Tulikivi

Annual Report 2013

Contents

The year 2013 in brief

The Tulikivi Corporation is a stock-exchange listed family business and the world's largest manufacturer of heat-retaining fireplaces. The company has three product groups: Fireplaces, Sauna and Interior.

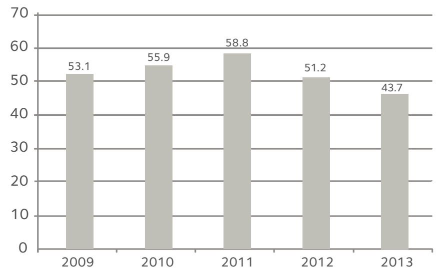
Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy. Tulikivi's net sales are approximately EUR 43.7 million (EUR 51.2 million in 2012), of which exports account for about half. Tulikivi employs approximately 300 people.

The companies included in the Tulikivi Group are the parent company Tulikivi Corporation, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi, as well as Tulikivi GmbH, established during the financial year. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy. (Stone Pole Oy had no business activities during 2013; liquidation proceedings have begun.)

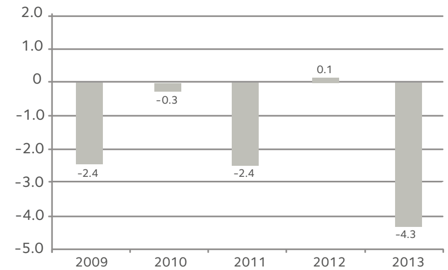
The formulae for calculating key figures are on page 90.

	2013	2012	Change, %
Net Sales, MEUR	43.7	51.2	-14.6
Operating result, MEUR	-4.3	0.1	-7318.6
Result before income tax, MEUR	-5.3	-0.8	-575.1
Return on investments, %	-9.8	0.3	
Solvency ratio, %	38.1	35.2	
Earnings per share, EUR	-0.11	-0.02	
Equity per share, EUR	0.35	0.49	
Payment of dividend on:			
A share, EUR	-	-	
K share, EUR	-	-	

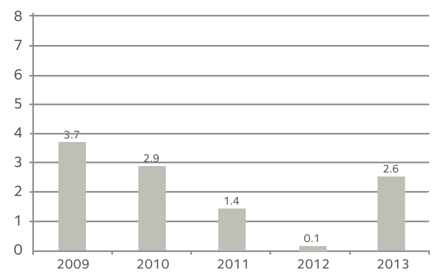
Development of Net Sales, MEUR



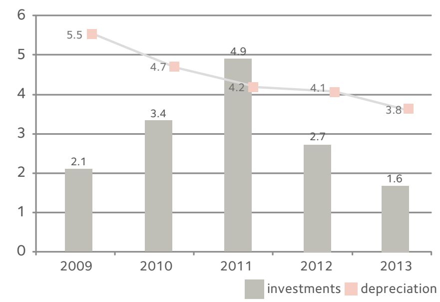
Operating Result, MEUR



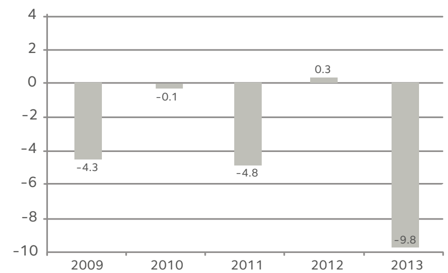
Net Cash Flow from Operating Activities, MEUR



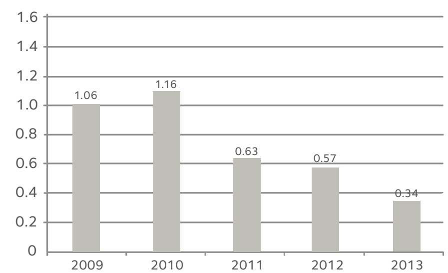
Investments and Depreciation, MEUR



Return on Investments, %



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



Tulikivi in the future

- The company's strategy will continue to be based on Finnish heating expertise, the company's strong brand and its own soapstone reserves.
- The key goal is to restore operational efficiency and profitability by focusing on core competencies and centralising operations. This will create favourable conditions for profitable growth.
- Despite its unsatisfactory financial performance, Tulikivi has up-to-date product families that are mostly competitive in terms of their design, modularity and technical properties. The company has successfully launched new product groups, such as Sauna, and opened new distribution channels in cooperation with the home-building industry, among other sectors.
- In addition, the company has continued to expand its international operations and gained a foothold in the United Kingdom and Germany, among other countries, in order to ensure profitable growth.

Product groups

Tulikivi has three product groups: Fireplaces, Sauna and Interior.

Fireplaces

The Fireplaces product group consist of an extensive range of soapstone and ceramic products: heat-retaining fireplaces, fireplaces with bakeoven, bakeovens, stoves, design fireplaces, fireplace accessories and fireplace lining stones. These are sold under the Tulikivi and Kermansavi brands.

The products emphasise timeless design, convenience, innovative technology and high quality. Product development focuses on clean combustion, which is why most Tulikivi fireplaces already beat the world's toughest emission standards.

