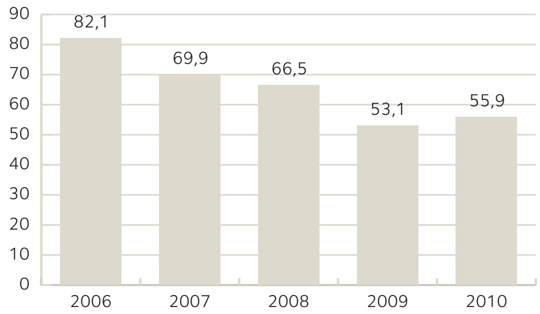
2010 Annual Report

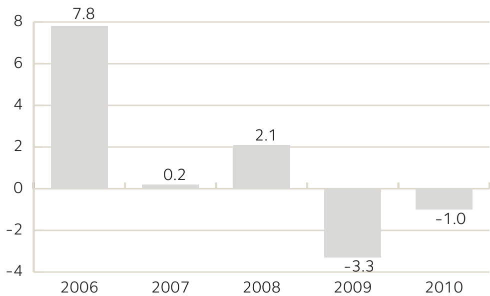
Contents

The Year 2010 in Brief	3
Tulikivi's Strategy	4
Product Groups	6
Managing Director's Review	8
Fireplaces	10
Natural Stone Products	13
Corporate Responsibility	14
Highlights of the Year 2010	17
Corporate Governance	18
Board of Directors	18
Management Group	20
Corporate Governance Statement 2010	22
Salary and Remuneration Report	27
Information for Shareholders 2010	28
Tulikivi Corporation's Stock Exchange Releases in 2010	29
Board of Directors' Report and Financial Statements	30
Board of Directors' Report 2010	31
Consolidated Financial Statements, IFRS, 2010	36
Development of the Group by Quartal	74
Key Financial Indicators	74
Calculation of Key Ratios	76
Parent Company Financial Statements, FAS	77
Tulikivi Corporation's Shareholders and Management Ownership	88
Signatures to Report of the Board and Financial Statements	89
Auditor's Report	89
Contact Information	90

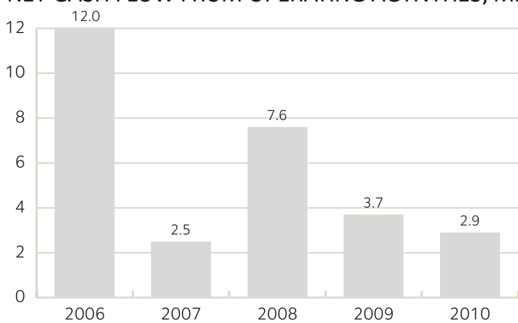
DEVELOPMENT OF NET SALES, MEUR



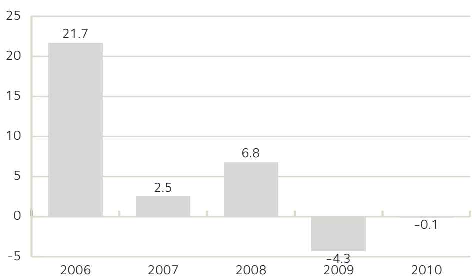
PROFIT BEFORE INCOME TAX, MEUR



NET CASH FLOW FROM OPERATING ACTIVITIES, MEUR



RETURN ON INVESTMENTS, %



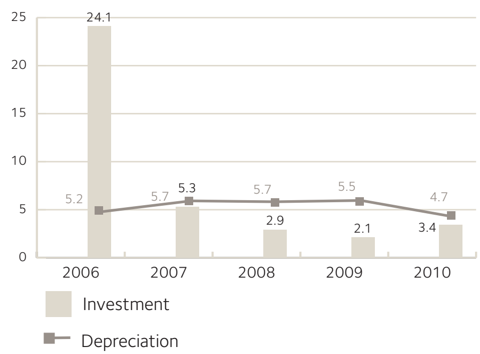
The Year 2010 in Brief

Tulikivi comprises the Tulikivi Corporation, which is a listed family enterprise, and its subsidiaries. Tulikivi is the world's largest manufacturer of heat-retaining fireplaces. Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy. Tulikivi's net sales are slightly under EUR 60 million, of which exports account for about half. Tulikivi employs approximately 500 people.
www.tulikivi.com

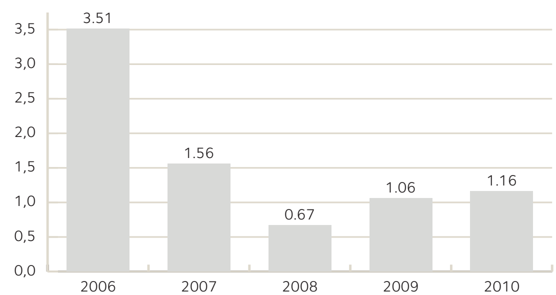
Calculation of key ratios, page 76
The Tulikivi Group includes the parent company Tulikivi Corporation, a branch office Tulikivi Oyj Niederlassung Deutschland as well as Kivia Oy, AWL Marmori Oy, Tulikivi U.S., Inc., and OOO Tulikivi. Group companies include The New Alberene Stone Company, Inc., which is no longer engaged in business operations. The associate Companies of Tulikivi Group are Stone Pole Oy, Leppävirran Matkailukeskus Oy and Rakentamisen MALL Oy.

	2010	2009	Change, %
Net Sales, MEUR	55.9	53.1	5.3
Operating profit/loss, MEUR	-0.3	-2.4	87.5
Profit/loss before income tax, MEUR	-1.0	-3.3	69.7
Return on investments, %	-0.1	-4.3	
Solvency ratio, %	37.0	39.4	
Earnings per share, EUR	-0.02	-0.06	66.7
Equity per share, EUR	0.60	0.64	-6.3
Payment of dividend on			
A share, EUR	0.0250	0.0250	0.0
K share, EUR	0.0233	0.0233	0.0

INVESTMENTS AND DEPRECIATION, MEUR



SHARE PRICE OF THE A SHARE, DECEMBER 31, EUR



Tulikivi's Strategy

TULIKIVI IN THE YEAR 2015

The Tulikivi Group specialises in fireplaces and heating devices that generate radiating heat and in natural stone products intended for household use. Our customers value the environmental-friendliness and aesthetic beauty of our products, the comfort that they generate and the advantages of wood heating.

OUR VALUES

Tulikivi

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

FINANCIAL TARGET FOR THE NEXT FIVE YEARS

- Tulikivi's net sales growth for the next years will be over 10% per year
- Acquisition of companies supporting the company strategy will be an option
- Profitability target: Profit before taxes will be 10 % of net sales
- The company will pay out a dividend equalling about one half of its annual earnings, while keeping its equity ratio at no less than 40 per cent

Return on capital greater than 20 %

CUSTOMER PLEDGE

Tulikivi's manufacturing processes and products and their life cycles appeal to environmentally conscious consumers who use the products as primary and secondary heating sources, for interior decoration and for creating a comfortable atmosphere.

Tulikivi products rely on the best combustion technology and they also provide the best possible energy efficiency. Consideration is given to the aesthetic, usability and service requirements of individual customer groups. The products create a pleasant atmosphere in which consumers can relax after a busy day. At the same time, the warmth generated provides homes with a unique ambience. Each product also comes with expert service.

OPERATING ENVIRONMENT

- Use of bioenergy will increase prompted by ecological and economic considerations
- Wellbeing and comfortable living are key values for consumers
- Housing construction is increasing in many markets
- Turnkey construction projects are also increasing
- Fireplace regulations become more stringent, the amount of manufacturers will decrease

COMPETITIVENESS

- Product concepts tailored to customer needs
- A comprehensive delivery and service network
- A well-known company and highly valued products
- An efficient network-based approach
- An ample supply of high-quality raw materials
- Innovative and committed staff
- A 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 stones to important European heating-appliance manufacturers and supply customers in Finland and Scandinavia with building stones through business-to-business deals.

Product Groups

FIREPLACES

- Heat-retaining soapstone and ceramic fireplaces
    - Fireplaces, bake ovens, fireplace/bake ovens, stoves, etc.
    - For customers living in towns or the countryside who are building or renovating their home
    - These customers are interested in the environment, energy-efficiency, costs, and comfortable heating

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

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

- Available in all market areas

- Utility ceramics
    - Sold under the Kermansavi brand
    - Market area is Finland

TULIKIVI INTERIOR & DESIGN
- For customers living in towns or the suburbs who are building or renovating their home
- These customers are interested in aesthetic design, durability, comfortable heating and the environment
- Tulikivi interior design stone products sold in Finland

TULIKIVI SAUNA
- Soapstone, ceramic and natural-stone electric sauna heaters will be introduced to the market in early 2011 as the first products of the collection
- The collection will be complemented by wood-fired sauna heaters a little later
- Initially, the main market area will be Finland

Into a New Decade

In 2010, Tulikivi's operating environment was affected by two trends. Demand increased in Finland and neighbouring countries, but Tulikivi's traditional export markets in Central Europe were slower.

IMPROVED PROFITABILITY

Compared to 2009, Tulikivi's profitability improved considerably in 2010. The company recorded a positive result in the last three quarters of 2010, but its result for the full year was a loss due to the low net sales in the first quarter. In 2010, Tulikivi's net sales grew by 5.3 per cent, and its loss decreased by EUR 1.6 million.

In addition to improving cost-efficiency, the company created a solid foundation for the future by introducing new consumer-oriented product groups.

CUSTOMER-ORIENTED STRATEGY

Tulikivi's strategy is based on three growing trends: bioenergy, interior design and wellbeing. Consumers are increasingly interested in bioenergy for ecological and economic reasons. Tulikivi Green products, in particular, have been well received: the company has supplied more water-heating systems than expected, and the demand for pellet-fuelled solutions has been high.

Intended for customers interested in interior design, the range of design fireplaces has been successful in Central European markets. The collection will be further developed on the basis of feedback.

EXPANDING SAUNA BUSINESS

In 2010, Tulikivi's Board of Directors made a strategically important decision to expand the company's sauna business. Before, Tulikivi only supplied small amounts of traditional wood-fired and smoke sauna stoves to the Finnish and Russian markets. The Board's decision enables significant investment in developing saunas and sauna heaters. This was a natural step for Tulikivi: its strong brand, distribution channels and materials, as well as its strong expertise in combustion technology and other areas, ensure successful entry into a new business.

In 2010, Tulikivi invested in the development and commercialization of new products and in building up the organizational resources for the new business. Soapstone, ceramic and natural stone electric sauna heaters will be launched first; the collection will be complemented by wood-fired sauna heaters in the spring. In the initial phase, the 35 Tulikivi Showrooms and 110 Tulikivi Service Points will serve as distribution channels. In addition, the products will be available at electrical wholesalers and hardware stores.

In addition to offering operational synergy benefits to the distribution channels, the sauna heaters will create additional sales outside the current fireplace seasons.

Sauna heater sales also enable more efficient use of interior design stone products as part of sauna solutions.

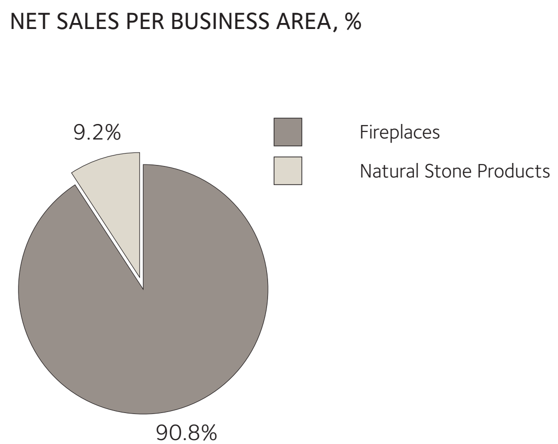
STREAMLINED PROCESSES

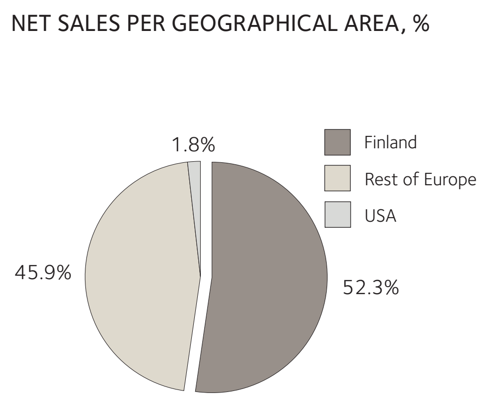
As part of Tulikivi's profitability and centralization program, the company will replace its enterprise resource planning (ERP) system. As an integral part of these changes, Tulikivi will standardize its processes and operations, enabling significant cost savings as the company expands its operations. The new ERP system will also be able to accommodate the increasingly important e-business solutions.

The improved market and new product groups offer Tulikivi excellent opportunities to reach its targeted growth in net sales and improve its profitability considerably in 2011.

Juuka, 10 February 2011

Heikki Vauhkonen, Managing Director


NET SALES PER BUSINESS AREA, %
9.2%
90.8%
Fireplaces
Natural Stone Products


NET SALES PER GEOGRAPHICAL AREA, %
1.8%
45.9%
52.3%
Finland
Rest of Europe
USA

Fireplaces

PRODUCT DEVELOPMENT

Launched in 2010, the Tulikivi Green products were received extremely well, making Tulikivi the technology leader in the market for heat-retaining fireplaces. The Tulikivi Green water-heating system is well suited to the needs of low-energy construction, as the fireplace can form part of a home's overall heating system that also incorporates solar heating and a heat pump. The Tulikivi Green pellet system was also well received on the market. The system means that a significant proportion of Tulikivi fireplaces are 'hybrid' fireplaces that can be used to burn either firewood or pellets, as desired.

Introduced at the Progetto Fuogo fair in Verona in February, Tulikivi's new design fireplaces were welcomed by dealers and consumers. A perfect addition to the Tulikivi collection, the design fireplaces are intended for consumers with lower heating needs than those of the owners of a traditional Tulikivi fireplace.

The preparation of the European Union's Energy-using Products (EuP) Directive on fireplace emissions and fuel economies has not progressed as planned, which presents challenges for product development. There is consequently uncertainty in the regulatory development in Finland and Europe. The basic guidelines, however, are clear. Consumers and EU authorities value energy self-sufficiency, but fireplaces need to burn wood more efficiently and cleanly. The new regulations are expected to be introduced in three or four years at EU level.

In the utility ceramics product group, Tulikivi launched the Hotpot Duo cookware line, which was very well received.

FINNISH MARKET

The demand for fireplaces grew by almost 20 per cent, boosted by private home building and improved consumer confidence in the economy. Demand was also fuelled by higher consumer energy prices and the cold winter.

Tulikivi was able to increase its market share in Finland. The company has further developed distribution, and the expert services provided by Tulikivi Showrooms are popular, especially among customers with new building projects. In addition, Tulikivi offers a turnkey service concept for customers with renovation projects. Currently, there are 35 Tulikivi Showrooms and 110 Tulikivi Service Points. It is regrettable for the development of the industry in general that the Ministry of the Interior has not yet set emission requirements for fireplaces. For this reason, there still are untested fireplaces of inferior quality on the market. Tulikivi has the largest selection of appropriately tested fireplaces on the market.

EXPORT MARKET

The low level of consumer confidence in the economy in Central Europe was reflected in the demand for Tulikivi fireplaces. Compared to 2009, exports to all the key markets decreased in 2010. The most important export

market continued to be France, where the government provided support of as much as 40 per cent for energy-efficient investments. For 2011, this government support decreased by a few percentage points. In Germany, demand remained low, with relatively intense price competition.

Despite the difficult economic situation, Tulikivi continued to invest in expanding its distribution network and opened major distribution outlets in France and elsewhere. The company began exporting to Slovenia and Poland and is planning to include two other new countries in its distribution network in the near future. Together with the Baltic countries, these new markets offer significant opportunities for fireplace exports.

Tulikivi has worked systematically to enter the Russianmarket and strengthen its position there. The improved economy in Russia enabled Tulikivi to open new distribution outlets there for traditional Tulikivi fireplaces as well as ceramic fireplaces. The recovering economy in Russia is expected to boost private home building and holiday home construction.

LINING STONES

Net business-to-business sales of heater lining stones grew considerably in 2010 because of new customers and high demand of fireplaces on the Swedish, Norwegian and Middle European markets. The most significant competition comes from Brazil and Italy. Tulikivi's strengths include close proximity to the market area, as well as reliable deliveries with short delivery times. In the lining stone business, Tulikivi aims to forge closer links with customer companies, ensuring long customer relationships and mutual profitability.

PRODUCTION

Tulikivi completed the measures affecting production under its profitability and centralization program. In addition, the company continued to implement systematic production and management development programs. The natural stone business was integrated more closely into the Tulikivi Group to enhance the efficiency of production and management and the sharing of best practices among units. Production is now optimized to serve the entire Group and its operations.

Purchasing was integrated into the production organization. Purchasing is increasingly important to Tulikivi, because the amount of external raw materials is growing in all product groups. In addition, highly professional purchasing activities can bring considerable savings in freight costs and services, to name just a few examples.

Tulikivi also continued to develop job rotation in production. Some of the quarrying employees will now work in production when needed.

As part of operational development, Tulikivi has paid

special attention to overall planning. This is to ensure that sales, production and product development are equally aware of the key goals for the product groups and the means to reach these goals. The goal for overall planning is to enhance operational efficiency.

The company continued the test quarrying at Vaaralampi with very good initial results. In soapstone products, profitability is based on high-quality raw material resources.

