwill and trade mark were allocated as follows:	Natural stone products	Kermansavi fireplaces
2011		
Goodwill	632	3 542
Trademark		2 712
Total	632	6 254
2010		
Goodwill	632	3 542
Trademark		2 712
Total	632	6 254

15.2. Recognition and allocation of impairment losses

No impairment losses were recognised during the financial period.

15.3. Impairment testing

In impairment testing the recoverable amounts of the operating 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 ranges from 6.9 to 6.7 % (6.9 - 6.7 % in 2010), which equals to the weighted average cost of capital. The future cash flows after the forecast period approved by management are extrapolated by using a constant 1 % growth rate for the operation in question. The growth rate used does not exceed the actual long-term growth rate of the industry in question. The growth rate used in the forecast period, that is, the growth factor, is on average 2.0 % for Kermansavi fireplaces corresponding to the growth forecast for residential construction (Euroconstruct). The growth rate used for the Natural Stone Products segment in the forecast period is on average 7.5 % considering the change of the business structure and the actual growth percentage.

The key assumptions used in determining value in use were as follows:
1. Sales margin
- The sales margin percentage of Kermansavi fireplaces used in the forecast is based on the actual sales margin of the past financial year. The sales margin of the Natural Stone Products segment is assumed to improve resulting from the optimization of operations through business restructuring.
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.

The discount rate and growth rate	Natural stone products		Kermansavi fireplaces	
	2011	2010	**2011**	2010
Discount rate	6.7	6.7	6.9	6.9
Growth rate (average for the forecast period)	7.5	8.3	2.0	3.4

With the assumptions, the recoverable amount exceeded the carrying amount as follows:	**2011**	**2010**
Natural stone products	967	476
Fireplaces	4 180	5 580

EUR 1 000

Sensitivity analysis of impairment tests

Effects of potential changes in the variables on other factors have not been taken into account in the sensitivity analysis. The change in result has been tested on the operating profit level.

1. Variable values, with which the recoverable amount = carrying amount of the unit in question

	Discount rate		Profit change, % of set targets	
	2011	2010	2011	2010
Natural stone products	9.1	7.7	-31 %	-15 %
Kermansavi fireplaces	9.5	10.4	-30 %	-37 %

2. Effect on impairment if the discount rate rises by 1 % or if profit is 20 % lower than the target.

	Effect of changes in discount rate, in thousands of euro		Effect of changes in profit, in thousands of euro	
	2011	2010	2011	2010
Natural stone products	-	-19	-	-149
Kermansavi fireplaces	-	-	-	-

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 180 (112) 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.

	2011		2010	
16. Investment property	Land	Buildings	Land	Buildings
Acquisition cost January 1	188	187	188	187
Disposals	35	73	0	0
Cost December 31	153	114	188	187
Accumulated depreciation and impairment January 1		123		117
Depreciation		6		6
Depreciation related to the disposals		40		0
Accumulated depreciation and impairment December 31		89		123
Net book amount January 1	188	64	188	70
Net book amount December 31	153	25	188	64
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.

EUR 1 000

17. Investments in associates					2011	2010
Acquisition cost January 1					24	24
Additions					5	0
Disposals					25	0
Balance sheet value December 31					4	24
Share of the profit/loss of associates					3	-2
Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000). **2011**	Domicile	Assets	Liabilities	Sales	Profit/Loss	% of shares
Stone Pole Oy	Juuka	215	280	398	-51	27.3
Rakentamisen MALL Oy	Helsinki	9	17	156	9	25.0
Associates´ financials are unaudited.						
2010						
Leppävirran Matkailukeskus Oy	Leppävirta	81	9	90	-6	33.0
Stone Pole Oy	Juuka	233	251	443	4	27.3
Rakentamisen MALL Oy	Helsinki	9	17	72	-10	20.0

Stone Pole Oy is a stone business development company. The purpose of Rakentamisen MALL Oy is to develop its holding companies' operation in markets. The shares in Leppävirran Matkailukeskus Oy have been sold on November 18, 2011.

18. Other financial assets	2011	2010
Financial assets available for sale		
Balance sheet value January 1	27	27
Disposals	1	0
Balance sheet value December 31	26	27

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

EUR 1 000					
19. Deferred tax assets and liabilities					
Changes in deferred taxes during year 2011:	Jan. 1, 2011	Recognised through profit and loss	Recognised in other comprehensive income	Translation differences	Dec. 31, 2011
Deferred tax assets:					
Provisions	260	246			506
Unused tax losses	174	627		-2	799
Accumulated negative depreciation difference	782	-351			431
Change in the revaluation reserve	15		1		16
Measurement of derivatives at fair value	42	-25			17
Other items	335	-38			297
Deferred tax assets, total	1 608	459	1	-2	2 066
Deferred tax liabilities:					
Capitalisation of intangible assets	-219	23			-196
The effect of the business combinations	-1 299	203			-1 096
Other items	-142	8			-134
Deferred tax liabilities, total	-1 660	234	0	0	-1 426
Changes in deferred taxes during year 2010:	Jan. 1, 2010	Recognised through profit and loss	Recognised in other comprehensive income	Translation differences	Dec. 31, 2010
Deferred tax assets:					
Provisions	311	-51			260
Unused tax losses	106	68			174
Accumulated negative depreciation difference	724	58			782
Change in the revaluation reserve	29		-14		15
Measurement of derivatives at fair value	71	-29			42
Other items	349	-14			335
Deferred tax assets, total	1 590	32	-14	0	1 608
Deferred tax liabilities:					
Capitalisation of intangible assets	-214	-5			-219
The effect of the business combinations	-1 477	178			-1 299
Other items	-173	34		-3	-142
Deferred tax liabilities, total	-1 864	207	0	-3	-1 660

The Group has recognised a deferred tax asset for all tax deductible items. Deferred tax assets are recognised for tax losses and depreciation not deducted in taxation to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. The losses in question expire in 2019. Recognition of deferred tax assets is based on Group's profit forecast and operating plan.

EUR 1 000	2011		2010
20. Inventories			
Raw materials and consumables	5 516		5 188
Finished goods	5 232		5 751
Inventories, total	10 748		10 939

The cost of inventories recognized as expense amounted to EUR 34 533 (31 725) thousand during the year.

At the end of the financial year, a write-down of TEUR 129 (1) was recognised on inventories to lower the carrying amount to correspond to the net realisable value.

21. Trade and other receivables			
21.1. Current trade and other receivables			
Trade receivables	4 314		4 987
Current tax assets based on the taxable income for the financial period	103		47
Accrued incomes			
Grant receivables	49		173
Prepayments	160		260
Other accrued income	438		295
Other receivables	443		198
Current receivables, total	5 507		5 960
21.2. Aging analysis of trade receivables and impairment losses at balance sheet date	Gross	Impairment	Net
2011			
Not past due	3 570		3 570
Past due 1-30 days	609		609
Past due 31-60 days	31		31
Past due 61-90 days	31		31
Past due over 90 days	151	78	73
Total	4 392	78	4314
2010	Gross	Impairment	Net
Not past due	4 036		4 036
Past due 1-30 days	575		575
Past due 31-60 days	110		110
Past due 61-90 days	54		54
Past due over 90 days	335	123	212
Total	5 110	123	4987

EUR 1 000

21.3. Trade receivables by risk categories	Gross	Impairment	Net
2011			
Largest customers by customer groups			
Stove producers	192		192
Distributors of fireplaces in foreign countries	1 754	35	1 719
Construction companies	728		728
Distributors in home country	684	43	641
End users	1 034		1 034
Total	4 392	78	4 314
2010			
Largest customers by customer groups	Gross	Impairment	Net
Stove producers	1 078		1 078
Distributors of fireplaces in foreign countries	1 350	63	1 287
Construction companies	555	60	495
Distributors in home country	1 107		1 107
End users	1 020		1 020
Total	5 110	123	4 987
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.