Besides the standard models, custom-made fireplaces can also be ordered from Tulikivi to meet the customer's own specific requirements. With the launch of the Tulikivi Figure and Color coating materials in 2012, customers can now also give their soapstone fireplace a different look by selecting from the range of three-dimensional surface structures and colour options.

The Fireplaces product group also includes the Tulikivi Green products. These pellet, water-heating and fireplace control systems are connected to the fireplace and improve the efficiency of its use. They are especially suitable for heating in low-energy and passive buildings.

Tulikivi is one of the world's largest manufacturers of heat-retaining fireplaces, and in Finland it is the market leader in this sector. The products in the Fireplaces product group are on sale in all of the company's markets in Europe, North America and Russia. Most customers are building new homes or renovating existing homes and they value bioenergy as a form of heating and appreciate the economic advantages of wood-based heating. Tulikivi fireplaces appeal to customers because of their eco-friendliness, energy efficiency, aesthetics and durability, and because of the pleasurable heat they produce.

Tulikivi Sauna

Tulikivi launched production for its Sauna product group in 2011. The main products are electric and woodburning sauna heaters clad with soapstone, other natural stone or ceramic tiles, or with a metal finish. Tulikivi also manufactures sauna heaters for smoke saunas and commercial saunas. Thanks to the large stone compartments in Tulikivi's sauna heaters, they always give an enjoyable and gentle sauna experience.

One of Tulikivi's strengths in its sauna heaters is the emphasis on product design and on interior design aspects. This also differentiates Tulikivi from its competitors. Tulikivi's Nuoska sauna heater with ceramic tile cladding won a prestigious Fennia Prize in the international Fennia Prize 2012 design competition.

The Sauna products are sold under the Tulikivi brand, and their principal markets so far are Finland and Russia. Exports to Sweden began in 2013. The Sauna product group accessories include sauna stones, soapstone interior design products and tiles, and electric sauna heater control units that allow the temperature in the sauna to be regulated to the nearest degree. Most Tulikivi electric sauna heaters can be integrated with building automation systems.

Tulikivi Interior

The main products in the Interior product group are countertops made of different natural or composite stone materials and tiling for homes. Tulikivi's extensive interior stone product collection has more than 50 different types of stone to choose from.

In home construction, natural stone is a genuine and timeless material that is extremely well suited for use in kitchens and bathrooms and for floors, walls and stairs. Each stone product is individual and unique, and natural stone products can be combined almost limitlessly. As an interior design material, natural stone is eco-friendly and fire safe and it also raises the value of the home, because stone wears better than many other surface materials.

Tulikivi also has a large paving stone collection that includes products for path and patio paving, garden borders, wall cladding, stairs and other uses in a garden or yard.

The Interior product group's most important customer segment consists of Finnish kitchen stores, with which it works very closely. Products are also sold directly to home builders and renovators who appreciate the natural aesthetic quality, eco-friendliness and durability of Tulikivi's interior stone products. The Interior products are mostly manufactured at Tulikivi's own factory in Espoo, and their principal market is Finland. Soapstone interior design products and countertops are also manufactured for export to various project sites abroad.


Helsinki, February 8, 2014
Heikki Vauhkonen, Managing Director

Managing Director's review

Focused performance improvement measures continue

Tulikivi Corporation's operating environment continued to be very challenging overall. The Tulikivi Group's net sales in 2013 decreased by nearly 15 per cent to EUR 43.7 million (EUR 51.2 million in 2012).

The demand for Tulikivi products in Finland was weakened by the reduced level of low-rise housing construction and renovation projects, restricted lending by banks and a deterioration in consumer confidence. Net sales in Finland were EUR 20.8 (24.9) million, or 47.7 (48.5) per cent of total net sales. This represents a decrease of 18.1 per cent.

The protracted European recession reduced export sales in 2013. In the second half of the year, the demand for fireplaces was satisfactory in Germany and France but weak in the Nordic countries. New construction and energy efficiency requirements based on EU regulations gave rise to uncertainty in the market and affected consumers' decisions.

Exports amounted to EUR 22.9 (26.3) million in net sales, decreasing by 12.9 per cent. The principal export countries were France, Russia, Germany, Sweden and Belgium.

In Russia, the market for fireplaces and saunas was on the wane, but sales of Tulikivi products increased.

Despite the challenging market, demand is growing for the latest product ranges: saunas, design fireplaces and the new-generation Hiisi fireplace collection.

Result

The operating result before non-recurring items in 2013 was EUR -1.4 (0.1) million. The consolidated operating result in 2013 was EUR -4.3 (0.1) million, and the result before taxes was EUR -5.3 (-0.8) million. Earnings per share were EUR -0.11 (-0.02).

Tulikivi's production and fixed costs were adjusted to the decreased net sales in 2013. For this reason, the operating result before non-recurring items improved in the second half despite a decrease of 12.3 per cent in net sales. The operating result before non-recurring items was EUR 1.1 (0.9) million in the second half of 2013. At the same time, working capital decreased, and net cash flow from operating activities improved.