Natural Stone Products

Tulikivi's broad and diverse range of natural stone includes soapstone, granite, marble, limestone, travertine and slate as countertops, tiles and mosaics. The Natural Stone Products Business includes interior design stone products, paving stones and stone deliveries to construction sites.

Tulikivi processes its natural stone products at factories in Taivassalo, Espoo and Juuka. The Taivassalo factory focuses on granite kitchen countertops and building stone. The Espoo factory makes kitchen and bathroom countertops of granite, marble, composites, soapstone and limestone. At Juuka, the manufacturing focus is on soapstone tiles, which are produced alongside fireplaces. The main market for natural stone products is Finland. Approximately 10 per cent of the products are exported, mainly to Sweden and Norway.

Tulikivi continued to expand its dealer and partner networks in 2010. The company's dealers include kitchen stores, interior design and tile stores, self-build house kit companies, building supplies merchants and DIY stores, hardware stores, suppliers for public premises and Tulikivi Showrooms. Its partners include interior designers, architects and landscapers, among others.

INTERIOR DESIGN STONE CONCEPT

Other significant measures carried out in 2010 included further developing the overall interior design stone concept and enhancing the offer-delivery process, as well as actively training dealers and enhancing their sales skills.

The overall concept for the interior design products consists of a broad and diverse selection of products and services. These include measurement and installation services for kitchen countertops, replacement services for countertops, adhesives and grouting for tiles, care and protective products, cleaning products of different kinds, stone samples, sample charts, colour guides, training materials, active and competent sales work, high quality, punctual deliveries and after-sales marketing.

Tulikivi will continue to seek growth and profitability in natural stone products in 2011.

The company will enhance sales and marketing by increasing dealer and partner meetings, organizing interior designer events, revising its collection and actively participating in trade fairs, as well as through direct mailing. Tulikivi will revamp its range of interior design stone each year in terms of colours, tile sizes and finishes. The company intends to launch several new kitchen countertops, natural stone tiles and natural stone mosaics during 2011. Profitability will be improved through more efficient and better optimized production loads, enhanced purchasing and storage operations as well as more efficient use of stone.

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 and cooperation partners, both in Finland and abroad.

ENVIRONMENTAL RESPONSIBILITY

Environmental and safety work at Tulikivi is 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, continuously improve energy efficiency and promote renewable energy sources.

During 2010, Tulikivi's sites in Juuka were audited for energy use and energy-saving potential, as well as for opportunities to use renewable energy sources, in accordance with guidelines set by the Ministry of Employment and the Economy and Motiva Oy. The recommendations based on the audit have already resulted in immediate energy and cost savings.

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

The test quarrying at Vaaralampi progressed successfully, and the stone material proved to be of good quality. The actual quarrying began as planned in 2010.

Tulikivi applied for new permits for its Kivikangas quarry and factory, which are in Suomussalmi. In addition, its mining waste and monitoring plans were updated, resulting in more extensive monitoring of the groundwater effects of quarrying and stacking.

The quarrying and stacking areas of the discontinued Verikallio quarry were landscaped in 2010, using three different types of growth layer for the stacking area surface. These will be monitored in terms of the landscaping process and vegetation growth, with the aim of finding the optimal growth layer, vegetation growth and landscaping costs.

The Heinävesi landfill and stacking area was also landscaped and remediated during 2010. Both discontinued stacking areas will be monitored geotechnically, and their groundwater will be monitored for at least 15 years.

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 2015. According to the strategic goals, the company's target for annual organic growth is more than 10 per cent for the next few years. The target for profit before taxes is 10 per cent of net sales over the next five years, and the target for return on capital is more than 20 per cent. The company will pay approximately half of its annual net earnings in dividends and retain an equity 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 2010 (figures for 2009 in parentheses):

Customers generated a total of EUR 55.9 million (53.1 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 10.3 million (10.8 million) to suppliers of goods and semifinished products and EUR 21.8 million (19.6 million) to service providers. In addition, the company paid EUR 1.1 million (1.0 million) for machinery and equipment.

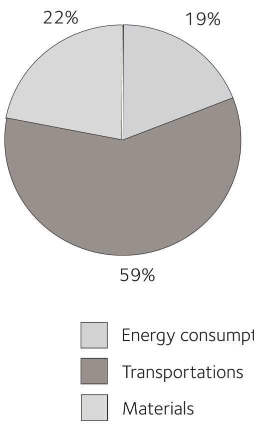
Employees' salaries and fees totalled EUR 15.7 million (15.9 million), and the related pension and other insurance contributions were EUR 3.7 million (3.6 million).

Financiers were paid a net total of EUR 0.7 million (0.9 million) in interest and other financing expenses. Shareholders were paid EUR 0.9 million (1.1 million) in dividends and share repurchases.

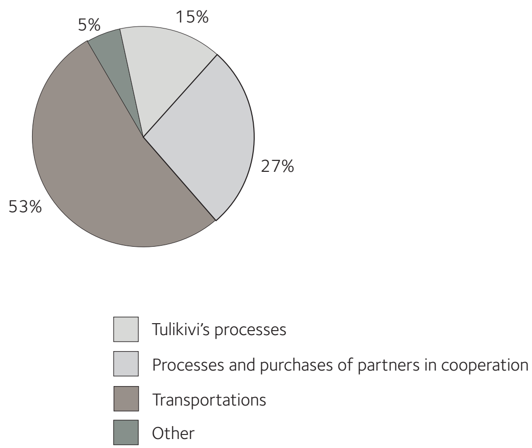
SOCIAL RESPONSIBILITY

As part of its profitability and centralization programme, Tulikivi carried out adjustments related to finances and production in all of its locations during 2010. The layoff warning that had been issued to ensure positive development at the Heinävesi unit was cancelled during the autumn. The Tulikivi Group's personnel policy focuses on ensuring the appropriate skills are in place and enhancing the wellbeing of employees.

FORMATION OF CARBON FOOTPRINT IN TULIKIVI'S OWN PRODUCTION



FORMATION OF CARBON FOOTPRINT IN TULIKIVI FIREPLACE'S LIFE CYCLE



The carbon equivalent was calculated per a kilo of soapstone; the result is 0.612 CO^2 eqv kg/kg. The carbon footprint calculations were produced in 2009 - 2010 by Tulikivi's own experts, who cooperated with Crnet Oy. The work was carried out using a documented calculation basis (British Standard PAS 2050).

Tulikivi will continue with the Management Group development programme, and the development needs will be addressed annually in personal discussions with the Managing Director.

The company enhanced its partnership with the North Karelia Adult Education Centre by adding advanced studies in production operations to its training focus areas, which already included supervisory work, language skills, information technology and financial management. Tulikivi will also offer customized training for its employees in collaboration with other educational organizations.

Nine employees completed Tulikivi's second management training programme for key personnel in the autumn of 2010. The programme consisted of a business development project as well as group training and personal coaching by an occupational psychologist.

The company also continued to develop its ACT! scheme for inviting initiatives from employees. In 2010, this generated 375 initiatives. In addition to these, the system also extends to product suggestions and safety concerns reported by employees.

The TUPLA system enhanced the development of Tulikivi's lean manufacturing model. All production development projects will be processed by the system, and the company aims to extend this model of continuous development to all of its 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. In addition, daily discussions between supervisors and employees are integral to monitoring occupational health, as is close collaboration with occupational healthcare. The Human Resources Director is responsible for the company's equality plan, which is checked and updated annually at joint meetings.

COMMUNITY SPIRIT

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

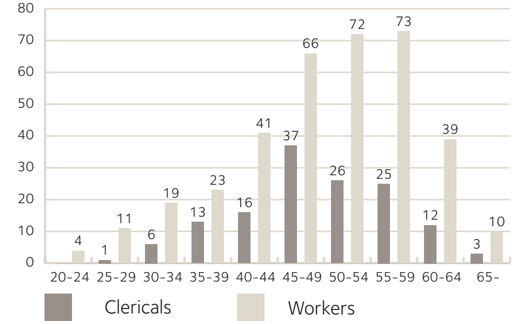
Community spirit in the workplace at Tulikivi supports competence, occupational health and productivity, which brings together the different focus areas of personnel policy.

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.

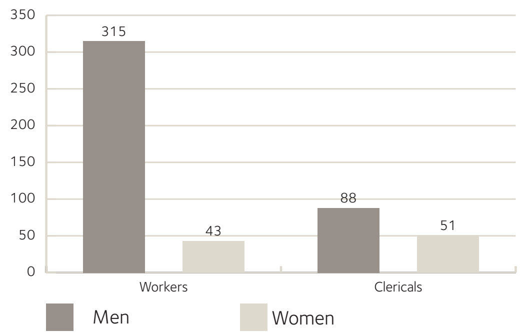
The Finnish Stone Centre in Juuka and its exhibitions are the primary recipients of Tulikivi's sponsorship. The centre supports the Finnish stone industry by raising the profile of stone and stone research, teaching about stone construction and encouraging entrepreneurship.

Tulikivi Corporation is a member of numerous organizations 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).

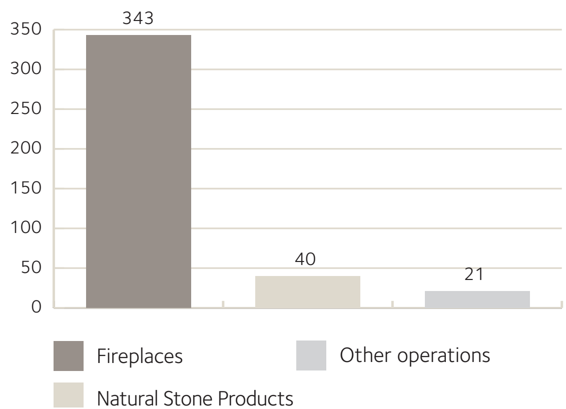
AGE DISTRIBUTION OF PERSONNEL, DECEMBER 31, 2010



GENDER DISTRIBUTION DECEMBER 31, 2010



PERSONNEL PER SEGMENTS AVERAGE DURING THE YEAR



Redesigned Logo

The Tulikivi logo has been redesigned to reflect the company's values, customer pledge, strategy and revised product selection. The company name remains a strong element in the logo. Launched at the beginning of 2011, the redesigned logo will be adopted gradually during 2011 and 2012. The logo communicates quality, warmth, atmosphere, wellbeing and interior design, also reflecting the company's Scandinavian origins.

Tulikivi Green – Green Technology

Launched in 2010, the Tulikivi Green line consists of high-tech products that enhance the efficiency of fireplaces, making them even easier to use.

In spring 2010, Tulikivi introduced a pellet system that makes it possible burn either wood or pellets in Group 2 fireplaces.

The Tulikivi Green W10 water-heating system consists of a heat-exchanger package installed with the fireplace. The system can also be connected to solar collectors and under-floor heating.

The Tulikivi Green C10 fireplace control system enhances the efficiency of firewood use, ensures even release of heat and minimizes fine particle emissions. The system comes with a wall-mounted control panel that indicates the right time to start firing again. It also alerts the user to overheating, poorly ignited firewood and other errors.

Expanding Sauna Business

In November 2010, Tulikivi announced it will expand its sauna business. In early 2011, the company will launch a sauna heater collection based on new innovations and new-millennium design. The collection consists of electric and wood-fired sauna heaters, and the design and technical solutions are based on a novel use of soapstone and ceramic material.

The comprehensive range of high-quality sauna heaters will be a perfect addition to Tulikivi's selection of fireplaces and interior design stone products, both in Finland and abroad. The export markets with the greatest potential are likely to be Russia, Scandinavia and the Baltic countries.

New Design Fireplaces

In autumn 2010, Tulikivi launched a new fireplace product group: design fireplaces. They combine clean and timeless design with advanced combustion technology and ease of use.

The fireplaces were designed by Hannu Kähönen, an award-winning Finnish industrial designer. Their forms highlight the naturally rough surface of soapstone.

These modular fireplaces can be adapted to different requirements.

Tulikivi's design fireplaces are very simple to use. They have automatic air control to feed air into the firebox, ensuring a beautiful and clean flame. You only need to add firewood, relax and enjoy. Because of the soapstone, the fireplaces generate soft and pleasant heat.

MATTI VIRTAALA (b. 1951)
Chairman of the Board. B.Sc. (Eng.), Industrial Counsellor. Member of the Board of Tulikivi Corporation since 1994, Chairman of the Board since 2003, Member of the Nomination Committee since 2005, Member of the Audit Committee since 2009.
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 Arctia Shipping Ltd.
Primary work experience: Managing Director of Kone Sweden, 1982–1985; Area Director, Europe, for the Crane Division of Kone Finland, 1985–1987; President of Abloy Oy, 1987–2008

Tulikivi Corporation share ownership:
Series K shares: 1 460 000
Series A shares: 969 887

BISHOP AMBROSIUS (b. 1945)
M.A. (Theo.), B.Sc. (Soc. Sc.). Metropolitan of the Helsinki Orthodox diocese. Member of the Board of Directors of Tulikivi Corporation since 1992.
Other key positions of trust: Chairman of the Board of the Finnish Financial Ombudsman Bureau, Vice Chairman of the Board of Finnagora Foundation. Several international ecumenical positions of trust.
Primary work experience: Treasurer at the Orthodox Monastery of New Valamo, 1977–1988; Lecturer and Acting Associate Professor at the University of Joensuu, 1973–1976; Bishop of Joensuu, 1988–1996; Metropolitan of Oulu, 1996–2002.

Tulikivi Corporation share ownership:
Series A shares: 28 114

JUHANI ERMA **(b. 1946)**
LL.Lic. (trained on the Bench). Member of the Board of Tulikivi Corporation since 2000.
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 the Finnish Association of Professional Board Members, Member of the Board of Turvatiimi Corporation, Vice Chairman of the Board of the Finnish Stone Research Foundation, Vice Chairman of the Board of the Finnish Eye 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: 40 114

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: 3 750

MARKKU RÖNKKÖ (b. 1951)
M.Sc. (Econ. & Bus. Admin.). Managing Director of Järvi-Suomen Portti Oy. Member of the Board of Tulikivi Corporation 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, Vice Chairman of the Board of Osuuskunta KPY, Chairman of the Board of Profile Vehicles Oy, 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, 2008–2010.

Tulikivi Corporation share ownership:
Series A shares: 8 587

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 Neste Oil Corporation, 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: 64 768

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.
Positions of trust: Member of the Board 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: 57 724







Tulikivi's Board of Directors from left to right:

Matti Virtaala, Piispa Ambrosius, Juhani Erma,
Olli Pohjanvirta, Markku Rönkkö, Maarit Toivanen-Koivisto and
Heikki Vauhkonen.

Tulikivi Corporation's Management Group







The Management Group from left to right: Heikki Vauhkonen, Christian Kraft, Arja Lehikoinen, Ismo Mäkeläinen, Juha Sivonen, Jouko Toivanen and Anu Vauhkonen.

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 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: 57 724

CHRISTIAN KRAFT (b. 1959)
Diploma in Business and Administration, Diploma in Marketing, Diploma in Marketing Management. Business Director. Has worked for Tulikivi since 2010.
Primary area of responsibility: Management of Tulikivi Corporation's Sauna Business in Finland and export markets.
Positions of trust: No positions of trust.
Primary work experience: Sales Manager at Oy Electrolux Ab, 1991–2000; Sales and Marketing Manager at Saunatec Ltd/Helo Ltd, 2000–2010; Business Director at Tulikivi Corporation, 2010–present.

Tulikivi Corporation share ownership:
No shareholding

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

Primary area of responsibility: Financing, stock exchange and external accounting.
Positions of trust: No positions of trust in 2010; Member of the Board of the Finnish Stone Research Foundation, 2002–2009.
Primary work experience: Office Manager at accounting firm Tietokate Oy, 1979–1982; Office Manager at Juuan Tili- ja kiinteistötoimisto, 1982–1984; Financial Manager/CFO of Tulikivi Corporation and the Tulikivi Group, 1984–2001; Financing Director of the Tulikivi Group, 2001–present.

Tulikivi Corporation share ownership:
Series A shares: 66 120

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 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

JUHA SIVONEN (b.1962)
M.Sc. (Civil Eng.). Sales Director. 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: Development Engineer at Suomen Vuolukivi Oy, 1987–1988; Sales Engineer at Suomen Vuolukivi Oy, 1988–1989; Production Manager at Suomen Vuolukivi Oy, 1989–1990; Project Manager at the New Alberene Stone Company (Virginia, USA), 1991; President of the New Alberene Stone Company, 1992; Production Manager at Tulikivi Corporation, 1993–1996; Product Manager at Exel Ltd, 1997; Marketing Director at Tulikivi Corporation, 1998–1999; Business Unit Manager at Tulikivi Corporation, 2000–2001; Managing Director of Tulikivi Corporation, 2001–2007; Director of Tulikivi Corporation's Fireplaces Business, 2007–2009; Sales Director of Tulikivi Corporation, 2009–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 of the Natural Stone Products Business. Member of the Management Group since 1995. Has worked for Tulikivi since 1993.
Primary area of responsibility: Management of Tulikivi's Natural Stone Products Business, including all aspects from strategy to performance targets.
Positions of trust: Member of the Board of the Finnish Natural Stone Association.
Primary work experience: Accounting Assistant at Tulikivi Corporation, 1993–1994; Accounting Manager at Tulikivi Corporation, 1995–1997; Financial Manager of Tulikivi Corporation, 1997–1999; Manager of operational accounting and management systems for the Tulikivi Group, 1999–2001; Financial Director of the Tulikivi Group, 2001-2007; and Director of Tulikivi Corporation's Natural Stone Products Business, 2003–present.