Credit risk related to receivables is presented in note 29.3. Credit risk.

22. Cash and cash equivalents	2 011	2 010
Cash in hand and at bank	6 769	10 210

At the balance sheet date, fixed-term deposit under cash and cash equivalents amounted to eur 5 153 (8 118) thousand, with maturities of less than three months.

23. 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, 2011	37 143 970	100.0	100.0	6 314 475

Effect of changes in the number of shares and of fund transfer	Number of shares	Share capital	Share premium fund	Treasury shares	Total
January 1, 2010	37 143 970	6 314 475	7 334 116	-108 319	13 540 272
Own shares	-124 200				0
Transfer of funds of share premium account to the invested unrestricted equity fund			-7 334 116		-7 334 116
December 31, 2010	37 019 770	6 314 475	0	-108 319	6 206 156
December 31, 2011	37 019 770	6 314 475	0	-108 319	6 206 156

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.

EUR 1 000

Share premium fund and invested unrestricted equity fund
Payments for share subscriptions under the old Companies Act (29.9.1978/734) have been recognised in share capital and share premium fund in accordance with the terms of the share issues. As decided by the Annual general meeting the funds of the share premium account, EUR 7 334 thousand, has been transfered to the invested unrestricted equity fund in 2010.

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.

Share-based payments
The Tulikivi Group didn't have any share-based payments in the year 2011 (2010)

Treasury shares
Treasury shares include the cost of own shares held by the Group. It is presented as a deduction from equity.

Tulikivi Oyj has neither acquired nor disposed any own shares during the reporting period 2011 (2010). At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.3 % of the share capital and 0.1 % of the voting rights. The acquisition price is EUR 0.87 /share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

EUR 1 000

24. Dividends

In 2011, a dividend of EUR 0.0250 per share was paid for A series shares and EUR 0.0233 per share for K series shares, in total EUR 909 thousand for the year 2010 (in 2010, EUR 0.0250 per share for A series shares and EUR 0.0233 per share for K series shares, in total EUR 909 thousand).

25. Pension obligations

The Group's pension plans are defined contribution plans and there was no pension liability from defined benefit plans in the statement financial position in 2011 (2010).

26. Provisions	Environmental provision		Warranty provision		Restructuring provision	
	2011	2010	2011	2010	2011	2010
Provisions January 1	575	589	390	417	104	256
Increase in provisions	74	28	164	147	1467	
Effect of discounting, change	-6	-35				
Used provisions		-7	-164	-149	-410	-152
Discharge on recerves				-25		
Provisions December 31	643	575	390	390	1161	104

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 ten years from now. The discount rate used in determining the present value is 4 (4) per cent. The undiscounted amount of environmental provision was EUR 979 (904) thousand.

Warranty provision
There is a warranty period of five 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.

Restructuring provision
The restructuring provision comprises the payments arising from the redundancies decided in the codetermination negotiations in 2011 and the estimated costs of the reorganisation of premises.

	2011	2010
Non-current provisions	1311	965
Current provisions	883	104
Total	2194	1069
27. Interest-bearing liabilities		
Balance sheet value	24 924	25 277
27.1. Non-current		
Bank borrowings	12 149	11 176
TyEL pension loans	6 859	8 914
Other non-current interest bearing liabilities	0	295
Total	19 008	20 385

EUR 1 000	2011	2010
Interest bearing liabilities expire as follows:		
2011		4 892
2012	5 915	5 904
2013	6 330	4 874
2014	5 947	4 658
2015	4 292	3 681
2016	1 601	1 268
2017	839	
Total	24 924	25 277
27.2. Current		
Current portion of non-current bank borrowings and of TyEL pension loans	5 767	4 176
Current portion of other non-current financial liabilities	147	716

27.3. The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

At December 31, 2011 interest-bearing non-current liabilities effective interest rate weighted average was 3.3 per cent (3.5 per cent) including the effect of interest rate swaps and 3.1 per cent (2.8 per cent) excluding the effect of the interest rate swaps.

Fair values of interest-bearing liabilities:
The fair value of financial liabilities was total EUR 24.7 million (EUR 25.3 million) and the carrying amount EUR 24.9 million (EUR 25.3 milion).

Special terms financing
Total amount of EUR 14.5 (13.9) million of the Group's liabilities are under covenants and other conditions connected with the Group's solvency. 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.

28. Trade and other payables	2011	2010
28.1. Non-current		
Other liabilities	154	52
28.2. Current		
Trade payable	2 334	2 688
Advances received	37	67
Accrued expenses		
Wages and social security expenses	3 876	4 162
Discounts and marketing expenses	486	431
External services	937	1 087
Interest liabilities	217	286
Other accrued expenses	287	127
Amounts due to associates	263	42
Other liabilities	638	757
Current trade and other payables, total	9 075	9 647

Other accrued expenses comprise accruals related to other operating expenses.

29. 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 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.

29.1. Foreign exchange risk

The group's currency risks arise from commercial transactions, monetary items in the statement of financial position and net investments in foreign subsidiaries. The most important currencies in respect of the Group's foreign currency risk are US Dollar (USD) and Russian Rouble (RUB). Over 95 % 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 forward contracts. The group had open forward contracts with total nominal amount of EUR 94 (141) thousand, RUB 4,0 (6,0) million, at the reporting date in 2011 (2010). The group does not apply hedge accounting as defined in IAS 39 on forward 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:

	2011		2010	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets		85		65
Current assets	474	553	408	479
Current liabilities	1	126	4	79
Net position	473	512	404	465

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2011 and 2010. 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. The sensitivity analysis takes into account the effect of the foreign currency forwards.

		2011 Income statement		2010 Income statement
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes		+/- 48		+/- 40
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes		+/- 42		+/- 32

29.2. 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 14.7 (13.7) million representing 58.9 per cent (54.3 per cent) for interest-bearing liabilities at the year-end. At the balance sheet date the group had open interest rate swaps denominated in Euro with a nominal value of EUR 3.2 (5.8) million. Based on these interest rate swaps the group receives floating rate interest based on Euribor rates (EUR 2.0 million / 3 months, EUR 1.2 million / 6 months) and pays fixed interest on average 2.95 (3.9) per cent. 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 61 (56) thousand at the balance sheet date, are recognized in the other comprehensive income and in the revaluation reserve under equity. The fair value changes of other interest rate swaps resulted in a profit of EUR 48 (109) thousand, which has been recognized through profit and loss. Cumulative interest rate risk of the loans is EUR 280 thousand (298 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		2011		2010
EUR 1 000		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		10 231		11 557
Floating rate instruments				
Financial assets		6 769		10 209
Financial liabilities		14 694		13 720

29.3.Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single customer or a group of customers is not material for the Group. The aggregate amount of the credit losses and the impairment losses on trade receivables recognised in the income statement during the financial year totalled EUR 55 (reduction in impairment losses -47) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 38.9 (53.0) 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 21.2. 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.

Financial instruments involve a risk of the counterparty not being able to meet its obligations. Liquid assets are invested in objects with good credit rating. Derivative contracts are entered only with banks with 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.

29.4. 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 4.1 (2.5) 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.