Performance improvement programme

With a stock exchange release on August 8, 2013, Tulikivi announced a performance improvement programme to improve its annual operating result before non-recurring items from 2013 by EUR 7 million by the end of 2015. The programme includes measures to rationalise production, reduce costs and boost sales. The performance improvement programme also involved changes to the company's management at the end of August 2013. In addition, as a result of the codetermination negotiations completed in early November, a total of 59 employees were made redundant and 9 employees were laid off until further notice in connection with the centralisation of fireplace production in Juuka, the closure of tile manufacturing in Heinävesi and the reorganisation of operations. These measures were carried out for economic and production-related reasons and in association with the reorganisation of the company's operations.

The performance improvement programme caused non-recurring expenses of EUR 0.6 million in the third quarter and EUR 2.3 million in the fourth quarter of 2013. In addition, the programme is expected to cause non-recurring expenses of EUR 1.0 million in 2014. The performance improvement programme will improve the company's profitability from the beginning of 2014. To support the commitment of management and key personnel to the implementation of the programme, the Board of Directors of Tulikivi Corporation decided on September 17, 2013 on a new stock option programme for the key personnel of Tulikivi Corporation, on the basis of the authorisation granted by the Annual General Meeting on April 16, 2013.

Financial position

Cash flow from operating activities before investments was EUR 2.6 (0.1) million. Working capital decreased by EUR 3.9 (-3.0) million during the financial year. At the end of 2013, working capital stood at EUR 5.5 (9.4) million. The decrease in working capital was due to a decrease in inventories and a decline in trade receivables, among other factors. Interest-bearing debt was EUR 23.0 (23.9) million, and net financial expenses were EUR 1.0 (0.8) million. The equity ratio was 38.1 per cent (35.2 per cent on December 31, 2012). In October 2013, the company implemented a share issue of EUR 7.5 million, which was subscribed for in full. As a result, the company has good liquidity.

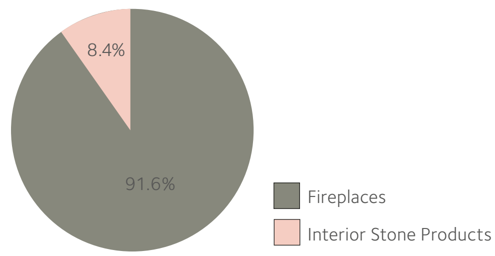
At the end of the financial year, the Group's cash and other liquid assets totalled EUR 10.7 (3.3) million.

Investments and product development

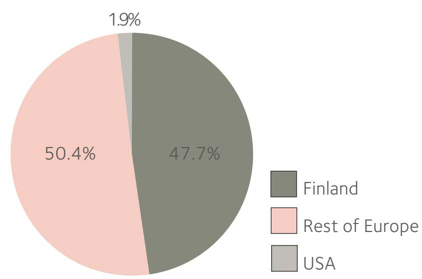
The Group's investments in 2013 in production, quarrying and development were EUR 1.6 (2.7) million. Research and development expenditure was EUR 1.6 (1.6) million, or 3.6 (3.1) per cent of net sales. EUR 0.2 (0.6) million of this was capitalised in the balance sheet.

Product development focused on launching new models in the Hiisi product family. The Hiisi collection has become the most popular product in the Central European export market. In addition, new woodburning and electric sauna heaters were introduced and well-received in Russia and Finland. Tulikivi's Nuoska sauna heater was awarded as the Form2013 design product of the year in Finland. Sauna heater sales significantly support the Finnish sales and export of interior design soapstone products.

Net Sales
per Business Area, %



Net Sales
per Geographical Area, %



‘HEAT 2015’ performance improvement programme

On August 5, 2013, Tulikivi Corporation issued a profit warning in which it stated that the operating result for the full year 2013 is expected to be a loss. The current economic crisis has weakened consumer confidence and reduced the demand for fireplaces in the company’s main markets. The decline in the operating result is attributable in part to a rise in the company’s fixed costs, even though the volume contraction in our business ought to have meant a decrease in fixed costs.

Tulikivi’s management are committed to carrying out the planned performance improvement programme, and the company’s management model has been modified to meet this challenge. On August 21, 2013, a generational change took effect in the company when Heikki Vauhkonen acquired the majority of the shares held by the company’s founder, Reijo Vauhkonen. The shareholding arrangement allows even quite severe cost saving measures to be implemented.

Seeking to ensure that changes are made sufficiently quickly, the Tulikivi Board of Directors on August 23, 2013 appointed Heikki Vauhkonen as Managing Director and Harri Suutari as the new Board Chairman. At the same time the Management Group was reduced in size to four members, which will mean cost savings of about EUR 0.6 million. Jouko Toivanen, who has been with the company for many years, returned to the financial director’s post as Director of Finance and Administration. The stock option scheme for management and the incentive pay scheme for the entire personnel – who are all-committed to the programme’s objectives – will help ensure that the performance improvement programme is seen through promptly to completion.

Rationalisation of production

- The goal is to improve the sales margin.
- Soapstone quarrying will be concentrated in Juuka.
- Overcapacity in soapstone fireplace production will be eliminated: production will be concentrated at a single factory in Juuka.
- Factory capacity utilisation will be increased significantly by switching from a single-shift to a two-shift system.
- Tile production will be discontinued in Heinävesi.
- Cost savings and flexible product development will be key.