Tulikivi Corporation share ownership:
Series A shares: 1 250

ANU VAUHKONEN (b. 1972)
M.A., Diploma in Communication Management Communications Director. 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–present.
Primary work experience: PR at Wärtsilä Diesel, 1995–1997; PR at Tulikivi Corporation, 1998; PR and Communications Manager at Tulikivi U.S. Inc., 1998–2001; Communications Director of Tulikivi Corporation, 2001–present.

Tulikivi Corporation share ownership:
Series K shares: 500
Series A shares: 500

Corporate Governance Statement 2010

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, one 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 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 2010 elected seven members to the Board:

- Matti Virtaala, born 1951, Chairman of the Board. M. Sc. (Tech.). Board membership in several companies.
- Bishop Ambrosius, born 1945. M.Theol., B.Soc.Sc. Metropolitan of the Helsinki Orthodox Diocese.
- 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.

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.

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

In the period of Jan.1 –April 14, 2010 the board members were Bishop Ambrosius, Juhani Erma, Eero Makkonen, 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 2010, the company's Board of Directors convened 13 times. The average attendance at Board meetings was 93.5 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 2010, the committee was composed of Reijo Vauhkonen (Chairman), Bishop Ambrosius and Matti Virtaala. One member 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 2010. The average attendance at committee meetings was 100 per cent.

The Audit Committee is made up of three members, who are appointed by the Board from among its members. In 2010, 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 five occasions in 2010. The average attendance at committee meetings was 93.3 per cent.

Participation by Board members in the meetings of the Board and various committees

Jan.1.-Dec. 31, 2010	Board meet.	Audit Comm.	Nomin. Comm.
Matti Virtaala	13/13	5/5	2/2
Heikki Vauhkonen	13/13		
Piispa Ambrosius	12/13		2/2
Juhani Erma	13/13	4/5	
Markku Rönkkö	13/13	5/5	
Maarit Toivanen-Koivisto	8/13		
Olli Pohjanvirta	9/11		
Eero Makkonen	2/2		
Reijo Vauhkonen			2/2

Maarit Toivanen-Koivisto was unable to attend the Board meetings in the autumn due to a reason related to her job, but her situation will return to normal from the beginning of 2011.

Managing Director

Tulikivi Corporation's Managing Director is Heikki Vauhkonen. Pursuant to the Limited Liability Companies Act, the Managing Director 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 Pekka Horttanainen, Product Development Manager; Jani Kerkkänen, Chief Financial Officer; Christian Kraft (since Mai 24, 2010), Business Director, Sauna and Wellness Products; Arja Lehikoinen, Financial Director; Jaana Lyhykäinen (since Sept. 1, 2010)/Petri Lempiäinen (to June 30, 2010), Human Resources Manager; Michel Mercier, Export Director; Ismo Mäkeläinen, Head of Production; Martti Purtola, Head of the sales of the Lining Stone Business; Juha Sivonen, Sales Director; Jouko Toivanen, Head of the Natural Stone Business; Paavo Tuononen, Information Management Director, and Anu Vauhkonen, Corporate Communications Director. Management Group met on eleven occasions in 2010

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 and values

The Tulikivi Group specialises in fireplaces and heating equipment that produce radiant heat, and in household natural stone products. Our customers appreciate the environmentally friendly and aesthetically pleasing nature of our products, the comfort created by these products, and the benefits of wood heating. Tulikivi is a versatile company that appreciates its customers, entrepreneurship and fair play.

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.

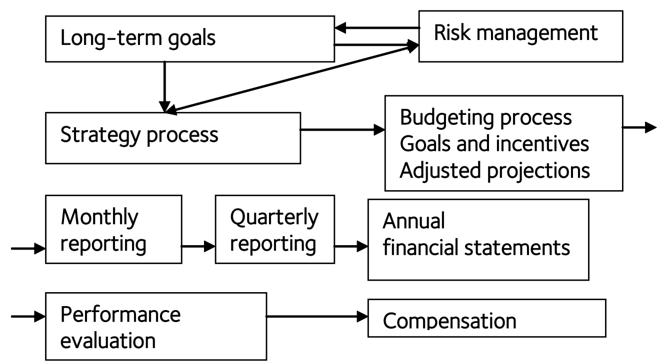
Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified sub-areas. The aim of environmental work is to improve the company's ability to use natural resources sparingly, as well as to manage processes and products in a way that minimizes their environmental 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 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.

FIGURE: Planning and monitoring process



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

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.

During 2010, the internal control mechanism associated with matters such as reporting was specified in the sub-areas of task commissioning and approval of entries.

In 2011, the focus is to further develop the control mechanisms of reporting processes and other internal control which is possible through the implementation of the new ERP system.

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 2010, 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.

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, production, product development, IT, HR management, financing, financial and operational systems, environment	- 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 Financial Director	- internal accounting: monitoring and analysis of results - external accounting and reporting

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.

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.

Group-level reporting responsibilities are divided between the Chief Financial Officer and the Financial Director. The parent company's financial department handles accounts and group-level accounting for domestic companies. Qualified accounting firms or

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

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 and the Financial Director, along with the auditors, monitor 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 Financial Director is responsible for compliance with the regulations related to stock exchange releases.

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.

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.

A Salary and Remuneration report 2010

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 is EUR 15 600, of which 60 per cent will be paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Each Board member received 3750 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 6 240 monthly fee and the director serving as secretary to the Board of Directors a EUR 1 224 monthly fee. The members of committees of the Board was paid a EUR 300 remuneration per each meeting. Board members who perform non-Board assignments for the company shall be reimbursed on the basis of time rates and bills approved by the Board of Directors.

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 233 982 in 2010. The Managing Director will not receive incentive pay for 2010. 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 45 952 in all.

Incentive plan

Tulikivi Corporation has an incentive plan which includes an incentive pay scheme for all personnel and a share-based incentive plan for the Managing Director and other Management Group and for certain key personnel nominated by the board.

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.

Incentive pay scheme

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 improvement in the 2010 result and productivity did not justify the payment of an incentive bonus in 2010. For achievement of personal targets in 2010 an incentive pay of EUR 71 400 will be paid out, and the Management Group´s share of this figure will be EUR 30 200. In 2009, EUR 91 254 in incentive pay was paid out, and the management Group´s share of this figure was EUR 36 238. This incentive pay was paid in March 2010.

Share-based incentive plan

The Share-based plan, implemented in 2008, comprised three earning periods which were calendar years 2008, 2009 and 2010. No incentive plan bonus was accumulated on the 2010 earnings period. Under the plan, the basis on which the bonus was determined was the Group's result after financial items and the cash flow from operating activities after investments, and in 2010 could have amounted to a maximum of 218 750 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. A maximum total of about 360 000 Series A shares and a cash payment corresponding to the value of the shares could have been paid as rewards on the basis of the entire share-based incentive plan for years 2008-2010.

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 2010, the auditing firm were paid a total of EUR 94 351, of which the portion of statutory audit amounted to EUR 41 500 and the portion of extended audit to EUR 4 000.

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 14, 2011, 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 16, 2011. Copies of these documents will be sent to shareholders upon request. The right to participate in the Annual General Meeting rests with a shareholder who by April 4, 2011 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 4, 2011, either by telephoning at +358 207 636 251 OR +358 207 636 322; by emailing kaisa.toivanen@tulikivi.fi or kaija.jaatinen@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 Meetings>General Meeting 2011

PAYMENT OF DIVIDENDS

The Board of Directors proposes to the Annual General Meeting that the following dividends be paid for the fiscal year 2010:

On Series A shares	0.0250/share
On Series K shares	0.0233/share

Dividends decided by the Annual General Meeting will be paid on shares that have been recorded on the record date in the shareholder list that is maintained by Euroclear Finland Ltd. The record date for the dividend payout is April 19, 2011. The Board of Directors proposes to the Annual General Meeting that the dividend payout date be April 28, 2011.

SHARE REGISTER

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

FINANCIAL REPORTS

Tulikivi Corporation will publish the following financial reports in 2011:

Financial statement bulletin for 2010	February 10, 2011
Annual Report for 2010	week 11
Interim Report for January-March	April 21, 2011
Interim Report for January-June	August 4, 2011
Interim Report for January-September	October 20, 2011

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

The Annual Report is published on the company's website on the week 11. Financial reports are posted on the company's site, www.tulikivi.com, on their day of publication. If you have questions concerning investor relations, please contact the company's Financing Director Arja Lehikoinen at tel. +358 207 636 260.

Analysts following Tulikivi Corporation:
Johannes Grasberger/ Nordea Markets,
tel. +358 9 1655 9926, johannes.grasberger@nordea.com;
Antti Koskivuori / Evli Equity Research,
tel. +358 9 4766 9773, antti.koskivuori@evli.com and
Matias Rautionmaa / Pohjola Bank,
tel. +358 10 252 4408, matias.rautionmaa@pohjola.fi.

Tulikivi Corporation's Annual Summary of Stock Exchange Releases 2010

10.11.2010 Tulikivi Corporation to expand its saunas business
20.10.2010 Interim Report for January - September 2010
18.10.2010 Tulikivi adjusts future outlook
13.10.2010 Tulikivi Corporation's General Meeting and financial releases in 2011
12.08.2010 Interim Report 01-06 / 2010
21.04.2010 Interim Report 01-03/2010
14.04.2010 Resolutions of the Annual General Meeting of Tulikivi Corporation and organisation of the Board
16.03.2010 Annual Report 2009
15.02.2010 Tulikivi Corporation's Annual Summary 2009
11.02.2010 Corporate Governance Statement
11.02.2010 Financial Statement Release Jan-Dec/2009
11.02.2010 Summons to the Annual General Meeting of Tulikivi Corporation
03.02.2010 Invitation to Tulikivi Corporation's financial review 2009 press conference on 11 February 2010

Board of Directors' Report and Financial Statements of Tulikivi Corporation for Year 2010

Board of Directors' Report	31-35
Consolidated Financial Statements, IFRS	36
Consolidated Statement of Comprehensive Income	36
Consolidated Statement of Financial Position	37
Consolidated Statement of Cash Flows	38
Consolidated Statement of Changes in Equity	39
Notes to the Consolidated Financial Statements	40-73
Key Financial Indicators	74-75
Calculation of Key Ratios	76
Parent Company Financial Statements, FAS	77
Parent Company Income Statement	77
Parent Company Balance Sheet	78
Parent Company Cash Flow Statement	81
Notes to the Parent Company Financial Statements	82-87
Shares and Shareholders of Tulikivi Corporation	88
Signatures to Report of the Board and Financial Statements	89
Auditors' Report	89

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, 2010. The term IFRS refers to the standards and interpretations upon these in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

The consolidated financial statements are presented in thousands of Euros.

BUSINESS ENVIRONMENT IN 2010

Operating environment as a whole developed positively during the financial period of 2010. In the home country, detached house building and renovation increased significantly. This was reflected as a notable increase in the demand for fireplaces. In export to Russia and to the Baltic markets, demand for heat-preserving fireplaces improved during the financial period, whereas demand in the Central Europe decreased. Demand for lining stone products grew significantly during the financial period, as a result of both increase in the demand for end-products as well as strengthening of Tulikivi's market position. Demand for natural stone products has recovered slower than expected. A decision was made in the Group to expand the product selection and to introduce a wide selection of electric and wood sauna stoves to the markets. First products will be available in markets during this quarter. In addition to this, several other development projects were executed and prerequisites for renewing the enterprise resource planning (ERP) system were established. From production point of view the year went well.

SEGMENT REPORTING

The Group's operating segments are the Fireplaces Segment and the Natural Stone Products Segment. The Fireplaces Segment includes soapstone and ceramic fireplaces sold under the Tulikivi and Kermansavi brands and their accessories, and utility ceramics and fireplace lining stones. The Natural Stone Products Segment includes interior design stone products for households and stone 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. The segment reporting has been adjusted by allocating to the operating segments the data and personnel administration expenses, which were previously included in expenses not allocated to a segment. The comparison data have been changed accordingly.

NET SALES AND RESULT

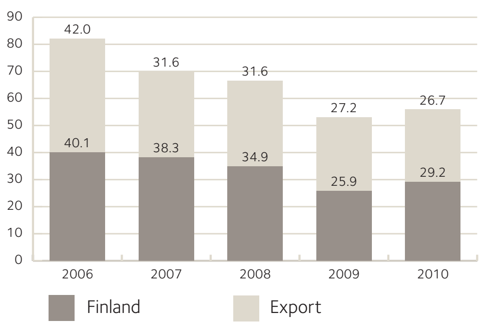
The 2010 net sales of the Tulikivi Group totalled EUR 55.9 million (EUR 53.1 million in 2009). The net sales of the Fireplaces Segment amounted to EUR 50.8 (47.8) million, and those of the Natural Stone Segment were EUR 5.1 (5.3) million.

Net sales in Finland totalled EUR 29.2 (25.9) million or 52.3 (48.9) per cent. Exports accounted for EUR 26.7 (27.2.) million of the net sales. The principal export countries were France, Sweden and Germany. The export of lining stones increased, but Fireplace exports did not perform as anticipated.

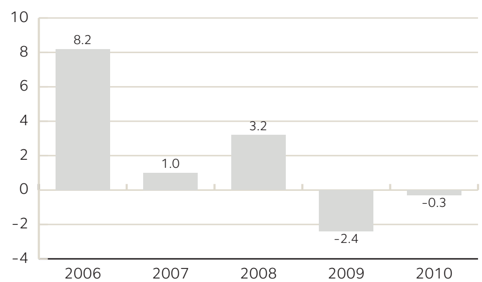
The consolidated operating profit/loss was EUR -0.3 (-2.4) million. The Fireplaces Segment's operating profit/loss was EUR 2.2 (-0.2) million, while the operating profit/loss for the Natural Stone Products Segment was a loss of EUR -0.5 (-0.3) million, and the expenses under "Other items´" were EUR -2.0 (-1.9) million. The profit target of Fireplaces Segment was not reached as demand focused on products with a lower profit margin. During the fourth-quarter non-recurring expenses of EUR 0.1 million had a negative effect on profit resulting from the dismantling of the production machinery at Kuhmo. The programme of profitability and centralisation measures launched in 2009 was completed during the first half of 2010.Most of the targets set for the programme, such as relative cost savings, were achieved. The result for natural stone products was decreased by weak demand for building stones and deliveries being postponed until 2011.

The consolidated profit/loss before taxes was EUR -1.0 (-3.3) million and comprehensive income was EUR -0.7 (-2.4) million. The consolidated return on investment was

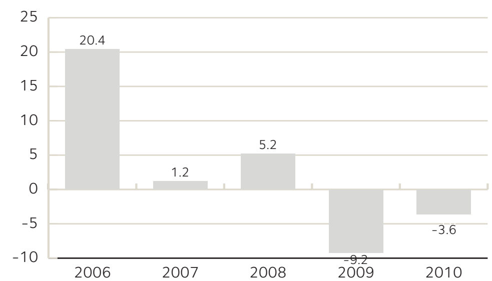
DEVELOPMENT OF THE SALES, MEUR



OPERATING PROFIT, MEUR



RETURN ON EQUITY, %



–0.1 (–4.3) per cent. Earnings per share amounted to EUR –0.02 (–0.06).

Tulikivi Group´s fourth-quarter net sales were EUR 16.6 million (EUR 15.6 million in 10-12/2009), the operating profit/loss was EUR 0.8 (0.3) million and the profit before taxes EUR 0.7 (0.2) million.

FINANCING AND CASH FLOW

Cash flow from operating activities before investments was EUR 2.9 (3.7) million. Working capital increased by EUR 0.9 million in the period and came to EUR 7.2 (6.3) million. Interest-bearing debt was EUR 25.3 (24.7) million and net financial expenses were EUR 0.7 (0.9) million. The current ratio was 1.9 (1.9), and the equity ratio was 37.0 (39.4) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 68.1 (59.4) per cent. The equity per share amounted to EUR 0.60 (0.64).The Group has a solid financial position. At the end of the financial year, the Group's cash and other liquid assets came to EUR 10.2 (10.6) million, and the total of undrawn credit facilities and unused credit limits amounted to EUR 2.5 (6.0) million. The Group's debt financing totalling EUR 13.9 (13.0) million includes covenants 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 3.4 (2.1) million. Major investments made during the year comprised the conversion and replacement investments made in fireplace production, development projects and the opening of new quarries and quarrying sites.

Research and development expenses totalled EUR 2.2. (1.6) million, and their relative share of net sales was 3.9 (3.1) per cent. A total of EUR 0.5 (0.4) million of this figure after subsidies had been deducted was capitalized. Product development focused on productisation of the Tulikivi Green products and an interior design fireplace collection and other new products. These products will complement and expand the uses of fireplaces in household heating. In addition to fireplace and natural stone products, the Group's sauna business will also be extended by launching a broad selection of electric and wood-fired sauna heaters onto the market.

.

Other large development projects include the development of the Group's processes and renewal of the enterprise resource planning system.