29.5. Maturity analysis						
December 31, 2011						
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 and TyEL pension loans	24 924	4 100	6 395	6 822	12 327	849
Cash flows from derivatives			41	26	20	
Hire-purchase liabilities	147		149			
Trade and other payables	9 228		9 126	51	51	
Total	34 299	4 100	15 711	6 899	12 398	849
December 31, 2010						
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 and TyEL pension loans	24 266	1 500	4 818	6 175	13 921	1 291
Cash flows from derivatives			93	24	12	
Hire-purchase liabilities	1 011		728	297		
Credit limit accounts		1 000				
Trade and other payables	9 699		9 647	52		
Total	34 976	2 500	15 286	6 548	13 933	1 291
Derivatives, nominal value Interest rate swaps				**2011**		**2010**
Arrive at maturity 2011						4 615
Arrive at maturity 2012				915		471
Arrive at maturity 2013				915		471
Arrive at maturity 2014				680		235
Arrive at maturity 2015				445		
Arrive at maturity 2016				223		
Total Interest rate swaps				3 178		5 792

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.

29.6. 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. 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 equity presented in the consolidated statement of financial position is managed as capital.

The group monitors the develoment of capital on the basis of the solvency ratio, for which 40 per cent is set as the lowest limit for dividend distribution by the Board of Directors.

The group calculates solvency ratio using the following formula

100*Equity / (Balance sheet total - Advances received)

	2011	2010
Equity	18 804	22 131
Balance sheet total	56 578	59 845
Advances received	37	67
Solvency ratio, %	33.3	37.0

The Group's credit rating is A.

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

Balance sheet, 2011	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 financial assets						
Other receivables		200			200	200
Other financial assets			30		30	30
Short-term financial assets						
Trade and other receivables		4 757			4 757	4 757
Cash and cash equivalents		6 769			6 769	6 769
Carrying amounts of financial assets by categories		11 726	30		11 756	11 756
Long-term financial liabilities						
Interest bearing liabilities				19 008	19 008	18 570
Derivatives	105	*)			105	105
Other long-term liabilities				154	154	154
Short-term financial liabilities						
Interest bearing liabilities				5 915	5 915	6 124
Trade and other payables				3 235	3 235	3 235
Carrying amounts of financial liabilities by categories	105			28 312	28 417	28 188

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 46 (42) thousand.

EUR 1 000 Carrying amounts of financial assets and financial liabilities by categories and their fair values Balance sheet, 2010	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 financial assets						
Other financial assets			50		50	50
Short-term financial assets						
Trade and other receivables		5 185			5 185	5 185
Cash and cash equivalents		10 210			10 210	10 210
Carrying amounts of financial assets by categories		15 395	50		15 445	15 445
Long-term financial liabilities						
Interest bearing liabilities				20 385	20 385	20 156
Derivatives	148 *)				148	148
Other long-term liabilities				52	52	52
Short-term financial liabilities						
Interest bearing liabilities				4 892	4 892	5 128
Trade and other payables				3 486	3 486	3 486
Carrying amounts of financial liabilities by categories	148			28 815	28 963	28 970

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 42 (82) thousand.

31. Adjustments of cash generated from operations	2011	2010
Non-cash transactions:		
Depreciation and amortisation	4 216	4 733
Impairment	25	0
Exchange differences	43	27
Other	-737	-30
Non-cash transactions, total	3 547	4 730

32. Leases

Operating leases

32.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:	2011	2010
Not later than 1 year	1 257	1 039
Later than 1 year and not later than 5 years	646	916

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 2011 includes expensed lease rentals EUR 1 300 (1 187) thousand.

EUR 1 000	2011	2010
32.2. 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	29	46
Later than 1 year and not later than 5 years	41	62
33. Commitments		
Loans and credit limits with related mortgages and pledges		
Loans from financial institutions and loan guarantees	24 776	23 566
Credit limits	1 000	1 000
Other long-term liabilities	147	1 010
Real estate mortgages given	11 343	12 695
Company mortgages given	15 696	15 696
Object for purchase	147	1 010
Pledged leaseholds	0	219
Total given mortgages and pledges	27 186	29 620
Other own liabilities for which guarantees have been given		
Guarantees	805	837
Other commitments	3	35
Total other own liabilities for which guarantees have been given	808	872
Real estate mortgages given	809	940
Pledges given	3	35
Total given guarantees on behalf of other own liabilities	812	975
Rental obligations payable in 2012	1 257	1 039
Rental obligations payable after 2012	646	916
Leasing commitments		
Due during the financial year 2012	27	26
Due later	37	47
Leasing commitments, total	64	73
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps, nominal value	3 178	5 792
Interest rate swaps, fair value	-103	-143
Forward contracts, nominal value	94	141
Forward contracts, fair value	-2	-5
Obligation to repay VAT deductions made in earlier periods	69	110

34. Other contingent liabilities

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

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

After a factory or a quarry is shut down, the final lining work of the stacking areas, water arrangements, establishing of check points, bringing the quarry 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 quarantees to the effect of EUR 600 thousand in total. For other environmental obligations, the Group has given real estate mortgages for EUR 34 thousand. In 2011 lining work was completed in respect of one quarry. In accordance with the permit obligations, environmental monitoring of these areas is continued for the time being.

35. Indicators relating to environmental obligation	2011	2010	2009
Use of energy, electricity MWh	13 099	14 091	13 826
Use of oil, m^3	638	870	737
District and wood chips heating, MWh	1 243	1 650	1 757
Liquid gas, tonne	217	287	197
Fuel for vehicles was used in total 471 (500) tonne, explosives 46 (137) tonne.			
Transfer of soil and use of raw material			
Soapstone, 1 000 fixed-m^3 gross	110	68	124
Soil and residual rock material, 1 000 m^3 (detached material)	454	362	505

The lubricant used for saw chains, for soap stone extraction sawing, is rapeseed oil which binds permanently with fine soap stone powder. During the year 2011 75 (61) cubic meter rapeseed and pine oil was spent.

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

Acquired natural stone, 1 000 tonne	4	6	5

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 2011 106 000 cubic meter new process water and 7 964 cubic meter domestic water was taken in group's production processes. Process waters have closed circulation in soapstone production.. In Espoo as well as in the 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.

36. 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.

36.1. 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
OOO Tulikivi, Russia	100		100

36.1. Associated companies		2011		2010
Stone Pole Oy, Juuka		27		27
Leppävirran Matkailukeskus Oy, Leppävirta (untill November 18, 2011)		-		33
Rakentamisen MALL Oy, Helsinki		25		20
36.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
2011				
Associated companies	6	425		263
2010				
Associated companies	6	240	1	2
Transactions with key management		2011		2010
Leases from related parties		108		109
Sales to related parties		2		0

On the 2011 (2010) balance sheet date, the Group companies had no receivables due from key personnel belonging to the management.

Transactions with other related parties

Tulikivi Corporation is a founder member of Finnish Stone Research Foundation. In 2011 the company has not donated (donations 10 thousand EUR in 2010) 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 139 (132) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 9 (10) thousand in 2011 and rent charges on land EUR 2 (2) thousand. The Foundation did not charge any services from Tulikivi Corporation. The Company had receivables of EUR 2 thousand from Foundation at the reporting date.

36.3. Key management compensation		2011		2010
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.		446		421
Other long term employee benefits		51		63
Salaries and fees				
Managing Director		222		218
Members of the Board of Directors				
Bishop Ambrosius		1		16
Erma Juhani		35		30
Pohjanvirta Olli		18		16
Rönkkö Markku		19		17
Saarinen Pasi		18		0
Toivanen-Koivisto Maarit		18		16
Vauhkonen Heikki		18		16
Virtaala Matti		97		92

37. Events following the end of the financial year

The group's new ERP system was introduced on January 2, 2012. The implementation has progressed as planned.
Tulikivi Corporation signed a chain agreement with Rautakesko Oy, effective on March 1, 2012, concerning the distribution of fireplaces, sauna heaters, design fireplaces and interior stone products in Finland. This will further strengthen the sales channel for fireplaces while astablishing appropriate conditions for the efficient distribution of sauna heaters and interior stone products in the domestic market.