Cost cuts

- The goal is to decrease fixed costs.
- Rental costs will be reduced by moving from leased premises to our own premises.
- The Finnish distribution network will be restructured, and the number of business locations will be reduced.
- Office staff numbers will be reduced through codetermination negotiations.
- The organisation will be streamlined.
- Other fixed costs will be cut by improving the allocation of marketing resources, for example.

Increased sales

- The goal is to increase the sales margin and net sales.
- The Finnish distribution channel will increasingly focus on business owners.
- Investing in the home-building industry as a target group.
- We will develop new products, such as a fireplace collection designed for outsourced tiles, the Sauna products, the modular Hiisi collection and the ValmisTuli concept.
- We will invest in the growing export market in Russia by expanding our fireplace, sauna and interior stone distribution channels.
- We will increase our international business by seeking growth in Russia and new markets, such as the United Kingdom and Norway.

Working capital through a share issue

In addition to the performance improvement programme, the Tulikivi Board of Directors on October 8, 2013 decided on a public share issue on the basis of authorisation granted by the Annual General Meeting. The purpose of the share issue was to ensure that the company has sufficient working capital and to strengthen its capital structure and financial position. The subscription period was October 11 to 17, 2013.

The shares offered were Tulikivi Series A shares, and the total number of shares offered was 22 727 273. The subscription price was EUR 0.33 per share, which was about 5.71 per cent below the closing price on October 7, 2013. The Board of Directors decided on the pricing on October 8, 2013. The aim of the share issue was to obtain EUR 7.5 million. The issue costs were about EUR 0.5 million, giving a net return of approximately EUR 7 million. The lead manager for the share issue was Pohjola Corporation Finance Ltd.

A number of Finnish institutional and other investors had committed to subscribe issued shares to a total maximum sum of EUR 6.1 million (81.74 per cent of the shares offered). Among those giving subscription commitments were the Fennia Group, Ilmarinen, Varma, Phoebus, ArvoMarkka, the Finnish Cultural Foundation and members of the Tulikivi Board of Directors.

Tulikivi Corporation's share issue was completed successfully on October 17, 2013. According to the final result, 22 920 917 Tulikivi Series A shares were subscribed, corresponding to about 101 per cent of the 22 727 273 shares offered. On October 21, 2013 the company's Board of Directors approved the subscriptions of 22 727 273 Series A shares under the terms of the share issue. All shares subscribed in the share issue have been paid in full. The shares have been traded on the NASDAQ OMX Helsinki Ltd exchange together with the older Tulikivi Series A shares since October 23, 2013, following registration in the Trade Register.

The total number of Tulikivi Series A shares after registration was 50 331 243 and the number of Tulikivi Series K shares was 9 540 000. On October 4, 2013 the company received a request to convert 1 460 000 Series K shares into Series A shares. This conversion was registered in the Trade Register on November 5, 2013, following which the number of Tulikivi Series A shares was 51 791 243 and the number of Series K shares was 8 080 000.

Shareholders and Management Ownership December 31, 2013

10 Major shareholders according to number of shares Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
Vauhkonen Heikki	5 809 500	1 047 810	11.45
Elo Mutual Pension Insurance Company		4 545 454	7.59
Ilmarinen Mutual Pension Insurance Company		3 720 562	6.21
Elo Eliisa	477 500	2 631 036	5.19
Sijoitusrahasto Taaleritehdas Arvo markka osake		2 878 787	4.81
Varma Mutual Pension Insurance Company		2 813 948	4.70
Suomen Kulttuurirahasto	100 000	2 158 181	3.77
Investment Fund Phoebus		1 797 811	3.00
Mutanen Susanna	797 500	846 300	2.75
Keskinäinen Vakuutusyhtiö Fennia		1 515 151	2.53
10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
Vauhkonen Heikki	5 809 500	1 047 810	44.61
Mutanen Susanna	797 500	846 300	6.65
Elo Eliisa	477 500	2 631 036	5.59
Elo Mutual Pension Insurance Company		4 545 454	3.43
Vauhkonen Mikko	397 500	363 810	3.27
Nuutinen Tarja	397 500	277 040	3.21
Ilmarinen Mutual Pension Insurance Company		3 720 562	2.81
Suomen Kulttuurirahasto	100 000	2 158 181	2.38
Sijoitusrahasto Taaleritehdas Arvo markka osake		2 878 787	2.17
Varma Mutual Pension Insurance Company		2 813 948	2.12

The members of the Board and Managing Director control 5 810 000 K shares and 1 447 807 A shares representing 44.94 per cent of votes.

Stone supplies and reserves

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

Tulikivi Corporation's stone supplies and reserves total just over 8 million cubic metres. The studied deposits are located at Nunnanlahti, Kuhmo, Paltamo and Suomussalmi. There are eight valid mining patents: two at Suomussalmi, one at Kuhmo, one at Paltamo and four at Juuka. The total area of the mining patents is 340 ha. Soapstone is currently quarried and products are manufactured at Nunnanlahti and Suomussalmi. In 2013, deposit studies were focused on Nunnanlahti. Work to establish potential deposits will continue in 2014.