PERSONNEL

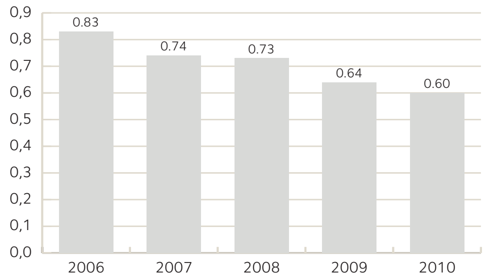
The Group employed an average of 404 people during the financial year (417 people in 2009; 526 people in 2008) and 497 (484; 587) at the end of the year. Of these employees, 426 (406; 504) were employed by the Fireplaces Segment, 48 (52; 55) by the Natural Stone Products Segment and 23 (26; 28) in activities not allocated to a segment. In all, 96.4 per cent of the employment relationships were permanent and 3.6 per cent were temporary. Salaries and bonuses during the review period totalled EUR 15.7 (15.9; 18,8) million.

The Tulikivi Group has an incentive plan that includes an incentive pay scheme for all personnel and a share-based incentive plan for the Management Group and certain key personnel nominated by the Board.

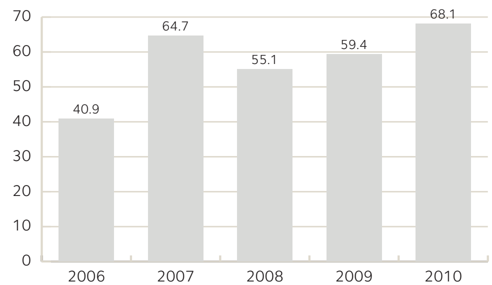
The incentive pay scheme is based on the improvement of the Group's result and productivity, and the Managing Director, Management Group and other key personnel also have personal targets in addition to this. The improvement in the 2010 result and productivity did not justify the payment of an incentive bonus in2010.The cost-impact of incentive pay based on personal targets was EUR 0.1 (0.1) million in the financial period.

EARNINGS PER SHARE, EUR

EQUITY PER SHARE, EUR



GEARING, %



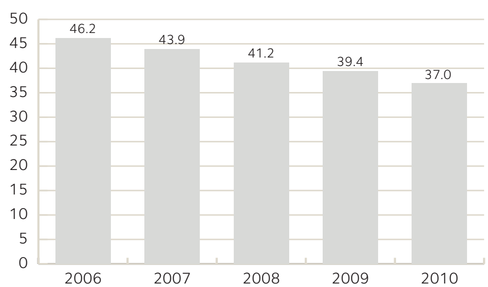
The share-based plan, implemented in 2008, comprised three earning periods, which were the calendar years 2008, 2009 and 2010.No incentive plan bonus was accumulated on the 2010 earnings period. Under the plan, the bonus would be based on the Group's result after financial items and on cash flow from operating activities after investing activities , and in 2010 could have amounted to a maximum of 218 750 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares.

Occupational safety has been good. The number of accidents per 1 000 000 working hours was 30 (25; 26).

BOARD OF DIRECTORS, MANAGING DIRECTOR AND AUDITOR

Tulikivi Corporation's Annual General Meeting held on 14 April 2010 elected the following persons to the Board of Directors of the parent company and domestic business subsidiaries: Bishop Ambrosius, Juhani Erma, Olli Pohjanvirta, Markku Rönkkö, Maarit Toivanen-Koivisto, Heikki Vauhkonen and Matti Virtaala. The Board of Directors elected from among its members Matti Virtaala as Chairman. The auditor was KPMG Oy Ab, Authorized Public Accountants.

SOLVENCY RATIO, %



SHARE CAPITAL, SHARES AND BOARD AUTHORIZATIONS

There have been no changes in Tulikivi Corporation´s share capital in 2010. Tulikivi Corporation´s share capital entered in Trade Register amounted to EUR 6 314 479.40 on December 31, 2010 The number of shares is 37 143 970, of which 27 603 970 are Series A shares and 9 540 000 Series K shares. According to the articles of association the dividend paid for Series A shares shall be 0.0017 EUR higher than the dividend paid on Series K shares. Each Series K shares confers 10 votes at a general meeting, while each Series A shares confers one vote. The Series A share is listed on the NASDAQ OMX Helsinki Ltd. 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 Annual General Meeting authorised the Board to acquire the company's own shares as proposed by the Board.A maximum of 2 760 397 Series A shares in the company and 954 000 Series K shares in the company can be bought back. The authorization is valid until the Annual General Meeting 2011.

Authorisation to decide on share issues and on the transfer of Tulikivi Corporation shares held by the company, and on the right to issue special rights giving entitlement to shares as defined in chapter 10, section 1 of the Limited Liability Companies Act.

The Annual General Meeting authorized the Board of Directors to decide on issuing new shares and the conveyance of own shares in the company's possession. New shares can be issued or own shares held by the company conveyed amounting to a maximum of 5 520 794 Series A shares and 1 908 000 Series K shares. The authorization also includes the right to issue special rights, as defined in Chapter 10, Article 1 of the Companies Act, entitling the right holder to subscribe for shares against payment or by setting off the receivable. The authorization is valid until the Annual General Meeting 2011.

TRANSFER OF THE FUNDS OF THE SHARE PREMIUM ACCOUNT TO THE RESERVE FOR INVESTED UNRESTRICTED EQUITY

As decided by the Annual General Meeting held on 14 April 2010, the share premium account, which is part of the equity, has been reduced by transferring all the funds in the share premium account on the balance sheet as of 31 December 2009, i.e. EUR 7 334 116.06 in total, to the reserve for invested unrestricted equity.

The National Board of Patents and Registration of Finland issued a public notice on 6 May 2010 regarding the transfer of the funds in the share premium account to the reserve for invested unrestricted equity. By the due date for creditors, which was 19 August 2010, none of the creditors had opposed the reduction of the share premium account.

TREASURY SHARES

At the start and end of the period, 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 not purchase or assign any of its own shares during the period.

RATE DEVELOPMENT AND EXCHANGE OF SERIES A SHARES

During 2010 at Nasdaq OMX Helsinki Ltd, 4.6 million shares were traded, with the value of share turnover being EUR 6.1 million. The highest rating for the share was EUR 1.79 and the lowest was EUR 1.07. The closing rate for the period was EUR 1.16.

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 concern, but are not limited to, changes in the Group's operating environment, market situation and market position, targeting of resources, raw material reserves, legislative changes, business operations as a whole, the reputation of the company, its brands and raw materials, and large investments.

Operational risks are related to products, distribution channels, personnel, operations, 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 foreign currency risks, interest rate risks, credit risks and liquidity 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.

During the financial year, we conducted a number of market surveys and several development projects to further enhance our risk management. As a result, we launched new product lines that complement our core products. In Finland, distribution channels and sales tools were developed further. This development will expand into exports in 2011.Clarifying the product group strategy and its management model are part of risk management.

The Group's near-term risks are unexpected negative fluctuations in certain market areas. The renewal of the enterprise resource planning system is being launched. A schedule and cost risk is often associated with such projects.

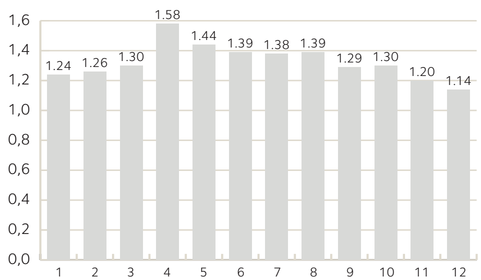
ENVIRONMENTAL OBLIGATIONS

Tulikivi's environmental strategy is geared towards making systematic progress in environmental matters in specified areas. All of Tulikivi Corporation's operational quarries have the environmental permits they require. Permit renewals are also in progress.

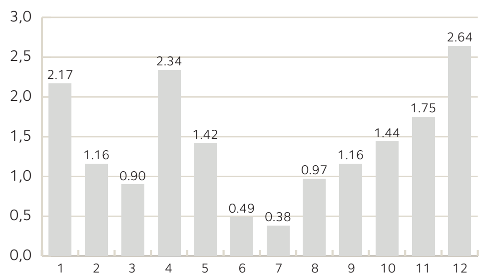
Under the Mining Act and environmental legislation, the Tulikivi Group has landscaping obligations that must be met when operating its quarries and after the quarries and plants are eventually shut down. No hazardous or poisonous substances are left in the environment as a result of the Group's operations.

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

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



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



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

Tulikivi's product groups

In addition to the essential operative and financial targets, the revamped Group strategy introduced at the beginning of the financial year also covers the new product group division. As a part of Tulikivi's growth strategy the company's products groups have been reorganised as of 1 January 2011.The main target of the product group division is to increase market orientation in Tulikivi's operations and thus support an increase in net sales. At the same time, control of product development has been transferred to the product groups. Tulikivi has seven product groups: Heat-retaining fireplaces, Tulikivi Green products, Design fireplaces, Lining stones, Utility ceramics, Saunas and Interior design stones. This division will not change the Group's current segment reporting.

The Management Group led by the Managing Director is responsible for ensuring that the strategic and financial goals are reached. A further task of the Management Group is to ensure the accurate targeting of the company's resources and to ensure the implementation of product group synergies.

The new logo

Tulikivi's new logo was taken into use in marketing communications as of 1 January 2011.The new logo represents the present day and the new product range. The actual logo contains the name and a grey, irregularly shaped background.

FUTURE OUTLOOK

In Finland, the demand outlook for fireplace products are good as a result of increasing new construction and rising consumer energy prices. In exports, the revival in new construction and increasing consumer confidence will increase the demand for fireplaces during the financial year. The demand for lining stone products will remain good.

New and innovative solutions in sauna and fireplace products and expanding distribution network will all increase net sales.

With growing sales and improved cost efficiency, the consolidated net sales are expected to be up from the previous year and the operating result is expected to improve significantly in 2011.

Order books at the end of the year amounted to EUR 6.3 (4.8) million.

MONITORING OF STRATEGY IMPLEMENTATION

The revised strategy put in place in the Group at the beginning of the financial period covers all key operating and financial targets to the end of 2015.Under the strategy, the company's organic growth target is an annual growth of over 10 per cent over the next few years, and the target for result before taxes is 10 per cent of net sales over the next five years. The target for return on equity is to exceed 20 per cent. Corporate acquisitions in support of the strategy are also possible. The Group's increase in net sales, return on investment and improvement in profitability remained below these targets and the main reasons were weak demand during the recession and demand focusing on products with a lower profit margin.

KEY RATIOS AND OWNERSHIP INFORMATION

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

GROUP STRUCTURE

The companies included in the Group are the parent company Tulikivi Corporation, its fixed establishment in Germany Tulikivi Oyj Niederlassung Deutschland and the subsidiaries Kivia Oy, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi. Group companies include The New Alberene Stone Company, Inc., which is dormant. The Group has interests in associated companies Stone Pole Oy, Leppävirran Matkailukeskus Oy and Rakentamisen MALL Oy.

CORPORATE GOVERNANCE STATEMENT

Tulikivi Corporation will issue its Corporate Governance Statement for 2010 separately from the Annual Report. The Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the 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 www.tulikivi.com./Investors/CorporateGovernance and Management.

THE BOARD'S PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's distributable equity amounts to EUR 10 116 thousand made up of EUR 7 334 thousand in the reserve for invested unrestricted equity and EUR 2 782 thousand of equity distributable as dividends. The results for the year made up EUR - 1 010 thousand of the distributable equity. The Board will propose to the Annual General Meeting that the distributable equity be used as follows:

- Dividend distribution
EUR 0.0250/share for Series A shares
EUR 0.0233/share for Series K shares
in total approximately EUR 909 thousand.
- EUR 9 207 thousand will be retained in equity.

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

Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 – Dec. 31, 2010	Jan. 1 – Dec. 31, 2009
Sales	2	55 895	53 143
Other operating income	5	652	557
Increase/decrease in inventories of finished goods and in work in progress		766	-979
Production for own use		437	309
Raw materials and consumables		11 503	10 164
External services		9 234	7 621
Personnel expenses	6	19 720	20 017
Depreciation and amortisation	7	4 733	5 306
Impairments	7	0	229
Other operating expenses	8	12 832	12 080
Operating profit/loss		-272	-2 387
Financial income	9	249	179
Financial expenses	10	-966	-1 109
Share of loss (-) / profit (+) of associates		-2	
Profit/loss before income tax		-991	-3 317
Income taxes expense	11	-173	-958
Profit/loss for the year		-818	-2 359
Other comprehensive income			
Cash flow hedges	10.2	**55**	-30
Translation differences	10.2	33	-22
Income tax on other comprehensive income	10.2	-14	8
Total comprehensive income for the year		-744	-2 403
Calculated from profit attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	-0,02	-0,06

Consolidated Statement of Financial Position

EUR 1 000	Note	Dec. 31, 2010	Dec. 31, 2009
Assets			
Non-current assets			
Property, plant and equipment	13	15 855	17 609
Goodwill	14, 15	4 174	4 174
Other intangible assets	14	10 796	10 626
Investment properties	16	252	258
Investments in associates	17	24	24
Other financial assets	18	27	27
Deferred tax assets	19	1 608	1 590
Total non-current assets		32 736	34 308
Current assets			
Inventories	20	10 939	10 191
Trade and other receivables	21	5 913	5 264
Current income tax receivables		47	308
Cash and cash equivalents	22	10 210	10 597
Total current assets		27 109	26 052
Total assets		59 845	60 360
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	6 314	6 314
Share premium	23		7 334
Treasury shares	23	-108	-108
The invested unrestricted equity fund	23	7 334	
Translation differences	23	-27	-60
Revaluation reserve	23	-41	-82
Retained earnings		8 659	10 387
Total equity		22 131	23 785
Non-current liabilities			
Deferred income tax liabilities	19	1 660	1 864
Provisions	26	965	1 006
Interest-bearing liabilities	27	20 385	19 954
Other liabilities	28	52	52
Total non-current liabilities		23 062	22 876
Current liabilities			
Trade and other payables	28	9 647	8 661
Current income tax liabilities		9	7
Provisions	26	104	256
Short-term interest-bearing liabilities	27	4 892	4 775
Total current liabilities		14 652	13 699
Total liabilities		37 714	36 575
Total equity and liabilities		59 845	60 360

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 - Dec. 31, 2010	Jan. 1 - Dec. 31, 2009
Cash flows from operating activities			
Profit for the period		-818	-2 359
Adjustments:			
Non-cash transactions	31	4 730	5 518
Interest expense and finance costs		967	1 109
Interest income		-244	-175
Dividend income		-5	-4
Income taxes	11	-173	-958
Changes in working capital:			
Change in trade and other receivables		-933	708
Change in inventories		-749	1 262
Change in trade and other payables		995	-488
Change in provisions		-194	334
Interest paid		-959	-1 108
Interest received		104	185
Dividends received		5	4
Income tax paid		198	-337
Net cash flow from operating activities		2 924	3 691
Cash flows from investing activities			
Proceeds from sale of investments in subsidiaries			92
Acquisition of investments in associates			-1
Purchases of property, plant and equipment (PPE)		-1 486	-1 010
Purchases of intangible assets		-1 708	-1 030
Grants received for intangible assets		162	152
Proceeds from sale of PPE		31	15
Disposals of other financial assets		24	
Net cash flow from investing activities		-2 977	-1 782
Cash flows from financing activities			
Proceeds from long-term borrowings		8 000	5 052
Repayments of borrowings		-7 452	-6 996
Purchase of own shares			-47
Dividends paid		909	-1 020
Net cash flow from financing activities		-361	-3 011
Net decrease (-) / increase (+) in cash and cash equivalents		-414	-1 102
Cash and cash equivalents at the beginning of the year		10 597	11 705
Exchange gains (+) / losses (-)		27	-6
Cash and cash equivalents at the end of the year	22	10 210	10 597

Consolidated statement of changes in equity

Attributable to equity holders of the Company	Share capital	Share premium fund	The invested unrestricted equity fund	Translation differences	Revaluation reserve	Treasury shares	Retained earnings	Total equity
EUR 1 000								
Equity								
Balance at January 1, 2009	6 314	7 334		-60	-78	-38	13 769	27 242
Total comprehensive income for the year				-22		-22	-2359	-2 403
Transactions with owners								
Dividends paid							-1 020	
Acquisition of treasury shares					-44			
Share-based payment transactions					13		-3	
Transactions with owners					-31		-1023	-1 054
Balance at December 31, 2009	6 314	7 334		-82	-108	-60	10 387	23 785
Balance at January 1, 2010								
Total comprehensive income for the year				41		33	-818	-745
Transactions with owners								
Dividends paid							-909	-909
Fund transfer		-7334	7334					0
Balance at December 31, 2010	6 314	0	7 334	-41	-108	-27	8 660	22 131

Notes to the Consolidated Financial Statements

BASIC INFORMATION OF THE GROUP
The parent company is Tulikivi Corporation (Business ID 0350080-1) and it is domiciled in Juuka. Its registered address is 83900 Juuka.

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

The Group has two operating 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, as well as lining stones for heaters. Natural stone products segment comprises interior decoration stone products and Stone 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, 2011. 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, 2009. 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, 2010.