38. Major Risks and their Management

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. 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.

Strategic Risks

Strategic risks are related to the nature of business operations and concern, but are not limited to, the changes in Group's business environment, financial markets, market situation and market position as well as consumer habits and demand factors, allocation of resources, raw material reserves, changes in legislation and regulations, business operations as a whole, reputation of the company and the raw materials, and large investments.

Unfavourable Changes in Operating Environment, Market Situation and Market Position

An abrupt fall in consumer confidence may result in a quick, unexpected fall in demand. The recession and related uncertainty of consumers leads to decline in housing construction and in renovation which decreases the demand for products and thereby profitability. Recession may also affect consumers' choices by making price the dominant factor instead of product features. Changing competitive environment and substitute products entering the market and changes in consumer habits may adversely affect the demand for Group's products. Operations in several market areas, active monitoring of industry development and flexibility of capacity and cost structure even out the sales risks arising from economic fluctuation. The downturn may also have a negative impact on customers' solvency and subcontractors' operations. Keeping the product cost structure competitive is a prerequisite for maintaining demand and growth.

In Tulikivi's market areas, the fireplace cultures vary from areas with conventional heat-preserving ovens to countries where stoves have strong traditions. As markets become more uniform, also fireplace cultures change in the target countries. When the market becomes uniform changes in consumer habits may affect the demand for certain products or production materials and thereby impact on profitability. Tulikivi focuses on understanding the needs of customers and meets them by, for instance, continuously developing products for new customer segments. Following trend and standard changes enhance the ability to forecast customer demand. Right customer groups are reached by correctly targeted communication. 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. Distribution network and product range are developed so that the distribution of the Group's products remains profitable and interesting for the entrepreneurs.

Volume of the fireplace market is partly dependent on the coldness of the winter season, thus, exceptionally warm winter may reduce demand for fireplaces. In addition, public authority regulation may affect the demand for fireplaces.

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 Group manages the competition risks of its raw materials with continuous product development, a strong total concept and the Tulikivi brand, as well as with long-term stone reserve and excavation planning.

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. The burning technology of the products is constantly developed and 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. Group's products have long life cycles and carbon emissions of fireplace production are extremely low.

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, new markets and new product groups involve risks that may affect not only profitability, but also the Tulikivi brand. Strong fluctuations in exchange rates may hinder reaching market specific gross margin targets.

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 and financial position may deteriorate. 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. Alternative business models are actively surveyed. The Group has cut down the non-core businesses accumulated through business combinations.

Operational Risks

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

Product Liability Risks

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

Operational and Process Risks

Operational risks are related to the consequences of human activities, failures in internal company processes or external events. The operational risks of factory operations are minimized by means such as compliance with the company's operating manual, by developing occupational safety consistently and with systematic development efforts. Manufacturing and introduction of new products involve risks. 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. Failures in the distribution network can affect the Group's ability to deliver products timely to its customers. 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. The Group is currently in the process of implementing the new ERP system. The utilization of the ERP system involves risks if new practices are not adopted in business processes and the potential provided by the new system utilized promptly. The Group aims to manage the risks related to data applicability by duplicating the critical information systems, among other things. 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, quar¬rying, manufacture, procurements and logistics, as well as the necessary support functions, which include infor¬mation administration, finance, HR and communications. An unforeseen drain in the core expertise or decrease in personnel's development ability or disadvantageous development in population structure in current operation locations would pose risks. Core competence conservation and availability are secured with planning the need of personnel and knowledge and engaging personnel to constant change and growth. 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 to complete the expertise needed for strategy implementation in those areas where it has not existed before. Sufficient core competencies can be partly secured through networking. 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 liquidity risk, capital management risk, interest rate risk and foreign exchange risk. Financial risks and their management are presented in greater detail in section 29. of the notes to the consolidated financial statements.

Any major downturn that might be caused by the euro area crisis could decrease the demand for the company´s products and the company's profitability and equity. The company's balance sheet assets include goodwill, the value of which is based on the management's estimates. If these estimates fail to materialise, it is possible that impairment losses would have to be recognised in connection with the impairment testing processes. Weakened profitability and a drop in equity could lead to deterioration in the company´s financial position.

Development of the Group by Quartal and Business Area

MEUR	Q4/2011	Q3/2011	Q2/2011	Q1/2011	Q4/2010	Q3/2010	Q2/2010	Q1/2010
Sales	15.5	15.1	15.6	12.6	16.6	13.9	14.7	10.7
Fireplaces business	14.4	14.2	13.5	11.4	15.5	12.8	13.0	9.5
Natural stone products business	1.1	0.9	2.1	1.2	1.1	1.1	1.7	1.2
Operating result	-1.0	0.5	-0.3	-1.6	0.8	0.2	0.4	-1.7
Fireplaces business	-0.4	1.2	0.3	-0.9	1.6	0.9	0.8	-1.1
Natural stone products business	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	0.1	-0.2
Other items	-0.6	-0.5	-0.5	-0.4	-0.6	-0.5	-0.5	-0.4

Key Figures Describing Financial Development

EUR 1 000	2007	2008	2009	2010	2011
Tuloslaskelma					
Sales	69 887	66 502	53 143	55 895	58 771
Change, %	-14.9	-4.8	-20.1	5.2	5.1
Operating result	965	3 246	-2 387	-272	-2 368
% of turnover	1.4	4.9	-4.5	-0.5	-4.0
Finance incomes and expenses and share of profit/loss of associated companies	-805	-1 187	-930	-719	-754
Result before income tax	160	2 063	-3 317	-991	-3 122
% of turnover	0.2	3.1	-6.2	-1.8	-5.3
Income taxes	-201	634	958	173	692
Result for the year	361	1 429	-2 359	-818	-2 430
Balance sheet					
Assets					
Non current assets	40 443	37 196	34 308	32 736	33 554
Inventories	12 660	11 452	10 191	10 939	10 748
Cash and cash equivalents	5 926	11 705	10 597	10 210	6 769
Other current assets	3 765	5 742	5 264	5 960	5 507
Equity and liabilities					
Equity	27 571	27 242	23 785	22 131	18 804
Interest bearing liabilities	21 612	26 725	24 729	25 277	24 924
Non-interest bearing liabilities	13 611	12 128	11 846	12 437	11 539
Balance sheet total	62 794	66 095	60 360	59 845	56 578

Financial Ratios 2007 - 2011

	2007	2008	2009	2010	2011
Return on equity, %	1.2	5.2	-9.2	-3.6	-11.9
Return on investments, %	2.5	6.8	-4.3	-0.1	-4.8
Solvency ratio, %	43.9	41.2	39.4	37.0	33.3
Net indebtness ratio, %	64.7	55.1	59.4	68.1	96.5
Current ratio	1.6	2.0	1.9	1.9	1.5
Gross investments, EUR 1 000	5 267	2 925	2 126	3 376	4 860
% of turnover	7.5	4.4	4.0	6.0	8.3
Research and development costs, EUR 1 000	1 589	1 799	1 666	2 180	2 091
% of turnover	2.3	2.7	3.1	3.9	3.6
Development costs (net), capitalised, EUR 1 000	98	422	452	504	634
Order book, EUR million	6.9	4.9	4.8	6.3	5.7
Average personnel	682	526	417	404	427
Key indicators per share					
Earnings per share, EUR	0.01	0,04	-0.06	-0.02	-0.07
Equity per share, EUR	0.74	0,73	0.64	0.60	0.51
Dividends					
Nominal dividend per share, EUR					
A share	0.0450	0.0280	0.0250	0.0250	-
K share	0.0433	0.0263	0.0233	0.0233	-
Dividend per earnings, %	457.9	71.5	-38.5	-111.1	-
Effective dividend yield, %/A shares	2.9	4.2	2.4	2.2	-
Price/earnings ratio, EUR	160.3	16.8	-16.6	-52.5	-9.6
Highest share price, EUR	3.75	1.88	1.30	1.79	1.40
Lowest share price, EUR	1.53	0.60	0.67	1.07	0.61
Average share price, EUR	2.69	1.28	0.96	1.31	1.00
Closing price, December 31, EUR	1.56	0.67	1.06	1.16	0.63
Market capitalization, EUR 1 000	57 945	24 837	39 241	42 943	23 322
(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)	5 369	2 455	3 959	4 647	3 849
% of the total amount	19.4	8.9	14.4	16.9	14.0
The average issue-adjusted number of shares for the financial year (1 000 pcs)	37 144	37 128	37 024	37 020	37 020
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	37 144	37 070	37 020	37 020	37 020