Stone supplies used sparingly

In geographic terms quarrying is limited to small areas compared with clear cutting, for example. A total of around 160 000 cubic metres of soapstone is quarried from the company's quarries every year. Around 30 000 cubic metres of this ends up in three soapstone factories. Just under 100 000 cubic metres of adjoining rock that is not part of the deposits is quarried every year. Earth also needs to be moved from time to time when excavating quarries in order to access the deposit.

When a quarry is closed, the area is made safe, and the quarry's stacking area is landscaped.

In accordance with Tulikivi's environmental strategy, sparing use of natural resources and the management of quarrying and production processes are important. Tulikivi's strategic target is sufficient raw material reserves.

Soapstone extraction

Soapstone is extracted by sawing. The extraction does not require chemical treatment, and no poisonous chemicals that could get released into the environment are used in the quarrying. The saws used in the quarrying run use electricity, and only bio-oils such as rapeseed oil and tall oil are used for oiling the blades. During extraction no poisonous substances are released into the environment that would cause eutrophication of watercourses, for example.

No cooling water is used in the saws. The rainwater and groundwater entering the quarry are pumped into sedimentation pools.

Water samples are taken from the runoff three times a year and inspected by the authorities. The values have always been below the regulated limits. The extraction of soapstone creates a certain amount of harmless soapstone dust, but this does not travel more than 150 metres.

Soapstone dust contains mainly talc, magnesium carbonate and chlorite minerals. None of these substances are hazardous to humans or the environment. Efforts are made to prevent the dust from spreading in dry weather, e.g. by watering. The noise from the extraction is mainly sawing and machine noise which must not exceed 50 decibels (corresponds to normal speech). At Tulikivi, the noise levels are below the imposed limits.

In the quarrying the blasting of adjoining rock takes place a few times per week. Tulikivi employs professional, trained blasters. The company has permits for storing and using explosives.

Quarrying is compliant with environmental permits

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

Corporate responsibility

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

Environmental responsibility

The aim of environmental work is to improve the company's ability to use natural resources sparingly, and to manage processes and products in such a way that minimises their impact on the environment. The safety and quality of products and operations are defined in the company's quality, environmental, occupational health and occupational safety policies. Tulikivi has been awarded an ISO 9001 quality certificate.

Tulikivi carries out long-term product development in order to develop environmentally friendly products. The products must be safe to use, and their environmental impact must be minimised. The materials and components used in the products are tested regularly and the products must pass type approval tests. Tulikivi's soapstone has been tested in food, chemical and mineral studies, for example, and approved as a material that can come into contact with food. Tulikivi's fireplaces already conform to the world's strictest emissions regulations (BimSchV), and research into achieving cleaner combustion is being continued.

The aim is to provide research-based information on the environmental impacts of our products during their use and production. The material choices, energy consumption and modes of transport in the production chain contribute to a major part of the environmental impact of our products. We are also seeking financial savings through eco-efficiency and material efficiency. Using bioenergy-consuming fireplaces as a heating source instead of electricity helps to cut the CO2 emissions of energy generation, thus offsetting the carbon footprint of fireplace production. Approximately 150–200 effective heating cycles with a soapstone fireplace saves the same amount of coal that was used in the manufacture of the fireplace, compared with electric heating. We strive to increase our suppliers' awareness of their environmental responsibilities and to act in accordance with the principles of sustainable development.

All of Tulikivi Corporation's operational quarries and the ceramics production of the Heinävesi factory have valid environmental permits. Our operations are guided by the quarries' mining waste and monitoring plans, which have been and will continue to be updated to meet revised regulations. Our plans call for such actions as increasing the monitoring of the groundwater effects of quarrying and stacking. Landscaping required by the Mining Act and environmental legislation is carried out as part of normal quarrying operations and at closed quarries.

Tulikivi's plants use different raw materials – soapstone, natural stone and ceramic raw materials – all of which have environmental friendliness in common. No substances that are hazardous to the environment are used in the processing of stone and manufacture of ceramics, and none are produced in the manufacture. Environmental permits prescribe treatments for process waste generated by production, and these are complied with. The raw material used in the manufacture of ceramic fireplaces comes from waste from ceramics production, and the residual stone material generated in soapstone manufacturing is transferred to the same stacking areas as the residual stone from quarrying. Soapstone manufacturing uses a closed process water cycle, so no water is released into the environment.

Environmental and safety work is developed continuously in accordance with the ISO 14001 and OHSAS 18001 standards. The main focus areas are risk management and cost-efficiency. Tulikivi has identified improving energy efficiency and further developing waste management as the areas that need to be developed in the environmental system.

Improvements in energy efficiency 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 nine per cent, continuously improve energy efficiency and promote renewable energy sources.

Waste management is being developed at all of Tulikivi's sites by adopting a waste sorting system, aiming to reduce the amount of landfill waste and to reuse as much waste as possible for energy production and other purposes. Recyclable waste is recycled (e.g. board and paper) through normal waste management. Tulikivi has joined the Environmental Register of Packaging PYR Ltd and is a member of SELT ry (Electrical and Electronic Equipment Producers' Association), who pays the recycling charges for such products on behalf of consumers.