In 2010 the Group will adopt the following standards and amendments and interpretations:
- Revised IFRS 3 Business combinations (effective as of 1 July 2009). The revised standard includes several significant changes. The changes broaden the scope of IFRS 3 and affect, amongst other, the amount of goodwill recognised as a result of acquisitions and the gain or loss on disposal of businesses. Contingent consideration is measured at fair value and any subsequent change in the fair value is recognised in profit or loss. Costs related to the acquisition, such as professional fees, are recognised as expenses instead of capitalisation. Non-controlling interest can be measured by transactions either at fair value or based on the parent's share of the acquiree's net assets.
- Amendments to IAS 27 Consolidated and separate financial statements (effective as of 1 July 2009). The amended standard affects accounting for step acquisitions and divestments. The effects of all transactions with non-controlling interests are recorded directly in equity if there is no change in control. Such transactions carried out with non-controlling interests do not generate goodwill or income or expenses in profit or loss. If control is lost, the remaining interest in the entity is remeasured at fair value in profit or loss. Corresponding method of accounting is applied to investments in associates and interests in joint ventures. In the future, losses can be allocated to the non-controlling interests in excess of the non-controlling interests in the equity of a subsidiary
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible hedged items (effective as of 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective as of 1 July 2009)
- IFRIC 18 Transfers of assets from customers
- Improvements to IFRSs (April 2009, mainly effective as of 1 January 2010). The improvements are still subject to endorsement by the European Union.
- Amendments to IFRS 2 Share-based Payment – Intra-group cash-settled share-based payment transaction (effective as of 1 January 2010). The amendments provide additional guidance on the accounting for intra-group share-based payment transactions. The amended standard is still subject to endorsement by the European Union.

The Group will adopt the following new/revised standards and interpretations in 2011:
- Amendments to IAS 32 Financial instruments: Presentation – Classification of Rights Issues (effective as of 1 February 2010). The amended standard is still subject to endorsement by the European Union.

- Revised IAS 24 Related Party Disclosures (effective as of 1 January 2011). The revised standard is still subject to endorsement by the European Union.
- 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 (effective as of 1 January 2011). The amended standard is still subject to endorsement by the European Union.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective as of 1 July 2010). IFRIC 19 requires retrospective application. The amended standard is still subject to endorsement by the European Union.

The Group will adopt the following new / revised standards and interpretations in 2013:
- IFRS 9 Financial Instruments (effective as of 1 January 2013). IFRS 9 is part of IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement standard. IFRS 9 is still subject to endorsement by the European Union.

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 2010 reporting period, with the exemption of amendments to IFRS 3. IFRS 3 includes several changes that affect the accounting for potential future business combinations but do not affect the measurement of business combinations already taken place.

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. CONSOLIDATION PRINCIPLES

SUBSIDIARIES

The consolidated financial statements include the parent company Tulikivi Corporation and all its subsidiaries. Subsidiaries are companies, over which the Group has control. Control exists when the Group owns more than half of the voting rights, or it has otherwise control. Also the existence of potential voting rights is considered when assessing the conditions of control if the instruments entitling to potential voting rights are exercisable. Control means the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

Intragroup share holdings are eliminated according to the purchase method. 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. The Group's share of the associated company's profit or loss for the year is separately disclosed after operating profit. During 2009 and 2010, there were no unrealised gains between the Group and its associated companies, and no changes were recognised in other comprehensive income

FOREIGN CURRENCY TRANSLATION

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

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rate prevailing at the transaction date. In practice, exchange rates close to the rates prevailing at the dates of the transactions are usually used. Monetary items are translated into functional currency using the exchange rates prevailing at the 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 changes 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.

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.

PROPERTY, PLANT AND EQUIPMENT
Tangible assets are measured in the balance sheet at cost less accumulated depreciation and impairment charges.

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

Depreciation has been calculated using the straight-line method based on the useful lives of the assets. Land areas are not depreciated except for mining areas, where depreciations are recognised based on the consumption of the rock material and stacking area filling time. The useful lives are as follows:
Buildings 25 to 30 years
Constructions 5 years
Process machinery 3 to10 years
Motor vehicles 5 to 8 years
Other property, plant and equipment 3 to 5 years
The acquisition cost of the equipment is amortised by 25 per cent outlay residue write-offs. Investment property buildings have a depreciation period of 10 to 20 years.
The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.
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 2009 and 2010.

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 on disposal is determined based on the difference between the sale price and residual value.

The Group has adopted the revised IAS 23 Borrowing costs standard. During years 2009 and 2010, the Group did not acquire, construct or produce any qualifying assets with directly attributable borrowing costs.

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.

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 the entity can demonstrate the technological and commercial feasibility of the product. Capitalised development costs comprise material, labour and test costs incurred in bringing the assets capable of operating in the manner intended by management. Development costs previously expensed cannot be capitalized later.
Amortisations of an asset are started when the asset is available for use. Assets not available for use are annually tested for impairment. After initial recognition, intangible assets shall be carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of the capitalized development costs is 5 to 10 years during which the capitalized 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.

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 methoQuarrying area roads and dams 5 years
Computer Software 3 to 5 years
Others 5 years
Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.
The useful live of trademarks related to Fireplaces Business –segment and to Other Operations -segment has been assessed to be indefinite, because there is no foreseeable limit to the period which these assets are expected to generate net cash inflows.

INVENTORIES

Inventories are 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 impairment assets are grouped at the lowest levels for which there are separately identifiable cash-generating units with separately identifiable cash flows. The recoverable amount 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 has an incentive plan in which payments are settled in equity instruments and in cash. The benefits granted are measured at fair value at the grant date and recognized as an expense in the income statement on the straight-line basis over the vesting and restriction period. For the cash-settled part the related liability and the change of the liability's fair value are expensed correspondingly. The impact of the incentive plan on the income statement is presented under personnel expenses. No incentive plan bonus was accumulated on the 2010 (2009) earnings period.

PROVISIONS

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. A provision is measured at the present value of the expenditure required to settle the obligation. The discount factor used in the calculation of the present value is determined so that it reflects the current market assessment of the time value of money 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 within the same item 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.

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 2010 and 2009.

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 2010 and 2009 reporting periods.

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. Credit accounts are included in current interest-bearing liabilities.

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 PROFIT/LOSS

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 profit/loss in the reporting.

CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING PRINCIPLES

In preparing the consolidated financial statements critical assumptions and judgments are made, the actual outcome of which might differ from the assumptions and estimates made previously. In addition, judgment is exercised in applying the accounting principles.

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. Operating segments

The Group has two operating segments, Fireplaces and Natural stone products. These operating segments 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 operating segments form Other items, which also includes finance costs and taxes. Expenses not allocated to segments include expenses of the Group administration and expenses pertaining to financial administration, financial expences and taxes. The segment reporting has been adjusted by allocating to the operating segments the data and personnel administration expenses, which were previously included in expenses not allocated to a segment. The comparison data have been changed accordingly.

The Group's segment information is based on internal management reporting, in which measurement principles of assets and liabilities are in accordance with IFRS. Evaluation of segment performance and decisions on resource allocation to segments are based on segments' operating profit. The management believes that this is the most suitable indicator of profitability in comparison to other companies operating in the industries in question. 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. Pricing between segments is based on market prices.

2.1. Operating segments

Fireplaces

Natural stone products

Other items

2010	Fireplaces	Natural Stone Products	Other items	Group
Sales				
External revenue	50 754	5 141		55 895
Operating profit/loss	2 227	-513	-1 986	-272
Finance income/expense, share of profit of associates and income taxes			-546	-546
Profit/loss 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	2 520	11	668	3 199
Depreciation and amortisation expenses	4 191	208	334	4 733
2009	Fireplaces	Natural Stone Products	Other items	Group
Sales				
External revenue	47 880	5 263		53 143
Operating profit/loss	-190	-253	-1 944	-2 387
Finance income/expense, share of profit of associates and income taxes			28	28
Profit/loss for the year				-2 359
Assets by segment	43 567	3 932	12 861	60 360
Liabilities by segment	8 274	633	27 668	36 575
Capital expenditure	1 797	14	246	2 057
Depreciation and amortisation expenses	4 933	292	310	5 535

*) 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.

2.2 Geographical information

2010	Finland	Rest of Europe	USA	Group
Sales	29 229	25 648	1 018	55 895
Assets by segment	58 145	1 319	381	59 845
2009	Finland	Rest of Europe	USA	Group
Sales	25 960	26 105	1 078	53 143
Assets by segment	58 541	1 205	614	60 360

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 entity's total revenue in 2010 (2009).

EUR 1 000

3. Business combinations

The Group has not undertaken any business combinations during the financial years 2010 and 2009.

4. Net sales per goods and services	2010	2009
Sales of goods	51 968	51 232
Rendering of services	3 927	1 911
Sales, total	55 895	53 143
5. Other operating income		
Proceeds from sale of PPE	27	4
Rental income from investment properties	34	40
Public grants	233	126
Other income	358	387
Other operating income, total	652	557
6. Employee benefit expense		
Wages and salaries	15 743	15 846
Pension costs - defined contribution plans	2 664	2 730
Share-based payment transactions		10
Other social security expenses	1 313	1 431
Employee benefit expense, total	19 720	20 017
6.1. Group's average number of personnel for the financial period		
Fireplaces	343	355
Natural stone products	40	40
Other operations	21	22
Personnel, total	404	417

Information on key management personnel compensation is disclosed in note 36.5. Key management compensation. Information on share-based payments to management is disclosed in note 23. Share-based payments.

EUR 1 000	2010	2009
7. Depreciation, amortisation and impairment		
Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	25	22
Capitalised development costs	339	241
Other intangible assets	672	759
Amortisation on quarries based on the unit of production method *)	318	271
Depreciation of intangible assets, total	1 354	1 293
Tangible assets		
Buildings	590	618
Machinery and equipment	2 409	2 852
Motor vehicles	263	303
Amortisation on land areas based on the unit of production method *)	28	36
Other tangible assets	82	197
Depreciation of tangible assets, total	3 372	4 006
Investment property		
Buildings	7	7
Impairment by class of assets		
Trademark		229
Total depreciation, amortisation and impairment	4 733	5 535

*) The Group applies unit of production method based on the usage of stone 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 stone material or stacking area filling time.

8. Other operating expenses		
Losses on sales of tangible assets	2	8
Operating expenses of investment properties	4	4
Rental expenses	1 256	1 516
Maintenance of real estates	24	23
Marketing expenses	3 461	3 123
Other variable production costs	3 696	3 375
Other expenses	4 389	4 031
Other operating expenses, total	12 832	12 080

8.1. Research and development expenditure

Research and development costs expensed totalled EUR 1 458 thousand (1 214 thousand in 2009).

8.2. Auditors' fees		
Audit fees	42	46
Tax advice	4	13
Other fees	48	42
Audit fees, total	94	101

EUR 1 000	2010	2009
9. Finance income		
Dividend income	5	4
Changes in fair values of derivative contracts	110	
Foreign exchange transaction gains	83	100
Interest income on trade receivables	14	15
Other interest income	37	60
Finance income, total	249	179
10. Finance expense		
10.1. Items recognised in profit or loss		
Changes in fair values of derivative contracts		106
Interest expenses on financial liabilities at amortised cost and other liabilities	762	800
Foreign exchange transactions losses	87	118
Other finance expense	117	85
Finance expense, total	966	1109

Changes in fair value due to risk hedged with interest rate swaps are recognised as adjustments to interest expenses, in total EUR -174 (-97) thousand in accordance with the cash flow hedging policy.

10.2. Other comprehensive income

Financial items recognised in other comprehensive income:	2010			2009		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	55	-14	41	-30	8	-22
Translation differences	33		33	-22		-22
Other comprehensive income, total	88	-14	74	-52	8	-44

	2010	2009
11. Income taxes		
Current tax	43	-75
Tax carried from previous years	22	22
Transfer of income taxes to the revaluation reserve	-14	8
Deferred tax	-224	-913
Income taxes, total	-173	-958
The reconciliation between Income statement tax expense and tax calculated based on Group's domestic tax base (26%).		
Profit before tax	-991	-3 317
Tax calculated at domestic tax rates	-258	-862
Effect of foreign subsidiaries and branch offices different tax bases	-76	-34
Income not subject to tax	-1	-1
Expenses not deductible for tax purposes	118	87
Tax losses for which no deferred income tax asset was recognised	12	-196
Tax carried from previous years	22	22
Other	10	26
Income statement tax expense	-173	-958

EUR 1 000	2010	2009
12. Earnings per share		
Earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year.		
Profit attributable to equity holders of the parent company (EUR 1 000)	-818	-2 359
Weighted average number of shares for the financial period	37 019 770	37 023 708
Basic/diluted earnings per share (EUR)	-0.02	-0.06

13. Property, plant and equipment 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		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		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

The group did not receive any grants for machinery and equipment in 2010 (any grants in 2009).

The Group’s production machinery within property, plant and equipment has carrying amount of EUR 5 311 (6 615) thousand.

2009	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 266	15 094	43 263	3 671	2 445	51	65 790
Additions		15	884	108	65		1 072
Disposals			11	77		29	117
Cost December 31	1 266	15 109	44 136	3 702	2 510	22	66 745
Accumulated depreciation and impairment January 1	217	7 070	33 827	2 811	1 269		45 194
Depreciation	36	618	2 852	303	197		4 006
Depreciation related to the disposals			6	58			64
Accumulated depreciation and impairment December 31	253	7 688	36 673	3 056	1 466		49 136
Property, plant and equipment, Net book amount January 1, 2009	1 049	8 024	9 436	860	1 176	51	20 596
Property, plant and equipment, Net book amount December 31, 2009	1 013	7 421	7 463	646	1 044	22	17 609

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2010

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 January 1		892	633	7 829	155	2 969	3 055	15 533
Depreciation		25	339	316	21	116	538	1 355
Depreciation 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

The group received grants totalling to EUR 177 (97) thousand for development costs. The grants have been recognised as deduction of the carrying amount.

Internally generated intangible assets are mainly costs incurred from opening new quarries 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 4 340 (3 893) thousand in total. Costs from opening quarry lands are a few €/m3 for the total stone reserves of the quarry in question. All stone reserves do not have carrying amounts. 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 36 (55) thousand of expenditures relating to mineral resources exploration and evaluation have been recognised directly as an expense in the income statement.

2009	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	4 266	3 712	1 253	9 982	164	4 402	5 681	29 460
Additions		18		147	74	160	250	649
Disposals	92						21	113
Capitalised development costs			336					336
Cost December 31	4 174	3 730	1 589	10 129	238	4 562	5 910	30 332
Accumulated amortisation January 1		641	370	7 388	135	2 907	2 591	14 031
Depreciation		22	263	441	20	62	485	1 293
Impairment		229						229
Depreciation related to the disposals							21	21
Accumulated amortisation and impairment December 31		892	633	7 829	155	2 969	3 055	15 533
Goodwill and other intangible assets, Net book amount January 1, 2009	4 266	3 071	883	2 594	29	1 495	3 090	15 428
Goodwill and other intangible assets, Net book amount December 31, 2009	4 174	2 838	956	2 300	84	1 593	2 855	14 800

EUR 1 000

15. Goodwill

15.1. Goodwill allocation

For the purpose of impairment testing EUR 4.2 million (EUR 4,2 million) of goodwill has been allocated to Ceramic fireplaces unit under Fireplaces operating segment and EUR 0.6 million to Natural stone products operating 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
2010		
Goodwill	632	3 542
Trademark		2 712
Total	632	6 254
2009		
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 % (7.6 - 7.8 % in 2009), 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 3.4% 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 8.3% due to the economic cycle.

The Utility ceramics unit no longer has goodwill or other assets with indefinite useful lives. Thus, goodwill related to the Utility ceramics unit is no longer separately tested. The residual values and useful lives of the Utility ceramics unit's items of property, plant and equipment are reviewed regularly at least at the end of each reporting period in accordance with the Group's standard practices regarding property, plant and equipment.

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 margin development of Kermansavi fireplaces has been normalised compared to the exceptionally low margin level in 2009. The sales margin of natural stone products corresponds to the realised level of previous years. The Group does not expect any material changes to occur in the sales margin during the forecast period.
2. Budgeted market share is determined based on the previous year's actual market share. The value of the assumption is based on actual development. The market share is not expected to change materially, when continuous product development and anticipated tightening of competition is taken into account.
3. Budgeted royalty percentage, which is the amount that an external party would be willing to pay for a license agreement, determined based on actual data in the industry.

4. The discount rate is defined as the weighted average cost of capital (WACC) where the cost of capital is weighted average cost of equity and liabilities.

Discount rate and growth rate	Natural Stone Products			Kermansavi Fireplaces
	2010	2009	2010	2009
Discount rate	6.7	7.6	6.9	7.8
Growth rate (average for the forecast period)	8.3	7.0	3.4	7.0
			2010	2009
With the assumptions, the recoverable amount exceeded the carrying amount as follows:				
Natural stone products			476	290
Fireplaces			5 580	400

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.

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

	Discount rate		Profit change, % of set targets	
	2010	2009	2010	2009
Natural Stone Products	7.7	8.1	-15 %	-10 %
Fireplaces	10.4	8.1	-37 %	-5 %

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	
	2010	2009	2010	2009
Natural Stone Products	-19	-200	-149	-380
Fireplaces	-	-950	-	-1500

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 112 (84) 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.