Calculations of Key Ratios

Key figures describing financial development		
Return on equity (ROE), % =	100 x	Result for the year / Average shareholders' equity during the year
Return on investments (ROI), % =	100 x	Result before income tax + interest and other finance expense / Shareholders' equity + financial loans with interest, average during the year
Solvency ratio, % =	100 x	Shareholders' equity / Balance sheet total - advance payments
Net indebtness ratio, % =	100 x	Net interest-bearing financial liabilities / Shareholders' equity
Current ratio=		Current assets / Current liabilities
Key figures per share		
Earnings per share =		Profit/loss attributable to owners of the parent company / Average issue-adjusted number of shares for the financial year *)
Equity per share =		Shareholders' equity / Issue-adjusted number of shares at balance sheet date *)
Dividend per share =		Dividend paid for the year / Issue-adjusted number of shares at balance sheet date *)
Dividend per earnings, % =	100 x	Dividend per share / Earnings per share
Effective dividend yield, % =	100 x	Issue-adjusted dividend per share / The closing price of A- share at balance sheet date
Price/ Earnings ratio (P/E)=		The closing price of A-share at balance sheet date / Earnings per share

*) own shares held by the company excluded

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2011	Jan. 1 - Dec. 31, 2010
Net Sales	1.1.	**58 024**	55 296
Increase (+) / decrease (-) in inventories			
in finished goods and in work in progress		-546	699
Production for own use		640	304
Other operating income	1.2.	1 153	846
Materials and services			
Purchases during the fiscal year		12 456	11 492
Change in inventories, increase (-) / decrease (+)		-328	14
External charges		9 006	9 143
Materials and services, total		21 134	20 649
Personnel expenses			
Salaries and wages		17 202	15 551
Pension expenses		3 546	2 657
Other social security expenses		1 011	895
Personnel expenses, total	1.3.	21 759	19 103
Depreciation, amortisation and value adjustments			
Depreciation and amortisation according to plan	1.4.	4 169	4 513
Other operating expenses	1.5.	14 778	13 287
Operating result		**-2 569**	-407

Jatkuu seuraavalla sivulla.

		Jan. 1 – Dec. 31, 2011	Jan. 1 – Dec. 31, 2010
Financial income and expenses			
Income from non-current investments			
Dividends received from others		4	5
Other financial income			
Interest income from group companies		3	10
Interest income from others		109	70
Changes in fair value of derivatives		48	110
Financial income, total		164	195
Reduction in value of investments held as non-current assets			
Ruduction in value of shares		-25	0
Interest expenses and other financial expenses			
Interest expenses to group companies		-15	-4
Interest expenses to others		-763	-763
Other finalcial expenses to others		-162	-159
Interest expenses and other financial expenses, total		-965	-924
Financial income and expenses, total		-801	-729
Result before untaxed reserves and income taxes		**-3 370**	-1 136
Untaxed reserves			
Change in accelerated depreciation		320	192
Income taxes			
Income taxes on ordinary operations		0	-9
Tax carried from previous years		0	-8
Change in deferred tax liabilities / tax assets		221	-63
Transfer of income taxes to the revaluation reserve		0	14
Income taxes in total		221	-66
Result for the year		**-2 829**	-1 010

Balance Sheet

EUR 1 000	Note	Dec. 31, 2011	Dec. 31, 2010
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		52	140
Intangible rights		122	121
Goodwill		4 405	5 142
Other long term expenditures		9 491	7 012
Advance payments		0	120
Intangible assets, total	2.1.	**14 070**	12 535
Tangible assets			
Land		1 092	1 151
Buildings and constructions		6 501	7 094
Machinery and equipment		5 479	6 340
Other tangible assets		41	41
Advance payments		59	
Tangible assets, total	2.2.	**13 172**	14 626
Investments			
Shares in group companies	2.3.	903	903
Group receivables	2.4.	34	34
Participating interests	2.3.	4	26
Other investments	2.5.	26	27
Investments, total		**967**	990
Fixed assets and other non-current investments, total		**28 209**	28 151
Current assets			
Inventories			
Raw material and consumables		5 516	5 188
Finished products/goods		5 048	5 593
Inventories, total	2.6.	**10 564**	10 781
Non-current receivables			
Non-current receivables from group companies	2.7.	50	115
Other receivables		200	0
Deferred tax assets	2.8.	538	316
Non-current receivables, total		**788**	431
Current receivables			
Trade receivables		4 050	4 858
Receivables form group companies		504	350
Other receivables		414	170
Prepayments and accrued income		556	623
Current receivables, total	2.9.	**5 524**	6 001
Cash in hand and at banks		**5 933**	9 450
Total current assets		**22 809**	26 663
Total assets		**51 018**	54 814

Balance Sheet

EUR 1 000	Note	Dec. 31, 2011	Dec. 31, 2010
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock		6 314	6 314
Reserve for invested unrestricted equity		7 334	7 334
Revaluation reserve		-46	-42
Treasury shares		-108	-108
Retained earnings		1 980	3 900
Result for the year		-2 829	-1 010
Total shareholders' equity	2.10.	**12 645**	16 388
Untaxed reserves			
Accelerated depreciation		1 281	1 601
Provisions	2.13.	2 194	1 069
Liabilities			
Non-current liabilities			
Bank borrowings		12 149	11 176
TyEL pension loans		6 860	8 914
Hire purchase credit		0	295
Liabilities to group companies		868	852
Other liabilities		154	52
Non-current liabilities, total	2.14.	**20 031**	21 289
Current liabilities			
Bank borrowings		2 957	1 533
Pension loans		2 811	2 643
Advances received		9	53
Trade payable		2 280	2 652
Hire purchase credit		147	716
Liabilities to group companies		161	216
Liabilities to associates		263	43
Other liabilities		599	691
Accrued expenses		5 640	5 920
Current liabilities, total	2.15.	**14 867**	14 467
Total liabilities		**34 898**	35 756
Total liabilities and shareholders' equity		**51 018**	54 814

Cash Flow Statement

EUR 1 000	Jan. 1 - Dec. 31, 2011	Jan. 1 - Dec. 31, 2010
Cash flow from operating activities		
Reuslt before extraordinary items	-3 370	-1 136
Adjustments for:		
Depreciation according to plan	4 169	4 513
Unrealised exchange rate gains and losses	23	-6
Other non-payment-related expenses	931	163
Financial income and expenses	801	729
Other adjustments	-536	-5
Cash flow before working capital changes	2 018	4 258
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	385	-1 111
Increase (-) / decrease (+) in inventories	218	-685
Increase (+) / decrease (-) in current non-interest bearing liabilities	-547	1 015
Cash generated from operations before financial items and income taxes	2 074	3 477
Interest paid and payments on other financial expenses from operations	-949	-927
Dividends received	4	5
Interest received	110	61
Income taxes paid	-9	184
Cash flow before extraordinary items	1 230	2 800
Net cash flow from operating activities	**1 230**	2 800
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-4 489	-3 104
Investment grants received	194	37
Proceeds from sale of tangible and intangible assets	811	15
Other investments	-4	0
Proceeds from sale of other investments	1	0
Interest received	3	0
Net cash used in investing activities	**-3 484**	-3 052
Cash flow from financing activities		
Long-term borrowing	5 500	8 000
Repayment of long-term loans	-5 853	-7 551
Dividends paid	-909	-909
Net cash flow from financing activities	**-1 262**	-460
Net increase (+) / decrease (-) in cash and cash equivalents	-3 516	-712
Cash and cash equivalents at the beginning of the financial year	9 450	10 156
Effect of changes in exchange rates	-1	6
Cash and cash equivalents at the end of the financial year	**5 933**	9 450

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 15 years
Quarring areas and basins	unit of production method
Goodwill	10 years
Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 15 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, including the opening costs of quarries, basins and quarry land areas are depreciated using the unit of production method based on the amount of rock used and filling time of damping areas. Depreciation of quarry lands and basins and other auxiliary structures is commenced when the quarry is ready for production use.