Environmentally friendly products

Tulikivi carries out long-term product

development in order to develop environmentally friendly products. The products must be safe to use and their environmental impact must be minimised. The materials and components used in the products are tested regularly.
The aim is to provide research-based information on the environmental impacts of our products during their production and use. We are also seeking financial savings through eco-efficiency and material efficiency. The material choices and energy consumption of suppliers in the production chain as well as the modes of transport we select play an essential role in the environmental impact of our products.
The safety and quality of products and their operation are defined in the company's quality policy. Tulikivi has been granted the ISO9001 quality certificate in its capacity as a fireplace manufacturer.

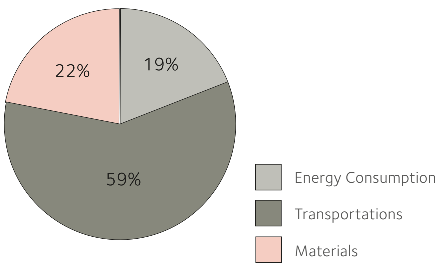
Financial responsibility

The main industry in which the Tulikivi Group operates is the stone processing industry. In addition, the Group engages in ceramic production, extensive research into combustion and heat transfer, and the production of sauna heaters.
The Group strategy covers all key operating and financial targets to the end of 2018. Under the strategy, the company is targeting annual organic growth of over 10 per cent in the next few years. The aim is also to achieve an operating profit of 10 per cent over the next five years. The target for return on equity is that is it should exceed 20 per cent.
Tulikivi's operations affect many stakeholders: customers, suppliers, service providers, employees, investors, finance providers and the public sector. The direct financial impact of Tulikivi's operations on these stakeholders consisted of the following in 2013 (respective figures for 2012 in parentheses):
Customers generated a total of EUR 43.7 million (51.2 million) in net sales. These net sales consisted of Tulikivi and Kermansavi fire-places, interior stone products, sauna heaters and product-related services sold to customers.
Tulikivi paid EUR 9.5 million (9.3 million) to suppliers of goods and semifinished products and EUR 18.0 million (20.6 million) to service providers. In addition, the company paid EUR 0.9 million (0.6 million) for machinery and equipment.
Employees' wages and salaries totalled EUR 13.4 million (13.9 million), and the related pension and other insurance contributions were EUR 3.3 million (3.3 million). The figures include the impact of the restructuring provision.
Finance providers were paid a net total of EUR 1.0 million (0.8 million) in interest and other financing expenses. No dividends were paid to shareholders in 2013 or in 2012.

Social responsibility

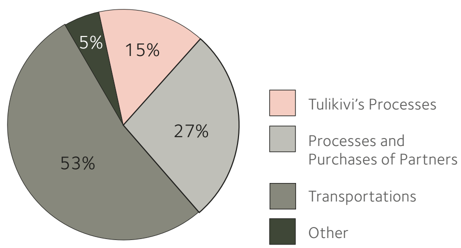
The continued recession in Tulikivi's main markets affected the company's personnel policy in 2013. The number of personnel had to be reduced and other adjustment measures taken. In production, significant decisions had to be made regarding production arrangements and reorganisation of functions. In training the main focus was on training related to managing the current situation.
Codetermination negotiations were under-taken at two stages during the financial year in connection with the reorganisations of functions, adjustment of production capacity and implementation of the performance improvement programme. Based on the negotiations it was decided to concentrate the Juuka fireplace production in a single factory, to discontinue tile production at Heinävesi and to switch to purchasing tiles sourced elsewhere. The work of the office staff was reorganised. Based on the codetermination negotiations a total of 67 people in the company were made redundant or gave their notice in connection with this. In 17 of these cases, the employment relationship was terminated by December 31, 2013. The

Formation of Carbon Footprint in Tulikivi's Own Production.



(calculated 2010)
British Standard PAS 2050

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 CO2 eqv kg/kg.

personnel reductions affected all personnel groups. In addition, 9 people were temporarily laid off in production on the basis of the negotiations. The number of personnel was also adjusted with fixed-term layoffs during the financial year. The number of personnel at the end of the year was 351 (377) people.

Expertise is a significant part of employee wellbeing. Under the Group's training goals, each member of the personnel must have sufficient expertise to perform his or her own work. To maintain and acquire competence, training was arranged in areas such as job-related legal training, training in the more efficient use of data systems, apprenticeship training, occupational safety training, and introductory work training. The Group also launched a major, two-year development project for product development and personnel development. The creation of skills for diversifying the content of employment will also continue in 2014. The Group operates a development discussion process, and this is being developed further.

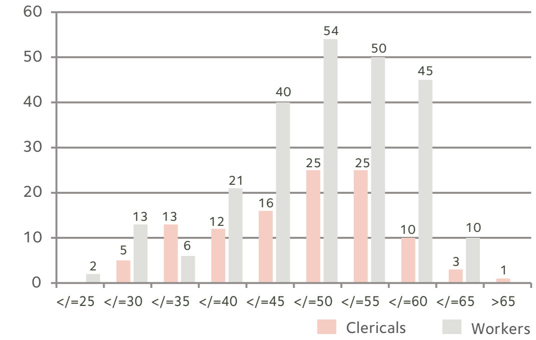
Occupational healthcare focuses on preventive measures. Supervisors monitor sick leave absences and discuss the situation with employees at 40-hour monitoring intervals to assess working capacity. The emphasis is on daily communication between supervisors and subordinates and close cooperation with occupational healthcare. Sick leave absences have been falling. As part of occupational safety the workplace reports were updated in all places of operation in cooperation with occupational healthcare and the Finnish Institute of Occupational Health.