	2010		2009	
16. Investment property	Land	Buildings	Land	Buildings
Acquisition cost January 1 and December 31	188	187	188	187
Reclassification from property, plant and equipment / buildings				
Cost December 31	188	187	188	187
Accumulated depreciation and impairment January 1		117		110
Disposals		6		7
Accumulated depreciation and impairment December 31		123		117
Net book amount January 1	188	70	188	77
Net book amount December 31	188	64	188	70
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					2010	2009
Shares and interest in associates						
Acquisition cost January 1 and December 31					24	24
Share of the (loss)/profit of associates					-2	1
Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000): 2010	Domicile	Assets	Liabilities	Sales	Profit/Loss	% of Shares
Leppävirran Matkailukeskus Oy	Leppävirta	81	9	90	-6	33.0
Stone Pole Oy	Juuka	233	252	443	1	27.3
Rakentamisen MALL Oy	Helsinki	9	17	72	-10	20.0
2009						
Leppävirran Matkailukeskus Oy	Leppävirta	81	3	85	3	33.0
Stone Pole Oy	Juuka	255	265	187	-7	27.3
Rakentamisen MALL Oy (no operation in 2009)	Helsinki	2	2			20.0

Stone Pole Oy is a stone business development company. The purpose of the limited liability company Leppävirran Matkailukeskus Oy is to lease and own real estates that relate to or serve tourism. The purpose of Rakentamisen MALL Oy is to develop its holding companies' operation in markets.

18. Other financial assets	2010	2009
Financial assets available for sale		
Balance sheet value January 1	27	27
Balance sheet value December 31	27	27

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

EUR 1 000

19. Deferred tax assets and liabilities					
19.1. 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		-3	-1 660
Changes in deferred taxes during year 2009:	Jan. 1, 2009	Recognised through profit and loss	Recognised in other comprehensive income	Translation differences	Dec. 31, 2009
Deferred tax assets:					
Provisions	224	87			311
Unused tax losses	13	94		-1	106
Accumulated negative depreciation difference	250	474			724
Change in the revaluation reserve	21		8		29
Measurement of derivatives at fair value	43	28			71
Other items	304	45			349
Deferred tax assets, total	855	728	8	-1	1 590
Deferred tax liabilities:					
Capitalisation of intangible assets	-191	-24			-214
The effect of the business combinations	-1 710	233			-1 477
Other items	-142	-32		1	-173
Deferred tax liabilities, total	-2 043	177		1	-1 864

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.

20. Inventories	2010	2009
Raw materials and consumables	5 188	5 205
Finished goods	5 751	4 986
Inventories, total	10 939	10 191

The cost of inventories recognized as expense amounted to EUR 31 725 (31 367) thousand.

At the end of the financial year, a write-down of EUR 93 (153) thousand was recognised on inventories to lower the carrying amount to correspond to the net realisable value.

EUR 1 000	2010		2009
21. Trade and other receivables			
21.1. Current trade and other receivables			
Trade receivables	4 987		4 135
Trade receivables from associates			1
Current tax assets based on the taxable income for the financial period	47		308
Accrued incomes			
Grant receivables	173		108
Prepayments	260		125
Other accrued income	295		505
Other receivables	198		82
Current receivables, total	5 960		5 264
21.2. Aging analysis of trade receivables and impairment losses at balance sheet date	Gross	Impairment	Net
2010			
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	4 987
2009			
Not past due	3 627		3 627
Past due 1-30 days	292		292
Past due 31-60 days	66		66
Past due 61-90 days	13		13
Past due over 90 days	530	393	137
Total	4 528	393	4 135

EUR 1 000

21.3. Trade receivables by risk categories	Gross	Impairment	Net
2010			
Largest customers by customer groups			
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
2009			
Largest customers by customer groups	Gross	Impairment	Net
Stove producers	477		477
Distributors of fireplaces in foreign countries	1 361	271	1 090
Construction companies	589		589
Distributors in home country	1 264	68	1 196
End users	837	54	783
Total	4 528	393	4 135
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	2 010	2 009
Cash in hand and at bank	10 210	10 597

At the balance sheet date, fixed-term deposit under cash and cash equivalents amounted to eur 8 118 (7 702) 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)	27 594 170	74,3	22,4	4 692 675
Total at December 31, 2010	37 134 170	100,0	100,0	6 314 475

Effect of changes in the number of shares and of fund transfer	Number of shares	Share capital, EUR	Share premium fund, EUR	Treasury shares, EUR	Total, EUR
December 31, 2008	37 069 970	6 314 475	7 334 116	-77 657	13 570 934
Acquisition of own shares	-60 000			-43 874	-43 874
Disposal of own shares	9 800			13 212	13 212
December 31, 2009	37 019 770	6 314 475	7 334 116	-108 319	13 540 272
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

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 reserve

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

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 has an incentive plan that includes an incentive pay scheme for all personnel and a share-based incentive plan for the Management Group and certain key personnel nominated by the Board.

Share based payments: The share-based plan, implemented in 2008, comprised three earning periods, which were the calendar years 2008, 2009 and 2010. Under the plan, the bonus would be based on the Group's result after financial items and on cash flow from operating activities after investing activities , and in 2010 could have amounted to a maximum of 218 750 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. No incentive plan bonus was accumulated on the 2010 (2009) earnings period. Profit per cash flow in 2008 entitled to 10% of the maxium remuneration in accordance with the incentive arragement. The personnel included in the incentive arrangement were granted in total 9 800 A series shares. The shares cannot be transferred during a two-year commitment period. The impact of the share-based remuneteration on profit for the period 2009 was nearly EUR 10 thousand. The grant of the incentive arrangement was 18 April 2008 and share price at the grant was EUR 1.50 per share.

Treasury shares

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

During the reporting period, Tulikivi Oyj has not acquired any own shares (has acquided 60 000 own shares in 2009) and disposed 0 (9 800) own shares based on the authorisation given by the Annual General Meeting on March 14, 2010 (March 31, 2009). The acquisition price has been the market price of the share at the time of acquisition. 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 of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

	Period	Number of shares	Consideration transferred (average), EUR	Consideration transferred (range), EUR
Own A-shares held by the Company at January 1, 2009		74 000		
The Company purchased its own shares during the financial period of 2009 as follows:	1 - 31 Jan 2009	18 370	0.766	0.72 - 0.83
	1 - 28 Feb 2009	12 100	0.731	0.71 - 0.77
	1 - 31 Mar 2009	29 530	0.709	0.68 - 0.73
Total acquisitions at December 31, 2009		134 000	0.940	0.71 - 1.34
The company has disposed shares during the reporting period	June 16, 2009	9 800	0.017	
The company holds own A shares at December 31, 2010 and December 31, 2009		124 200		

EUR 1 000

24. Dividends

In 2010, 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 (in 2009, EUR 0.0280 per share for A series shares and EUR 0.0263 per share for K series shares, in total EUR 1 022 thousand). The Board of Directors has proposed after the reporting date that a dividend of EUR 0.0250 per share will be paid for A series shares and and a dividend of 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 2010 (2009).

26. Provisions

	Environmental provision		Warranty provision		Restructuring provision	
	2010	2009	2010	2009	2010	2009
Provisions January 1	589	457	417	462	256	
Increase in provisions	28	115	147	128		968
Effect of discounting, change	-35	21				
Used provisions	-7	-4	-149	-173	-152	-712
Discharge on recerves			-25			
Provisions December 31	575	589	390	417	104	256

Environmental provision
A provision for Tulikivi Group's estimable environmental obligations has been recognised. The provision covers the costs from future closure of quarries related to monitoring waters, security arrangements and stacking area lining work. For the quarries open at the moment, the costs are estimated to incur on average in twelve years from now. The discount rate used in determining the present value is 4 (4) per cent. The undiscounted amount of environmental provision was EUR 904 (883) thousand.

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

Restructuring provision
During the reporting period EUR 152 thousand of the restructuring provision recognised in 2009 was used. The provision was recognised in 2009 to be used for the co-operation negotiations and in rents of unused office premises as part of the centralisation and profitability program.

	2010	2009
Non-current provisions	965	1006
Current provisions	104	256
Total	1069	1 262
27. Interest-bearing liabilities		
Balance sheet value	25 277	24 729
27.1 Non-current		
Bank borrowings	11 176	13 173
TyEL pension loans	8 914	5 771
Other non-current interest bearing liabilities	295	1 010

EUR 1 000	2010	2009
27.2. Current		
Current portion of non-current bank borrowings and of TyEL pension loans	4 176	4 019
Current portion of other non-current financial liabilities	716	755
Non-current interest bearing loans expire as follows:		
2010		4 775
2011	4 892	6 000
2012	5 904	4 358
2013	4 874	3 445
2014	4 658	3 229
2015	3 681	2 297
Later	1 268	625
Total	25 277	24 729

27.3. The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

At December 31, 2010 interest-bearing non-current liabilities effective interest rate weighted average was 3.5 per cent (3.6 per cent) including the effect of interest rate swaps and 2.8 per cent (2.6 per cent) excluding the effect of the interest rate swaps.

Fair values of interest-bearing liabilities:
The fair value of financial liabilities is was total EUR 25.3 million (EUR 24.9 million) and the carrying amount EUR 25.3 million (EUR 24.7 milion). In order to manage interest rate risk the group has entered into interest rate swaps, amounting to EUR 5.8 million (EUR 7.3 million).

Special terms financing
Total amount of EUR 13.9 (13.0) 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	2010	2009
28.1. Non-current		
Other liabilities	52	52
28.2. Current		
Trade payable	2 688	2 144
Advances received	67	33
Accrued expenses		
Wages and social security expenses	4 162	3 813
Discounts and marketing expenses	431	572
External services	1 087	390
Interest liabilities	286	442
Other accrued expenses	127	559
Amounts due to associates	42	2
Other liabilities	757	706
Current trade and other payables, total	9 647	8 661

Other accrued expenses comprise accrued interest expenses and 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 liquidity of the Group companies is centralised by consolidated accounts. The group treasury is responsible for investing the liquidity surplus and for financial risk management in accordance with the policies approved by the Board of Directors.

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 141 (87) thousand, RUB 6,0 (4,0) million, at the reporting date in 2010 (2009). 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:

	2010		2009	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets		65		40
Non-current liabilities			31	
Current assets	408	479	662	303
Current liabilities	4	79	3	52
Net position	404	465	628	291

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2010 and 2009. 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.

		2010 Income statement		2009 Income statement
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes		+/- 40		+/- 63
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes		+/- 32		+/- 20

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 13.7 (16.6) million representing 54.3 per cent (67.1 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 5.8 (7.3) million. Based on these interest rate swaps the group receives floating rate interest based on Euribor rates (EUR 4.1 million / 3 months, EUR 1.7 million / 6 months) and pays fixed interest on average 3.9 (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 56 (111) thousand at the balance sheet date, are rocognized in the revaluation reserve under equity. The fair value changes of other interest rate swaps resulted in a profit of EUR 109 (a loss of EUR 106) thousand, which has been recognized through profit and loss.
Cumulative interest rate risk of the loans is EUR 298 thousand (383 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		2010		2009
EUR 1 000		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		11 557		8 135
Floating rate instruments				
Financial assets		10 209		10 597
Financial liabilities		13 720		16 593

29.3.Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single costumer or a group of customers is not material for the Group. The aggregate amount of the credit losses on trade receivables and the impairment losses on other receivables recognised in the income statement during the financial year totalled EUR 47 (244) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 53.0 (41.8) 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. The risk related to financial instruments is that the counterparty fails to meet its contractual obligations. Liquid assets are invested in targets with good credit standing. Derivative contracts are only entered into the banks having a good credit rating.

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 2.5 (6.0) 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, 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

December 31, 2009						
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	22 963	5 000	4 585	5 820	11 626	2 987
Cash flows from derivatives			201	101	39	
Hire purchase liabilities	1 766		773	723	296	
Credit limit accounts		1 000				
Trade and other payables	8 712		8 660	52		
Total	33 441	6 000	14 219	6 696	11 961	2 987
Derivatives, nominal value Interest rate swaps				**2010**		**2009**
Arrive at maturity 2010						1 498
Arrive at maturity 2011				4 615		4 615
Arrive at maturity 2012				471		471
Arrive at maturity 2013				471		471
Arrive at maturity 2014				235		236
Arrive at maturity 2015						
Total Interest rate swaps				5 792		7 291

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

The group calculates equity ratio using the following formula

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

				2010		2009
Equity				22 131		23 785
Balance sheet total				59 845		60 360
Advances received				67		33
Solvency ratio, %				37.0		39.4

The Group's credit rating is A.

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

EUR 1 000

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 assets						
Other financial assets			50		50	50
Short-term 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 liabilities						
Interest bearing liabilities				20 385	20 385	20 156
Derivatives	148*)				148	148
Other long-term liabilities				52	52	52
Short-term 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

EUR 1 000						
Balance sheet, 2009	Financial assets or liabilities at fair value through profit or loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Carrying amounts of balance sheet items	Fair value
Long-term assets						
Other financial assets			51		51	51
Short-term assets						
Trade and other receivables		4 217			4 217	4 217
Cash and cash equivalents		10 597			10 597	10 597
Carrying amounts of financial assets by categories		14 814	51		14 865	14 865
Long-term liabilities						
Interest bearing liabilities				19 954	19 954	19 903
Derivatives	311 *)				311	311
Other long-term liabilities				52	52	52
Short-term liabilities						
Interest bearing liabilities				4 775	4 775	4 964
Trade and other payables				2 852	2 852	2 852
Carrying amounts of financial liabilities by categories	311			27 633	27 944	28 082

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

31. Adjustments of cash generated from operations	2010	2009
Non-cash transactions:		
Depreciations and amortizations	**4 733**	**5 306**
Impairment	0	229
Exchange differences	27	-37
Other	-30	20
Non-cash transactions, total	4 730	5 518

32. Leases

Operating leases

32.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:	2010	2009
Not later than 1 year	1 039	979
Later than 1 year and not later than 5 years	916	116

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 2010 includes expensed lease rentals EUR 1 187 (1 129) thousand.

EUR 1 000	2010	2009
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	46	36
Later than 1 year and not later than 5 years	62	9
33. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	23 566	19 113
Credit limits	1 000	1 000
Other long-term liabilities	1 010	1 766
Real estate mortgages given	12 695	11 288
Company mortgages given	15 696	14 896
Object for purchase	1 010	1 766
Pledged leaseholds	219	219
Total given mortgages and pledges	29 620	28 169
Other own liabilities for which guarantees have been given		
Guarantees	837	817
Total other commitments	35	35
Total other own liabilities for which guarantees have been given	872	852
Real estate mortgages given	940	817
Pledges given	35	35
Total given guarantees on behalf of other own liabilities	975	852
Leasing commitments		
Due during the financial year 2011	26	26
Due later	47	72
Leasing commitments, total	73	98
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps, nominal value	5 792	7 291
Interest rate swaps, fair value	-143	-307
Forward contracts, nominal value	141	87
Forward contracts, fair value	-5	-5
Obligation to repay VAT deductions made in earlier periods	110	79

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 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.

In 2010, quarrying operations were discontinued in the Verikallio quarry in Kuhmo. The stacking area of Verikallio has been covered. Also the old land filling bank of the Heinävesi plant has been landscaped. In accordance with the permit obligations, environmental monitoring of these areas is continued for the time being.

35. Indicators relating to environmental obligation	2010	2009	2008
Use of energy, electricity MWh	14 091	13 826	14 987
Use of oil, m^3	870	737	825
District and wood chips heating, MWh	1 650	1 757	1 457
Liquid gas, tonne	287	197	348
Fuel for vehicles was used in total 500 (490) tonne, explosives 137 (70) tonne.			
Transfer of soil and use of raw material			
Soapstone, 1 000 fixed-m^3 gross	68	124	144
Soil and residual rock material, 1 000 m^3 (detached material)	362	505	115

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 2010 61 (81) 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	6	5	7

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 2010 97 400 cubic meter new process water and 8 368 cubic meter domestic water was taken in group's production processes. Process waters have closed circulation except for the production plant in Kuhmo. In Kuhmo as well as in the Espoo, Taivassalo and Heinävesi production plants process waters are treated in sedimentation basins. Process waters are extracted through sedimentation basins to the water system. Quarry waters are led to the water system through sedimentation basins. Domestic waste water is led to the municipal waste water system or in absence of such a system, in filted fields.

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 Oyj, 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

Associated companies		2010		2009
Stone Pole Oy, Juuka		27		27
Leppävirran Matkailukeskus Oy, Leppävirta		33		33
Rakentamisen MALL Oy, Helsinki		20		20
36.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
2010				
Associated companies	6	240	1	2
2009				
Associated companies	7	148	1	2
36.3. Transactions with key management				
Leases from related parties		111		109
At December 31, 2010, the Group had receivables of 1 000 euros from key management (no receivables in 2009).				
36.4. Transactions with other related parties				

Tulikivi Corporation is a founder member of Finnish Stone Research Foundation. In 2010 the company has donated EUR 10 (33) thousand to the foundation. In addition, the company has leased offices and storages from the property owned by the foundation and North Karelian Educational Federation of Municipalities. The rent paid for these facilities was EUR 132 (131) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 10 (41) thousand in 2010 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 9 thousand from Foundation at the reporting date.

36.5. Key management compensation				
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.		421		426
Other long term employee benefits		63		62
Salaries and commissions				
Managing Director		234		243
Members of the Board of Directors				
Bishop Ambrosius		16		16
Erma Juhani		30		27
Makkonen Eero				16
Pohjanvirta Olli		16		
Rönkkö Markku		17		17
Toivanen-Koivisto Maarit		16		16
Virtaala Matti		92		91
Vauhkonen Heikki: Board Member fee is included in the remuneration of the CEO presented above.				