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 cost has been recorded as annual costs when incurred. Development costs of Sauna products, as well as development costs related to renewing the ERP system, have been capitalised. Costs incurred from drilling exploration in quarry areas have been capitalised 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 enacted at the balance sheet date for the following years. In the financial statements the deferred tax liabilities have been fully provided and deferred tax assets have been recognised to the extent they are probably coverable.

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

Comparability of the result
Disclosures in the reporting period and the corresponding figures for the previous period are comparable over time.

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	2011	2010
1.1. Net sales		
1.1.1. Net sales per business area		
Fireplaces business	52 728	50 151
Natural stone products business	5 296	5 145
Total net sales per business area	58 024	55 296
1.1.2. Net sales per geographical area		
Finland	31 578	29 242
Rest of Europe	25 723	25 330
USA	723	724
Total net sales per geographical area	58 024	55 296
1.1.3. Net sales per goods and services		
Sales of goods	53 324	51 241
Rendering of services	4 700	4 055
Total net sales per goods and services	58 024	55 296
1.2. Other operating income		
Rental income	59	172
Charges for intergroup services	90	129
Government grants	84	233
Proceeds from sale of fixed and other non-current investments	546	6
Other income	374	306
Total other operating income	1 153	846
1.3. Salaries and fees paid to Directors and number of employees		
1.3.1. Salaries and fees paid to Directors		
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director	446	421
Other long term employee benefits	51	63
Salaries and wages		
Managing Director	222	218
Members of the Board		
Bishop Ambrosius	1	16
Erma Juhani	35	30
Pohjanvirta Olli	18	16
Rönkkö Markku	19	17
Saarinen Pasi	18	0
Toivanen-Koivisto Maarit	18	16
Vauhkonen Heikki	18	16
Virtaala Matti	97	92

	2011	2010
1.3.2. Average number of employees during the fiscal year		
Clerical employees	136	120
Workers	286	280
Total number of employees	422	400
1.4. Depreciation according to plan		
Development expenditure	88	18
Intangible rights	25	23
Other long-term expenditure	488	446
Amortisation on quarries based on the unit of production method *)	196	318
Buildings and constructions	590	596
Machinery and equipment	2 015	2 334
Other tangible assets	1	13
Depreciation on land areas based on unit of production method	29	28
Goodwill	737	737
Depreciation according to plan in total	4 169	4 513

*) The Group applies unit of production method based on the usage of rock in calculating the depreciation according to plan for quarries and mining rights. Land areas are depreciated on a unit-of-use basis based on the consumption of the rock material or stacking area filling time.

During the financial year the depriciation period for the roads and dams in the new quarry area has been extended from 5 years to 15 years, which corresponds better with the quarry's working life. The useful life of one of the production lines has also been extended to correpond with the working life of the production line in question. These changes have reduced the depreciation in the peporting period by EUR 91 thousand.

	2011	2010
1.5. Other operating expenses		
1.5.1. Auditors' fees		
Audit fees	45	42
Tax advice	6	4
Other fees	33	48
Auditors´ fees, total	84	94

Notes to the Balance Sheet

EUR 1 000	2011	2010
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	184	157
Additions	0	27
Acquisition cost December 31	184	184
Accumulated depreciation according to plan January 1	44	26
Depreciation for the financial year	88	18
Accumulated depreciation December 31	132	44
Balance sheet value of capitalised development expenditure December 31	52	140
2.1.2. Intangible rights		
Acquisition cost January 1	645	620
Additions	26	26
Disposals	0	1
Acquisition cost December 31	671	645
Accumulated depreciation according to plan January 1	524	502
Accumulated depreciation on disposals		1
Depreciation for the financial year	25	23
Accumulated depreciation December 31	549	524
Balance sheet value of intangible rights, December 31	122	121
2.1.3. Goodwill		
Acquisition cost January 1 and December 31	8 713	8 713
Accumulated depreciation according to plan January 1	3 571	2 834
Depreciation for the financial year	737	737
Accumulated depreciation December 31	4 308	3 571
Balance sheet value of goodwill, December 31	4 405	5 142
The parent company's goodwill comprises merger losses.		
2.1.4. Other long term expenditures		
Acquisition cost January 1	16 254	19 228
Additions	3 168	1 355
Disposals	1 218	4 329
Acquisition cost December 31	18 204	16 254
Accumulated depreciation according to plan January 1	9 242	12 807
Accumulated depreciation on disposals	1 213	4 329
Depreciation for the financial year	684	764
Accumulated depreciation December 31	8 713	9 242
Balance sheet value of long term expenditure, December 31	9 491	7 012

The balance sheet value of other long term expenditure includes EUR 6 023 (5 614) million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use. Decreases in other non-current expenditures and accumulated amortization on decreases in other non-current expenditures include disposals amounting to EUR 1 194 thousand. Exploration and evaluation expenditures of mineral resources comprise EUR 101 thousand research costs for which the related work was exceptionally carried out based on the consent of the land owner. The reason for the exception is the congest of applications for right of appropriation at the Ministry of Employment and the Economy.

	2011	2010
2.1.5. Advance payments		
Advance payments January 1	120	0
Additions	0	120
Disposals	120	0
Advance payments December 31	0	120
Total intangible assets	**14 070**	12 535

	2011	2010
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 432	1 380
Additions	5	52
Disposals	35	0
Acquisition cost December 31	1 402	1 432
Accumulated depreciation January 1	281	253
Depreciation based on the unit of production method for the financial year	29	28
Accumulated depreciation December 31	310	281
Balance sheet value of land, December 31	1 092	1 151
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 483	15 273
Additions	35	212
Disposals	383	2
Acquisition cost December 31	15 135	15 483
Accumulated depreciation according to plan January 1	8 894	8 299
Accumulated depreciation on disposals	345	1
Depreciation for the financial year	590	596
Accumulated depreciation December 31	9 139	8 894
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	6 501	7 094
2.2.3. Machinery and equipment		
Acquisition cost January 1	49 328	48 294
Additions	1 350	1 105
Disposals	3 309	71
Acquisition cost December 31	47 369	49 328
Accumulated depreciation according to plan January 1	42 988	40 716
Accumulated depreciation on disposals	3 113	62
Depreciation for the financial year	2 015	2 334
Accumulated depreciation December 31	41 890	42 988
Balance sheet value of machinery and equipment, December 31	5 479	6 340

Machinery and equipment deductions/depreciation on deductions include EUR 1.770.000 in scrap.