The resources of the initiatives committee were taken up in the preparation of the plans and calculations for the concentration of Tulikivi's production and the discontinuation of tile production, which was also reflected in the reduced number of initiatives made. In 2013, the number of initiatives received under the 'ACT!' initiative scheme was 98 (240). In addition to this scheme, the ACT! system also covers employees' product suggestions and reporting of near-miss situations, which improves occupational safety. Our successful occupational safety work is reflected in the low frequency of accidents, which in 2013 amounted to 17 (32) accidents per one million working hours.

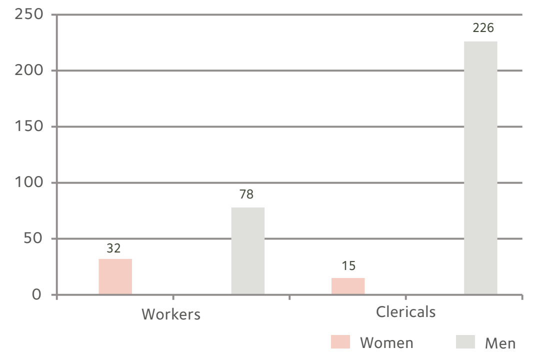
Community spirit

Tulikivi Corporation is a member of numerous organisations and forums, including the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, the Finnish Family Firms Association, the Finnish Chamber of Commerce, Work Efficiency Institute (TTS), the Finnish Society of Indoor Air Quality and Climate (FiSIAQ), the Finnish Natural Stone Association, the Fireplace and Chimney Association (TSY), the Finnish Quality Association, the Central Association of Chimney Sweeps, the Environmental Register of Packaging PYR Ltd and SELT ry (Electrical and Electronic Equipment Producers' Association).

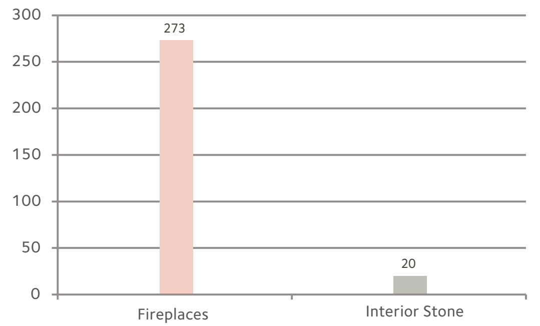
Age Distribution of Personnel, Dec. 31, 2013



Gender Distribution of Personnel, Dec. 31, 2013



Personnel per Segments Average During the Year 2013



The Hiisi fireplace was selected for the finals of the Wood Stove Decathlon

In February, Tulikivi's Hiisi 4 fireplace was selected as one of the 14 finalists of the first international Wood Stove Decathlon design competition for clean-burning fireplaces. Hiisi was assessed at the National Mall in Washington, DC, in November 2013. Hiisi was ranked second in terms of heating power and third in terms of emissions. Its overall ranking was fourth.

Tulikivi added the Tuisku electric heater to its range of soapstone sauna heaters

In February, Tulikivi's sauna product group was complemented by the Tuisku soapstone sauna heater. Its timelessly elegant design and innovative electronic solutions ensure that taking a sauna is a joy for all the senses.

The Tuisku heater is made of pearl grey, ribbed soapstone, which stores heat and releases it evenly for an enjoyable and gentle sauna experience. With its clean lines, Tuisku is ideal for both modern and traditional sauna designs.

Tulikivi created Finland's first soapstone sauna seats at the Koli Relax Spa

Tulikivi worked together with Lumene and the North Karelia Cooperative Society to develop the Koli Relax Spa, which offers its guests scenery and relaxation.

Local products and materials have been favoured at the Koli Relax Spa: most of its walls are covered with Tulikivi's impressive soapstone mosaic tiles. In the Vilpola Relax room, guests can enjoy the views from the heated loungers tiled with soapstone mosaic. All other stone surfaces at the Koli Relax Spa and the fireplaces in the Grill It restaurant and Hiekka-pakka lobby bar are also Tulikivi's handiwork. Visitors can enjoy the heat of the sauna on Tulikivi's sculptured soapstone seats, which are unique in Finland. The custom-made Tulikivi soapstone sauna heaters produce a pleasant and gentle heat.

The new Kaira design fireplace is technologically advanced

Equipped with Autopilot combustion control automation, the highly efficient Kaira fireplace is easy and enjoyable to use.

Kaira's firebox air intake does not have to be constantly adjusted. The Autopilot system allows for the high efficiency rating of 80per cent, which saves firewood. In addition, the Autopilot system enables very low particulate and carbon monoxide emissions, which meet the world's strictest emission standards (Germany's national BlmSchV standards).

The Kaira design fireplace has been approved by the DIBt Centre of Competence in Civil Engineering in Germany, meaning that the fireplace is sufficiently airtight for low-energy homes.