37. Events following the end of the financial year

Tulikivi's product groups
In addition to the essential operative and financial targets, the revamped Group strategy introduced at the beginning of the financial year also covers the new product group division. As a part of Tulikivi's growth strategy the company's products groups have been reorganised as of 1 January 2011. The main target of the product group division is to increase market orientation in Tulikivi's operations and thus support an increase in net sales. At the same time, control of product development has been transferred to the product groups. Tulikivi has seven product groups: Heat-retaining fireplaces, Tulikivi Green products, Design fireplaces, Lining stones, Utility ceramics, Saunas and Interior design stones. This division will not change the Group's current segment reporting.

The Management Group led by the Managing Director is responsible for ensuring that the strategic and financial goals are reached. A further task of the Management Group is to ensure the accurate targeting of the company's resources and to ensure the implementation of product group synergies.

The new logo
Tulikivi's new logo was taken into use in marketing communications as of January 1, 2011. The new logo represents the present day and the new product range. The actual logo contains the name and a grey, irregularly shaped background.

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, changes in market situation and market position, raw material reserves, amendments to laws and decrees, business operations as a whole, reputation of the company and the raw materials, and large investments.

Unfavorable Changes in Operating Environment, Market Situation and Market Position

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. Economic fluctuations are reflected in the demand for the Group's products at different times in different countries. Allocation of economic and human resources in the right market areas from the point of view of demand, as well as entering new market areas, reduces the effects of recession. Changing competitive environment and substitute products entering the market can have a negative effect on 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. Recession may also affect consumers' choices by making price the dominant factor instead of product features.

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 develop 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.

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

Operational and Process Risks

Operational risks are related to the consequences of human activities, failures in internal company processes or external events. The operational risks of factory operations are minimized by means such as compliance with the company's operating manual and systematic development efforts. Introduction of new production techniques and commissioning of production plants involves risks related to expenses and capacity. Careful planning and training of personnel are used as protection against these risks. Dependence on key goods supplies might increase the Group's material costs or the costs of machinery or their spare parts or affect production. 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. 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. The implemented information system development project includes both operational and information technology risks. The risks are managed by sufficiently extensive mapping of system characters, advance planning and careful contract preparation.

In line with the nature of the Group's business, trade receivables and inventories are major balance sheet items. The credit loss risk of trade receivables is managed by means of a consistent credit granting policy, insuring receivables and effective collection.

The Group's core expertise involves its core business processes, including sales, product development, quarrying, manufacture, procurements and logistics, as well as the necessary support functions, which include information administration, finance, HR and communications. An unforeseen drain in the core expertise or decrease in personnel's development ability 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 by hiring competent new employees. 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 breakdown, for instance, could therefore cause major damage to assets or loss of profits as well as other indirect adverse impacts on the Group's operations. The Group seeks to protect itself against such risks by evaluating its production plants and processes from the perspective of risk management. Damage, casualty and loss risks also include occupational health and protection risks, environmental risks and accident risks. The Group regularly reviews its insurance coverage as part of overall risk management. Insurance policies are taken out to cover the risks that it is prudent to insure for business or other reasons.

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

FINANCIAL RISKS

The Group's business exposes it to a variety of financial risks. Risk management seeks to minimize the potential adverse effects of changes in the financial markets on the Group's result. The main financial risks are foreign exchange risk, interest rate risk, credit risk and liquidity risk. Financial risks and their management are presented in greater detail in section 29 of the notes to the consolidated financial statements.

Development of the Group by Quartal and Business Area

MEUR	Q4/2010	Q3/2010	Q2/2010	Q1/2010	Q4/2009	Q3/2009	Q2/2009	Q1/2009
Sales	16.6	13.9	14.7	10.7	15.6	13.5	13.0	11.0
Fireplaces business	15.5	12.8	13.0	9.5	14.4	12.4	11.4	9.6
Natural stone products business	1.1	1.1	1.7	1.2	1.2	1.1	1.6	1.4
Operating profit/loss	0.8	0.2	0.4	-1.7	0.3	0.6	-0.6	-2.7
Fireplaces business	1.6	0.9	0.8	-1.1	1.0	1.2	-0.2	-2.2
Natural stone products business	-0.2	-0.2	0.1	-0.2	-0.2	0.0	0.0	-0.1
Other items	-0.6	-0.5	-0.5	-0.4	-0.5	-0.6	-0.4	-0.4

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000	2006	2007	2008	2009	2010
Income statement					
	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	82 149	69 887	66 502	53 143	55 895
Change, %	40.1	-14.9	-4.8	-20.1	5.2
Operating profit/loss	8 230	965	3 246	-2 387	-272
% of turnover	10.0	1.4	4.9	-4.5	-0.5
Finance incomes and expenses and share of loss of associated companies	-430	-805	-1 187	-930	-719
Profit/loss before tax	7 800	160	2 063	-3 317	-991
% of turnover	9.5	0.2	3.1	-6.2	-1.8
Income taxes	2 075	-201	634	958	173
Profit/loss for the year	5 725	361	1 429	-2 359	-818
Balance sheet					
Assets					
Non current assets	40 540	40 443	37 196	34 308	32 736
Inventories	10 611	12 660	11 452	10 191	10 939
Cash and cash equivalents	4 913	3 765	11 705	10 597	10 210
Other current assets	10 444	5 926	5 742	5 264	5 960
Equity and liabilities					
Equity	30 711	27 571	27 242	23 785	22 131
Interest bearing liabilities	17 463	21 612	26 725	24 729	25 277
Non-interest bearing liabilities	18 334	13 611	12 128	11 846	12 437
Balance sheet total	66 508	62 794	66 095	60 360	59 845

Financial Ratios 2006 - 2010

	2006	2007	2008	2009	2010
	IFRS	IFRS	IFRS	IFRS	IFRS
Return on equity, %	20.4	1.2	5.2	-9.2	-3.6
Return on investments, %	21.7	2.5	6.8	-4.3	-0.1
Solvency ratio, %	46.2	43.9	41.2	39.4	37.0
Net indebtness ratio, %	40.9	64.7	55.1	59.4	68.1
Current ratio	1.5	1.6	2.0	1.9	1.9
Gross investments, EUR 1 000	24 118	5 267	2 925	2 126	3 376
% of turnover	29.4	7.5	4.4	4.0	6.0
Research and development costs, EUR 1 000	1 832	1 589	1 799	1 666	2 180
% of turnover	2.2	2.3	2.7	3.1	3.9
Development costs (net), capitalised, EUR 1 000	265	98	422	452	504
Order book, EUR million	10.4	6.9	4.9	4.8	6.3
Average personnel	664	682	526	417	404
Key indicators per share					
Earnings per share, EUR	0.16	0.01	0.04	-0.06	-0.02
Equity per share, EUR	0.83	0.74	0.73	0.64	0.60
Dividends					
Nominal dividend per share, EUR					
A share	0.090	0.0450	0.0280	0.0250	0.0250 *)
K share	0.088	0.0433	0.0263	0.0233	0.0233 *)
Dividend per earnings, %	58.1	457.9	71.5	-38.5	-111.1
Effective dividend yield, %/A shares	2.6	2.9	4.2	2.4	2.2
Price/earnings ratio, EUR	22.6	160.3	16.8	-16.6	-52.5
Highest share price, EUR	4.05	3.75	1.88	1.30	1.79
Lowest share price, EUR	2.04	1.53	0.60	0.67	1.07
Average share price, EUR	3.18	2.69	1.28	0.96	1.31
Closing price December 31, EUR	3.51	1.56	0.67	1.06	1.16
Market capitalization, EUR 1 000	130 375	57 945	24 837	39 241	42 943
(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)	7 454	5 369	2 455	3 959	4 647
% of the total amount	27.0	19.4	8.9	14.4	16.9
The average issue-adjusted number of shares for the financial year (1 000 pcs)	36 785	37 144	37 128	37 024	37 020
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	37 144	37 144	37 070	37 020	37 020

*) According to the proposal of the Board of Directors.

Calculations of Key Ratios

Key figures describing financial development		
Return on equity (ROE), % =	100 x	Profit for the year / Average shareholders' equity during the year
Return on investments (ROI), % =	100 x	Profit before income tax + interest and other finance expenses / 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 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	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, 2010	Jan. 1 – Dec. 31, 2009
Net Sales	1.1.	55 296	52 574
Increase (+) / decrease (–) in inventories			
in finished goods and in work in progress		699	–928
Production for own use		304	163
Other operating income	1.2.	846	771
Materials and services			
Purchases during the fiscal year		11 492	9 768
Change in inventories, increase (–) / decrease (+)		14	261
External charges		9 143	7 583
Materials and services, total		20 649	17 612
Pension expenses			
Salaries and wages		15 551	15 732
Other social security expenses			
Pension expenses		2 657	2 714
Other social security expenses		895	986
Personnel expenses, total		19 103	19 432
Depreciation and value adjustments	1.4.	4 513	4 966
Other operating expenses	1.5.	13 287	12 176
Operating profit/loss		-407	-1 606

Continues on the next page.

		Jan. 1 - Dec. 31, 2010	Jan. 1 - Dec. 31, 2009
Financial income and expenses			
Income from non-current investments			
Income from others		5	4
Other financial income			
Interest income from group companies		10	14
Interest income from others		70	97
Changes in fair value of derivatives		110	
Financial income, total		195	115
Reduction in value of investments held as non-current assets		0	-19
Other financial expenses			
Interes texpenses from group companies		-4	-14
Interest expenses from others		-761	-795
Changes in fair value of derivatives			-106
Other finalcial expenses		-159	-121
Other financial expenses, total		-924	-1 055
Financial income and expenses, total		-729	-940
Profit / loss before untaxed reserves and income taxes		-1 136	-2 546
Untaxed reserves		192	1 241
Income taxes			
Income taxes on ordinary operations		-9	0
Tax carried from previous years		-8	27
Change in deferred tax liabilities / tax assets		-63	94
Transfer of income taxes to the revaluation reserve		14	-8
Income taxes in total		-66	113
Profit/loss for the year		-1 010	-1 192

Balance Sheet

EUR 1 000	Note	Dec. 31, 2010	Dec. 31, 2009
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		140	131
Intangible rights		121	118
Goodwill		5 142	5 879
Other long term expenditures		7 012	6 421
Advance payments		120	
Intangible assets, total	2.1.	12 535	12 549
Tangible assets			
Land		1 151	1 127
Buildings and constructions		7 094	7 480
Machinery and equipment		6 340	7 578
Other tangible assets		41	53
Advance payments			22
Tangible assets, total	2.2.	14 626	16 260
Investments			
Shares in group companies	2.3.	903	903
Group receivables	2.4.	34	34
Participating interests	2.3.	26	26
Other investments	2.5.	27	27
Investments, total		990	990
Fixed assets and other non-current investments, total		28 151	29 799
Current assets			
Inventories			
Raw material and consumables		5 188	5 202
Finished products/goods		5 593	4 895
Inventories, total	2.6.	10 781	10 097
Non-current receivables			
Non-current receivables from group companies	2.7.	115	346
Deferred tax assets	2.8.	316	379
Non-current receivables, total		431	725
Current receivables			
Trade receivables		4 858	3 844
Receivables form group companies		350	323
Interest receivable			1
Other receivables		170	69
Prepayments and accrued income		623	775
Current receivables, total	2.9.	6 001	5 012
Cash in hand and at banks		9 450	10 156
Total current assets		26 663	25 990
Total assets		54 814	55 789

Liabilities and shareholders' equity		Dec. 31, 2010	Dec. 31, 2009
Shareholders' equity			
Capital stock		6 314	6 314
Share premium fund			7 334
Reserve for invested unrestricted equity		7 334	
Revaluation reserve		-42	-82
Treasury shares		-108	-108
Retained earnings		3 900	6 002
Profit for the year		-1 010	-1 192
Untaxed reserves			
Accelerated depreciation		1 601	1 792
Provisions	2.13.	965	999
Liabilities			
Non-current liabilities			
Bank borrowings		11 176	14 252
TyEL pension loans		8 914	4 692
Hire purchase credit		295	1 010
Liabilities to group companies		852	961
Other liabilities		52	52
Non-current liabilities, total	2.14.	21 289	20 967
Current liabilities			
Bank borrowings		1 533	1 655
Pension loans		2 643	2 364
Advances received		53	11
Trade payable		2 652	2 119
Hire purchase credit		716	755
Provisions		104	147
Liabilities to group companies		216	547
Liabilities to associates		43	2
Other liabilities		691	574
Accrued expenses		5 920	5 589
Current liabilities, total	2.15.	14 571	13 763
Total liabilities		35 860	34 730
Total liabilities and shareholders' equity		54 814	55 789

Cash Flow Statement

EUR 1 000	Jan. 1 - Dec. 31, 2010	Jan. 1 - Dec. 31, 2009
Cash flow from operating activities		
Profit before extraordinary items	-1 136	-2 546
Adjustments for:		
Depreciation	4 513	4 966
Unrealised exchange rate gains and losses	-6	-15
Other non-payment-related expenses	205	91
Financial income and expenses	729	940
Other adjustments	-5	4
Cash flow before working capital changes	4 300	3 440
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	-1 111	448
Increase (-) / decrease (+) in inventories	-685	1 190
Increase (+) / decrease (-) in current non-interest bearing liabilities	973	-465
Cash generated from operations before financial items and income taxes	3 477	4 613
Interest paid and payments on other financial expenses from operations	-927	-1 073
Dividends received	5	4
Interest received	61	107
Income taxes paid	184	-254
Cash flow before extraordinary items	2 800	3 397
Net cash flow from operating activities	2 800	3 397
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-3 104	-1 677
Investment grants received	37	30
Proceeds from sale of tangible and intangible assets	15	15
Proceeds from sale of investments in subsidiaries		100
Acquisition of investments in associates		10
Interest received		4
Net cash used in investing activities	-3 052	-1 518
Purchase of own shares		-47
Long-term borrowing	8 000	5 052
Repayment of long-term loans	-7 551	-7 146
Dividends paid	-909	-1 020
Net cash flow from financing activities	-460	-3 161
Net increase (+) / decrease (-) in cash and cash equivalents	-712	-1 282
Cash and cash equivalents at the beginning of the financial year	10 156	11 442
Effect of changes in exchange rates	6	-4
Cash and cash equivalents at the end of the financial year	9 450	10 156

Notes to the Financial Statements of the Parent Company

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

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

	Depreciation period
Intangible rights and other long-term expenditure	5 to 10 years
Quarry lands	unit of production method
Goodwill	10 years
Buildings	25 - 30 years
Constructions	5 years
Process machinery	3 - 10 years
Motor vehicles	5 - 8 years
IT equipment	3 - 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.

Quarry lands, including the opening costs of quarries, and field of workings 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 and development expenditure has mainly been recorded as annual costs when incurred. Development costs of Sauna and Utility ceramics product groups, 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 for their main part and they are depreciated over their useful lives. However, drilling exploration costs are expensed when there is significant uncertainty involved in the commercial utilization of the soapstone reserves in question.

Retirement Costs
Employee pension schemes have been arranged with external pension insurance companies. Pension costs are expensed for the year when incurred. Pension schemes for personnel outside Finland follow the local practices

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

Income Taxes
Income taxes include taxes corresponding to the Group companies' results for the financial period as well as the change in deferred tax liability and asset. The deferred tax liabilities and assets have been provided on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements using tax rate and their carrying amounts in the financial statements using tax rate enacted at the balance sheet date for the following years. In the financial statements the deferred tax liabilities have been fully provided and deferred tax assets have been recognised to the extent they are probably coverable.

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

Comparability of the result
Information for the reporting period and comparative information 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	2010	2009
1.1. Net sales		
1.1.1. Net sales per business area		
Fireplaces business	50 151	47 311
Natural stone products business	5 145	5 263
Total net sales per business area	55 296	52 574
1.1.2. Net sales per geographical area		
Finland	29 242	25 944
Rest of Europe	25 330	25 905
USA	724	725
Total net sales per geographical area	55 296	52 574
1.1.3. Net sales per goods and services		
Sales of goods	51 241	50 549
Rendering of services	4 055	2 025
Total net sales per goods and services	55 296	52 574
1.2. Other operating income		
Rental income	172	159
Charges for intergroup services	129	134
Government grants	233	125
Proceeds from sale of fixed and other non-current investments	6	4
Other income	306	349
Total other operating income	846	771
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	421	426
Other long term employee benefits	63	62
Salaries and wages		
Managing Director	234	243
Members of the Board		
Bishop Ambrosius	16	16
Erma Juhani	30	27
Makkonen Eero		16
Pohjanvirta Olli	16	
Rönkkö Markku	17	17
Toivanen-Koivisto Maarit	16	16
Virtaala Matti	92	91
Vauhkonen Heikki: Board Member fee is included in the remuneration of the CEO presented above.		

EUR 1 000	2010	2009
1.3.2. Average number of employees during the fiscal year		
Clerical employees	120	112
Workers	280	301
Total number of employees	400	413
1.4. Depreciation according to plan		
Development expenditure	18	17
Intangible rights	23	22
Other long-term expenditure	446	607
Amortization on quarries based on the unit of production method *)	318	271
Buildings and constructions	596	624
Machinery and equipment	2 334	2 617
Other tangible assets	13	29
Amortisation on land areas based on unit of production method	28	36
Goodwill	737	743
Depreciation according to plan in total	4 513	4 966

*) 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.