	2011	2010
2.2.4.Other tangible assets		
Acquisition cost January 1	296	296
Additions	2	0
Disposals	13	0
Acquisition cost December 31	285	296
Accumulated depreciation according to plan January 1	256	243
Depreciation for the financial year	1	13
Accumulated depreciation on disposals	12	0
Accumulated depreciation December 31	245	256
Balance sheet value of other tangible assets, December 31	41	41
2.2.5. Advance payments		
Advance payments January 1	0	0
Additions	59	0
Advance payments December 31	59	0
Total tangible assets	**13 172**	14 626
Amount of machinery and equipment included in balance sheet value	4 184	5 197

EUR 1 000	2011	2010
2.3. Shares in Group Companies		
	%	%
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
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 (until November 18, 2011)	0	33
Rakentamisen MALL Oy, Helsinki	25	20
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	34	34
2.5. Other investments		
Stone Pole Oy	1	1
Other	25	26
Total other investments	26	27
2.6. Inventories		
Raw material and consumables	5 516	5 188
Finished products/goods	5 048	5 593
Total inventories	10 564	10 781
2.7. Non-current receivables		
Receivables for group companies		
Loan receivables	50	60
Receivables for others		
Other receivables	200	0
Prepayments and accrued income	0	55
Total non-current receivables	250	115
2.8. Deferred tax assets		
Provisions and accrued expenses	538	316

	2011	2010
2.9. Current receivables		
Receivables form group companies		
Trade receivables	504	350
Receivables from others		
Trade receivables	4 050	4 858
Other receivables	414	170
Accrued income		
Other accrued income	160	197
Receivables from grants	50	163
Prepayments	344	260
Interest receivable	2	3
Accrued income, total	556	623
Receivables from other, total	5 020	5 651
Total current receivables	5 524	6 001
2.10. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
Share premium fund January 1		7 334
Transfer to the invested unrestricted equity fund		-7334
Share premium fund December 31	0	0
The invested unrestricted equity fund January 1 and December 31	7334	7334
Revaluation reserve January 1	-42	-82
Change	-4	40
Revaluation reserve December 31	-46	-42
Retained earnings January 1	2 782	4 701
Dividend paid	-909	-909
Treasury shares	-108	-108
Retained earnings December 31	1 872	3 792
Result for the year	-2 829	-1 010
Total shareholders' equity	12 645	16 388
2.11. Statement of distributable earnings December 31		
Profit for the previous years	1 872	3 792
The invested unrestricted equity fund	7334	7334
Result for the year	-2 829	-1 010
Total distributable earnings	6 377	10 116

The invested unrestricted equity fund may not be distributed as dividend.

EUR 1 000	2011	2010
2.12. Treasury shares		

During the financial year 2011 (2010), Tulikivi Oyj has neither acquired nor disposed any own shares. At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.3 % of the share capital and 0.1 % of the voting rights. The acquisition price is EUR 0.87/share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

2.13. Provisions		
Warranty provision	390	390
Environmental provision (Present value)	643	575
Restructuring provision, non-current	278	
Restructuring provision, current	883	104
Total	2 194	1 069

The undiscounted amount of environmental provision was EUR 979 (904) thousand. The discount rate used in determining the present value is 4.0 (4.0) per cent.

2.14. Non-current liabilities		
Liabilities to group companies		
Other long-term current liabilities	868	853
Liabilities to others		
Loans from credit institutions	12 149	11 176
TyEL pension loans	6 860	8 914
Hire purchace credit	0	295
Other non-current liabilities	154	51
Total non-current liabilities	20 031	21 289
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	161	216
Liabilities to associates		
Trade payables	263	43
Liabilities to others		
Loans from credit institutions	2 957	1 533
Pension loans	2 811	2 643
Advances received	9	53
Trade payables	2 280	2 652
Hire purchace credit	147	716
Other current liabilities	599	691
Accrued liabilities		
Salaries, wages and social costs	3 854	4 041
Discounts and marketing expenses	459	407
External charges	937	1 087
Interest liabilities	219	286
Tax liabilities	0	9
Other accrued liabilities	171	90
Total current liabilities	14 867	14 467

	2011	2010
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	24 776	23 566
Credit limit accounts	1 000	1 000
Other long-term liabilities	147	1 010
Loans and credit limit accounts, total	25 923	25 576
Real estate mortgages given	11 343	12 695
Company mortgages given	15 696	15 696
Object for purchase / hire purchase liabilities	147	1 010
Pledged leaseholds	0	219
Given mortgages and pledges, total	27 186	29 620
Other own liabilities for which guarantees have been given		
Guarantees	775	807
Other commitments	3	35
Other own liabilities for which guarantees have been given, total	778	842
Collaterals given on behalf of group companies	30	230
Real estate mortgages given	775	940
Pledges given	3	35
Guarantees given on behalf of other own liabilities, total	778	975
Rental obligations payable in 2012	1 240	1 022
Rental obligations payable after 2012	646	916
Leasing commitments		
Due during the financial year 2012	27	26
Due later	37	47
Leasing commitments, total	64	73
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps , nominal value	3 178	5 792
Interest rate swaps , fair value	-103	-143
Forward contracts, nominal value	94	141
Forward contracts, fair value	-2	-5
Obligation to return property investment VAT deduction	69	110

2.17. 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 Company has given guarantees to the effect of EUR 570 thousand in total.

3. Share-based payments
Tulikivi didn't have any share-based payments in the year 2011 (2010).

Shareholders and Management Ownership, December 31, 2011

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	1 339 327	11.29
2. Vauhkonen Heikki	2 957 000	63 953	8.13
3. Elo Eliisa	477 500	2 479 520	7.96
4. Virtaala Matti	1 460 000	976 116	6.56
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	371 810	2.07
8. Paatero Ilkka		718 430	1.93
9. Nuutinen Tarja	397 500	277 040	1.82
10. Investment Fund Phoebus		585 690	1.58

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	1 339 327	24.28
2. Vauhkonen Heikki	2 957 000	63 953	24.09
3. Virtaala Matti	1 460 000	976 116	12.66
4. Mutanen Susanna	797 500	846 300	7.17
5. Elo Eliisa	477 500	2 479 520	5.90
6. Vauhkonen Mikko	397 500	371 810	3.53
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	1 000	0.81

The members of the Board and Managing Director control 4 417 000 K shares and 1 188 433 A shares representing 36.88 % of votes.

Breakdown of share ownership of December 31, 2011 Number of shares	Shareholders, pcs	Proportion, %	Shares, pcs	Proportion, %
1 - 100	444	8.87	29 660	0.08
101 - 1000	2 346	46.89	1 330 500	3.58
1001 - 5000	1 601	31.98	4 040 266	10.88
5001 - 10000	310	6.20	2 339 085	6.30
10001 - 100000	277	5.54	6 727 010	18.11
100001 -	26	0.53	22 677 449	61.05
Total	5 004	100.00	37 143 970	100.00

On December 31, 2011 the Company's shareholders were broken down by sector as follows: Sector	Holding, %	Votes, %
Enterprises	2.59	0.78
Financial and insurance institutions	5.88	1.72
Public organisations	5.15	1.56
Non-profit organisations	2.54	1.50
Households	83.50	94.29
Foreign	0.34	0.15
Total	100.00	100.00

Nominee-registered shares, 1 536 768 in total (4.14 % of the capital stock), are entered under financial and insurance institutions.

Treasury shares owned by Tulikivi Corporation, in total 124 200 Series A shares, are included in section dealing with shareholding information.

Signatures to Board of Directors´ Report and Financial Statements

In Helsinki February 10, 2012

Matti Virtaala	Juhani Erma	Olli Pohjanvirta
Pasi Saarinen	Markku Rönkkö	Maarit Toivanen-Koivisto
	Heikki Vauhkonen Managing Director	

Auditor's Report

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

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 year ended 31 December, 2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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 and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position 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.

Helsinki, 27 February 2012

KPMG OY AB

ARI ESKELINEN

Authorized Public Accountant

Contact Information

PLANTS AND OFFICES

Head Office and Factories
FI-83900 Juuka
Tel. +358 403 063 100
Fax +358 206 050 701
www.tulikivi.com
firstname.lastname@tulikivi.fi
tulikivi@tulikivi.fi

Suomussalmi Plant
Saarikyläntie 26
FI-89920 Ruhtinansalmi
Tel. +358 207 636 750
Fax +358 207 636 769

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

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

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

Subsidiaries

Kivia Oy
c/o Tulikivi Oyj
FI-83900 Juuka
Tel. +358 207 636 700
Fax +358 207 636 720

Tulikivi U.S., inc.
195 Riverbend Drive - Suite 3
VA 22911 Charlottesville
USA
Tel. +800-843 3473

OOO Tulikivi
1-ya Konnaya lahta 1
197229 St. Petersburg
Russian Federation
Tel. +7 911 831 30 22
Fax: +7 812 334 1601

Associate Companies

Stone Pole Oy
Kuhnustantie 10
FI-83900 Juuka
Tel. +358 207 636 601

Rakentamisen Mall Oy
TaloTalo
Riihitontuntie 1
FI-01740 Vantaa

Sales Displays in Finland

Find your nearest dealer at
www.tulikivi.fi

Tulikivi Abroad

Benelux
Dutry & Co.
Jagershoek 10
B-8570 Vichte
Belgium
Tel. +32 56 776 090
Fax +32 56 774 294

Italy
Eurotrias S.R.L. – GMBH
Via Max Planck 1
I-39100 Bolzano
Tel. +39 0 471 201 616
Fax +39 0 471 201 689

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

Latvia
SIA Akmens Kräsnis
Pulkveža Brieža 43
LV-1045 Riga
Tel. +371 6738 1149
Fax +372 6738 1149

Lithuania
Kad nebūtų šalta, UAB
Bangų 22a
LT-91250 Klaipėda
Tel. +370 46 256 300
Fax +370 611 41 399

Poland
TECH PIEC
ul.B.Chrobrego 44A
PL 58-230 Niemcza
Tel. +48 74 8376 032
Fax +48 74 8376 032

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

Sweden
FI-83900 Juuka, Finland
Tel. +358 403 063 100
Fax +358 207 636 120

Germany
Tulikivi Oyj Niederlassung
Deutschland
Bergstraße 11
D-63589 Linsengericht/
Eidengesäß
Tel. +49 6051 889 0843
Fax +49 6051 889 0845

Slovakia
Talc s.r.o.
Jilemnického 390
SK-976 45 Hronec
Tel. +421 904 945 777

Slovenia
Horizont DOM, d.o.o.
Log 50
SI-8294 Boštanij
Tel. +386 1 251 66 00
Fax +386 7 814 70 23

Switserland
Armaka AG
Duggingerstrasse 10
CH-4153 Reinach BL
Tel. +41 61 715 9911
Fax +41 61 715 9919

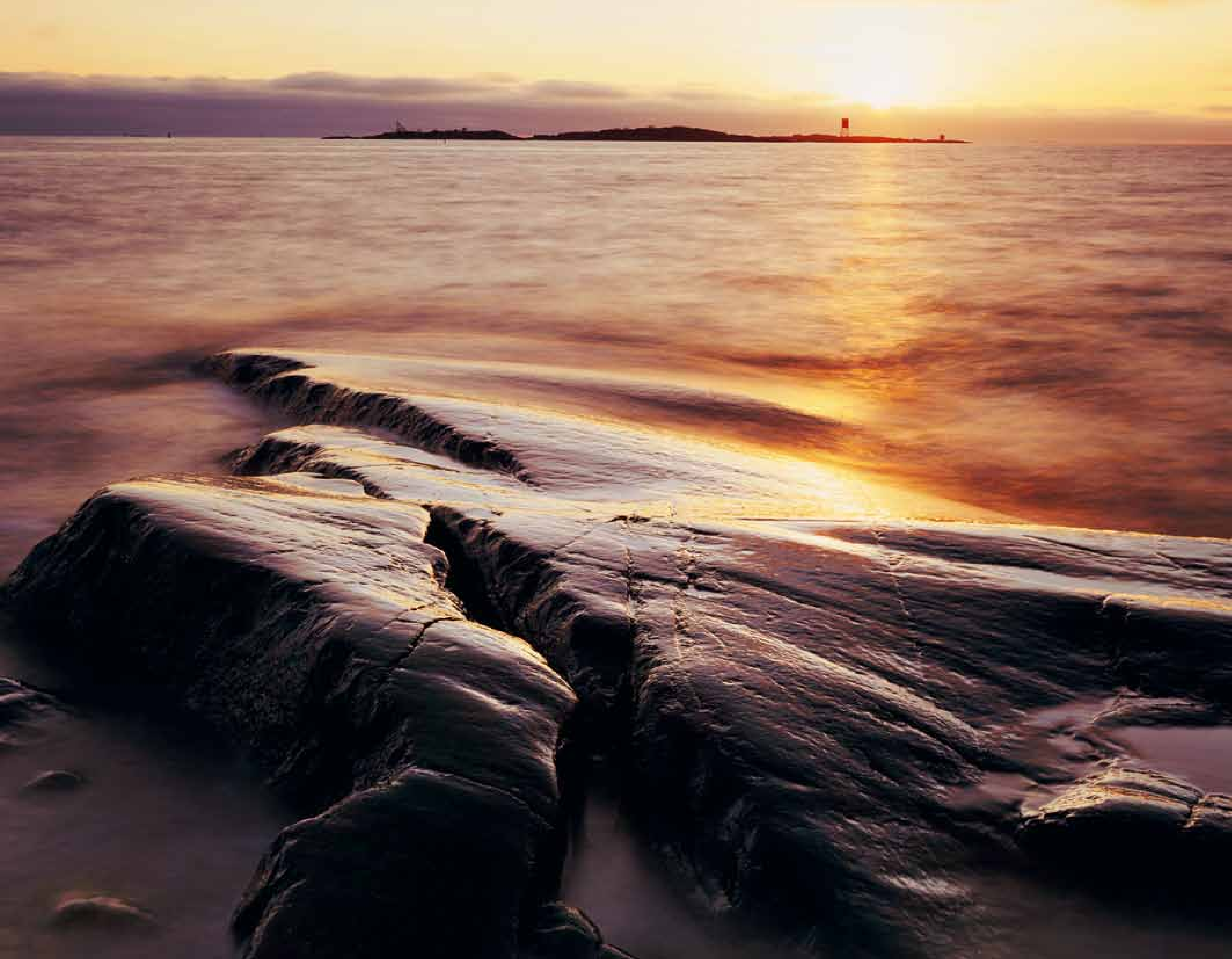
Czech Republic
Sumeru Company s.r.o
Finská 1
CZ-10100 Praha 10
Tel. +420 777 718 722
Fax +420 777 771 049

Ukraine
Finno Log Home
ul. Oleny Teligy 8
04112 Kiev
Tel. +380 44 4556 456
Fax +380 44 4404 703

USA
Tulikivi U.S., inc.
195 Riverbend Drive - Suite 3
VA 22911 Charlottesville
Tel. +800 843 3473

Russia
OOO Tulikivi
1-ya Konnaya lahta 1
197229 St. Petersburg
Tel. +7 911 831 30 22
Fax: +7 812 334 16 01

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



Tulikivi Oyj, 83900 Juuka, Tel. +358 (0)403 063 100, Fax +358 (0)207 636 130, Business ID 0350080-1, Juuka, www.tulikivi.com

ES 2020, 03/12