EUR 1 000	2010	2009
1.5. Other operating expenses		
1.5.1. Auditors' fees		
Audit fees	42	46
Tax advice	4	14
Other fees	48	41
Audit fees, total	94	101

Notes to the Balance Sheet

EUR 1 000	2 010	2 009
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure	157	157
Additions	27	
Acquisition cost December 31	184	157
Accumulated depreciation according to plan January 1	26	9
Depreciation for the financial year	18	17
Accumulated depreciation December 31	44	26
Balance sheet value of capitalised development expenditure	140	131
2.1.2. Intangible rights		
Acquisition cost January 1	620	602
Additions	26	18
Disposals	1	
Acquisition cost December 31	645	620
Accumulated depreciation according to plan January 1	502	480
Accumulated depreciation on disposals	1	
Depreciation for the financial year	23	22
Accumulated depreciation December 31	524	502
Balance sheet value of intangible rights, December 31	121	118
2.1.3. Goodwill		
Acquisition cost January 1	8 713	8 804
Disposals		91
Acquisition cost December 31	8 713	8 713
Accumulated depreciation according to plan January 1	2 834	2 091
Depreciation for the financial year	737	743
Accumulated depreciation December 31	3 571	2 834
Balance sheet value of goodwill, December 31	5 142	5 879
The parent company's goodwill comprises merger losses.		
2.1.4. Other long term expenditures		
Acquisition cost January 1	19 228	18 556
Additions	1 355	693
Disposals	4 329	21
Acquisition cost December 31	16 254	19 228
Accumulated depreciation according to plan January 1	12 807	11 950
Accumulated depreciation on disposals	4 329	21
Depreciation for the financial year	764	878
Accumulated depreciation December 31	9 242	12 807
Balance sheet value of long term expenditure, December 31	7 012	6 421
2.1.5. Advance payments		
Additions	120	
Advance payments, December 31	120	

	2010	2009
Total intangible assets	12 535	12 549

The balance sheet value of other long term expenditure includes EUR 4 173 (3 966) million for stone research and costs costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

	2010	2009
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 380	1 380
Additions	52	
Acquisition cost December 31	1 432	1 380
Accumulated depreciation January 1	253	217
Amortization based on the unit of production method for the financial year	28	36
Accumulated depreciation December 31	281	253
Balance sheet value of land, December 31	1 151	1 127
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 273	15 258
Additions	212	15
Disposals	2	
Acquisition cost December 31	15 483	15 273
Accumulated depreciation according to plan January 1	8 298	7 674
Depreciation for the financial year	1	
Accumulated depreciation on disposals	596	624
Accumulated depreciation December 31	8 894	8 298
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	7 094	7 480
2.2.3. Machinery and equipment		
Acquisition cost January 1	48 294	47 007
Additions	1 105	1 370
Disposals	71	83
Acquisition cost December 31	49 328	48 294
Accumulated depreciation according to plan January 1	40 716	38 163
Accumulated depreciation on disposals	62	64
Depreciation for the financial year	2 334	2 617
Accumulated depreciation December 31	42 988	40 716
Balance sheet value of machinery and equipment, December 31	6 340	7 578
2.2.4.Other tangible assets		
Acquisition cost January 1	296	294
Additions		2
Acquisition cost December 31	296	296
Accumulated depreciation according to plan January 1	243	214
Depreciation for the financial year	13	29
Accumulated depreciation December 31	256	243
Balance sheet value of other tangible assets, December 31	41	53
2.2.5. Advance payments		
Advance payments		22
Total tangible assets	14 626	16 260
Amount of machinery and equipment included in balance sheet value	5 197	6 726

EUR 1 000	2010	2009
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, Niederlassung Deutschland.		
Associated companies		
Stone Pole Oy, Juuka	27	27
Leppävirran Matkailukeskus Oy, Leppävirta	33	33
Rakentamisen MALL Oy, Helsinki	20	20
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	34	34
2.5. Other investments		
Stone Pole Oy	1	1
Other	26	26
Total other investments	27	27
2.6. Inventories		
Raw material and consumables	5 188	5 202
Finished products/goods	5 593	4 895
Total inventories	10 781	10 097
2.7. Non-current receivables		
Receivables for group companies		
Loan receivables	60	300
Prepayments and accrued income	55	46
Total non-current receivables	115	346
2.8. Deferred tax assets		
Provisions and accrued expenses	316	379
2.9. Current receivables		
Receivables form group companies		
Trade receivables	350	323
Receivables from participating interest undertakings		
Trade receivables		1

	2010	2009
Receivables from others		
Trade receivables	4 858	3 844
Other receivables	170	69
Accrued income	197	343
Other accrued income		
Receivables from grants	163	108
Prepayments	260	125
Interest receivable	3	1
Other prepayments and accrued income		198
Receivables from other, total	5 651	4 688
Total current receivables	6 001	5 012
2.10. Shareholders' equity		
Capital stock January 1	6 314	6 314
Capital stock December 31	6 314	6 314
Share premium fund January 1	7 334	7 334
Transfer to the unrestricted equity fund	-7334	
Share premium fund December 31	0	7 334
Transfer from share premium account	7334	
The invested unrestricted equity fund December 31	7334	
Revaluation reserve January 1	-82	-60
Change	40	-22
Revaluation reserve Decenber 31	-42	-82
Retained earnings January 1	4 701	7 024
Dividend paid	-909	-1 020
Loss on disposal of own shares		-3
Treasury shares	-108	-108
Retained earnings December 31	3 792	5 893
Profit for the year	-1 010	-1 192
Total shareholders' equity	16 388	18 268
2.11. Statement of distributable earnings December 31		
Profit for the previous years	3 792	5 893
The invested unrestricted equity fund	7334	
Profit for the year	-1 010	-1 192
Total distributable earnings	10 116	4 701

EUR 1 000

2.12. Treasury shares

During the reporting period, Tulikivi Oyj has not acquired any own shares (has acquided 60 000 own shares in 2009) and disposed 0 (9 800) own shares based on the authorisation given by the Annual General Meeting on March 14, 2010 (March 31, 2009). The acquisition price has been the market price of the share at the time of acquisition. 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 of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

	Period	Number of shares	Consideration transferred (average)	Consideration transferred (range)
Own A-shares held by the Company at January 1, 2009		74000		
The Company purchased its own shares during the financial period of 2009 as follows:	Jan. 1-31, 2009	18 370	0.766	0.72 - 0.83
	Feb. 1-28, 2009	12 100	0.731	0.71 - 0.77
	Mar. 1-31, 2009	29 530	0.709	0.68 - 0.73
Total acquisitions at December 31, 2009		134 000	0.940	0.71 - 1.34
The company has disposed shares at December 31, 2009	June 16, 2009	9 800	0.017	
The company holds own shares at December 31, 2010 and 2009		124 200		

2.13 Provisions	2 010	2 009
Warranty provision	390	410
Environmental provision (Present value)	575	589
Total	965	999

The discount rate used in determining the present value is 4.0 (4.0) per cent. The undiscounted amount of environmental provision was EUR 904 (883) thousand.

2.14 Non-current liabilities		
Liabilities to group companies		
Other long-term current liabilities	852	961
Liabilities from others		
Loans from credit institutions	11 176	14 252
TyEL pension loans	8 914	4 692
Hire purchase credit	295	1 010
Other non-current liabilities	52	52
Total non-current liabilities	21 289	20 967
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	216	546
Liabilities to associates		
Trade payables	43	2
Liabilities to others		
Loans from credit institutions	1 533	1 655
Pension loans	2 643	2 364
Advances received	53	11

EUR 1 000	2 010	2 009
Trade payables	2 652	2 119
Hire purchase credit	716	755
Provisions	104	147
Other current liabilities	691	574
Accrued liabilities		
Salaries, wages and social costs	4 041	3 812
Discounts and marketing expenses	407	567
External charges	1 087	358
Interest liabilities	286	443
Tax liabilities	9	7
Other accrued liabilities	90	403
Total current liabilities	14 571	13 763
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	23 566	19 113
Credit limit accounts	1 000	1 000
Other long-term liabilities	1 010	1 766
Loans and credit limit accounts, total	25 576	21 879
Real estate mortgages given	12 695	11 318
Company mortgages given	15 696	14 896
Object for purchase	1 010	1 766
Pledged leaseholds	219	219
Given mortgages and pledges, total	29 620	28 199
Other own liabilities for which guarantees have been given		
Guarantees	807	787
Other commitments	35	35
Other own liabilities for which guarantees have been given	842	822
Collaterals given on behalf of group companies	230	30
Real estate mortgages given	940	817
Pledges given	35	35
Guarantees given on behalf of other own liabilities	975	852
Leasing commitments		
Due during the financial year 2011	26	26
Due later	47	72
Leasing commitments, total	73	98

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

Derivatives		
Interest rate swaps , nominal value	5 792	7 291
Interest rate swaps , fair value	-143	-307
Forward contracts, nominal value	141	87
Forward contracts, fair value	-5	-5

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 Group has given guarantees to the effect of EUR 500 000 in total. The old land filling bank of the Heinävesi plant has been landscaped. In accordance with the permit obligations, environmental monitoring of this area is continued for the time being.

3. Share-based payments

The Tulikivi Group has an incentive plan that includes an incentive pay scheme for all personnel and a share-based incentive plan for the Management Group and certain key personnel nominated by the Board.

Share based payments: The share-based plan, implemented in 2008, comprised three earning periods, which were the calendar years 2008, 2009 and 2010. Under the plan, the bonus would be based on the Group's result after financial items and on cash flow from operating activities after investing activities , and in 2010 could have amounted to a maximum of 218 750 Tulikivi Corporation Series A shares and a cash payment corresponding to the value of the shares. No incentive plan bonus was accumulated on the 2010 (2009) earnings period. Profit per cash flow in 2008 entitled to 10% of the maxium remuneration in accordance with the incentive arragement. The personnel included in the incentive arrangement were granted in total 9 800 A series shares. The shares cannot be transferred during a two-year commitment period. The impact of the share-based remuneteration on profit for the period 2009 was nearly EUR 10 thousand. The grant of the incentive arrangement was 18 April 2008 and share price at the grant was EUR 1.50 per share.

Tulikivi Corporation's Shareholders and Management Ownership

10 Major shareholders according to number of shares at December 31, 2010 Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Reijo	2 852 500	1 334 327	11.27
2. Vauhkonen Heikki	2 957 000	57 724	8.12
3. Elo Eliisa	477 500	2 479 520	7.96
4. Virtaala Matti	1 460 000	969 887	6.54
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	384 810	2.10
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 at December 31, 2010 Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Reijo	2 852 500	1 334 327	24.28
2. Vauhkonen Heikki	2 957 000	57 724	24.09
3. Virtaala Matti	1 460 000	969 887	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	384 810	3.55
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 1 172 944 A shares representing 36.86 % of votes.

Breakdown of share ownership of December 31, 2010 Number of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	419	8.41	28 638	0.08
101 - 1000	2 360	47.38	1 349 171	3.63
1001 - 5000	1 596	32.04	3 995 133	10.76
5001 - 10000	312	6.26	2 380 837	6.41
10001 - 100000	268	5.38	6 475 087	17.43
100001 -	26	0.53	22 915 104	61.69
Total	4 981	100.00	37 143 970	100.00

On December 31, 20010 the Company's shareholders were broken down by sector as follows: Sector	Holding, %	Votes, %
Enterprises	2.67	0.81
Financial and insurance institutions	6.35	1.89
Public organisations	5.15	1.56
Non-profit organisations	2.53	1.50
Households	83.03	94.14
Foreign	0.27	0.10
Total	100.00	100.00

Nominee-registered shares, 1 730 842 in total (4.66 % of the capital stock), are entered under financial and insurance institutions.

Signatures to Report of the Board and Financial Statements

In Nunnanlahti February 10, 2011

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

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF TULIKIVI CORPORATION

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tulikivi Corporation for the year ended December 31, 2010. 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.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of 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 and 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.

OTHER OPINIONS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 7 March 2011
KPMG OY AB
ARI ESKELINEN
Authorized Public Accountant

Contact Information

TULIKIVI GROUP – FACTORIES AND OFFICES

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

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

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

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

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

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

SUBSIDIARIES

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

TULIKIVI U.S., INC.
c/o Drayer and Company PC,
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. +7 812 911 831 30 22
Fax: +7 812 333 38 95

ASSOCIATE COMPANIES

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

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

RAKENTAMISEN MALL OY
Itämerenkatu 5
c/o Eera Finland Oy
FI-00180 Helsinki

SALES EXHIBITIONS IN FINLAND

Closest distributor on Internet
homepages
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
I-39100 Bolzano
Italy
Tel. +39 0 471 201 616
Fax +39 0 471 201 689

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

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

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

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

GERMANY
TULIKIVI OYJ NIEDERLASSUNG
DEUTSCHLAND
Bergstraße 11
D-63589 Linsengericht/
Eidengesäß
Germany
Tel. +49 6102 74 140
Fax +49 6102 741 414

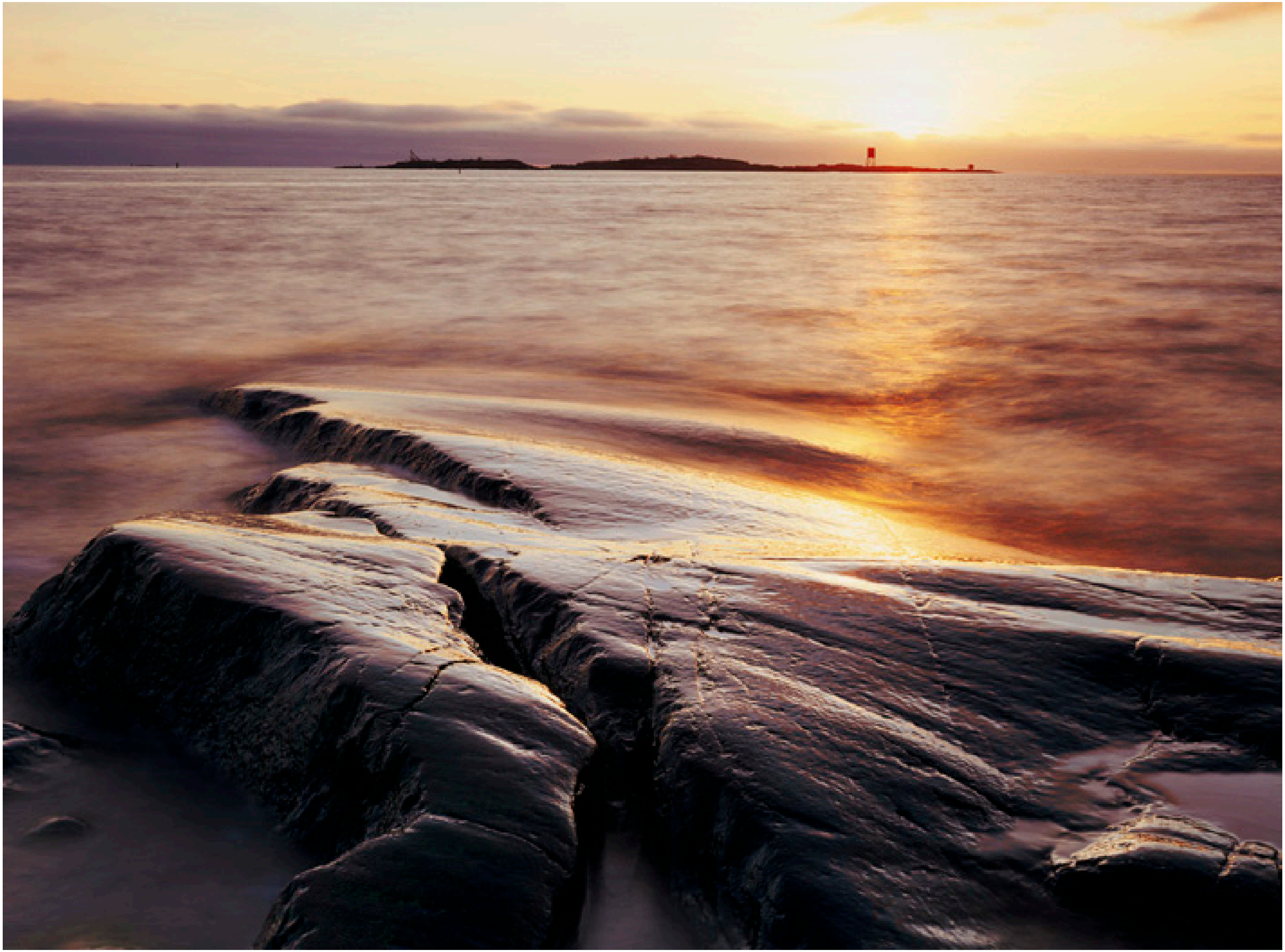
SWITZERLAND
ARMAKA AG
Duggingerstrasse 10
CH-4153 Reinach BL
Switzerland
Tel. +41 61 715 9911
Fax +41 61 715 9919

USA
TULIKIVI U.S., INC.
c/o Drayer and Company PC,
195 Riverbend Drive - Suite 3
VA 22911 Charlottesville
USA
Tel. +800-843 3473

VENÄJÄ
OOO TULIKIVI
1-ya Konnaya lahta 1
197229 St. Petersburg
Russian Federation
Tel. +7 812 911 831 30 22
Fax: +7 812 333 38 95

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

SLOVENIA
Horizont DOM, d.o.o.
Prešernova 10a
1000 Ljubljana
Slovenia
Tel. +386 1 251 66 00
Fax +386 1 251 88 35



Tulikivi Corporation, 83900 Juuka, tel. +358 (0)207 636 000, fax +358 (0)207 636 130, Business ID 0350080-1, domicile Juuka, www.tulikivi.com

ES 2020, 03/11