The Kuura, Riite and Huurre sauna heaters were launched at the Hyvinkää Housing Fair

Tulikivi's new sauna heaters Kuura, Riite and Huurre have simple and elegant designs with clean lines. They are the first sauna heaters with cast stone surfaces. They play with the contrast between hot and cold: their surface patterns refer to snow and the crystal structure of water turning into ice. This contrast is also reflected in their names: Kuura means frost, Riite is a thin crust of ice and Huurre means rime.

The unique character of Tulikivi's new sauna heaters is highlighted by their extraordinary surfaces. Kuura is available as a round heater and as a square-shaped heater with rounded corners. Its surface is visually subdued. Riite, a round sauna heater, comes with an Art Nouveau surface pattern or a DNA-like design with clean lines that is divided into three sections. Huurre is a square-shaped sauna heater with rounded corners and a wavy surface texture. In terms of colour and design, these impressive heaters are suitable for both dark and light sauna designs.

The Kuura, Riite and Huurre heaters all have large stone containers, which means that they always provide an enjoyable and gentle sauna experience. The Tulikivi Touch Screen electronic control unit enables the temperature of the heater and the sauna room to be regulated to the nearest degree, which saves energy. The heater can also be integrated with building automation systems.

These new heaters have short safety distances, which enables them to be integrated with sauna benches and located in a variety of places in the sauna room.

Tulikivi's Nuoska sauna heater received the Form2013 design product of the year award

Tulikivi's Nuoska sauna heater received the design product of the year award at the Form2013 gala of the Koti & Keittiö magazine.

Nuoska deviates from traditional heaters in terms of design, colours and material. The members of the Form2013 jury included Pauli Aalto-Setälä, CEO of Aller Finland, Pilvi Karhama, Director of the Espoo Museum of Modern Art (EMMA), and Kari Korkman, CEO of Luovi Productions. According to the jury, Nuoska successfully combines good modern design with high product quality.

Tulikivi's Kinos is a sauna heater and a fireplace

With Tulikivi's innovative Kinos sauna stove you get two things at once: a pleasant and gentle sauna experience and an atmospheric fire in its fireplace on the other side of the wall.

The Kinos sauna stove comes with two cladding options: Kinos 20 S1 has brushed soapstone cladding, and Kinos 20 S2 has grooved soapstone cladding. The Kinos stove is installed in the sauna, with the large glass door of its firebox facing the room on the other side of the wall. A separately sold soapstone mantel can be installed around the glass door. The mantel turns the firebox into a modern fireplace that is suitable even for small rooms, as it requires very little floor space. The height of the mantel can be adjusted using raising stones (58 cm x 24 cm).

Tulikivi's fireplaces and sauna heaters are Key Flag products

The Association for Finnish Work issued Tulikivi with a Key Flag Symbol on December 3, 2013 for Tulikivi and Kermansavi heat-retaining fireplaces and sauna heaters.

Tulikivi has developed and manufactured Tulikivi fireplaces since 1980. Its systematic long-term development work and investment in Finnish design have been rewarded by consumers and design professionals alike. Tulikivi fireplaces are also impressive export products that meet the world's strictest emission standards and offer some of the highest efficiency rates in the market. It's no wonder that Tulikivi is the most popular fireplace brand in Finland and the largest manufacturer of heat-retaining fireplaces in the world. More than 390 000 homes around the world already have a Tulikivi fireplace. Now Tulikivi's fireplaces and sauna heaters are Key Flag products. The Key Flag Symbol is granted in recognition of Finnish work for products and product groups made in Finland with a degree of domestic origin of more than 50 per cent.

Board of Directors

Harri Suutari (b. 1959)
B. Sc. (Eng.), board professional since 2012. Member of the Tulikivi Board of Directors since 2013. Chairman of the Board since August 23, 2013.

Other key positions of trust: Member of the Nomination and Remuneration Committee and Vice Chairman of the Board of Directors at PKC Group Oyj since 2012. Chairman of the Board of Directors at Componenta Oyj and Alma Media Oyj. Member of the Board at Oy M-Filter Ab. Member of the Board at the Federation of Finnish Technology Industries.

Primary work experience: President and CEO at PKC Group Oyj (3.3.2008-4.4.2012), President and CEO at PKC Oyj (13.3.2002-31.8.2005), President and CEO at Ponsse Oyj (1994-2000) and President and CEO at Kajaani Automatiikka Oy (1984-1996).

Tulikivi Corporation share ownership:
Series A shares: 21 957

Heikki Vauhkonen (b. 1970)
LLB, BBA. Managing Director of Tulikivi Corporation since June 2007 until April 2013, Chairman of the Tulikivi Board of Directors April 16 - August 22, 2013. Managing Director of Tulikivi Corporation since August 23, 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Chairman of the Board of Stone Pole Oy since 2007, Member of the Board of North Karelian Chamber of Commerce since 2010, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Rakennustuoteteollisuus RTT ry since 2012.

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–April 2013, Chairman of the Tulikivi Board of Directors, April 2013 -August 2013; Managing Director of Tulikivi Corporation August 2013 -present.

Tulikivi Corporation share ownership:
Series K shares: 5 809 500
Series A shares: 1 047 810

Olli Pohjanvirta (b. 1967)
LL.M., Managing Director of Nurminen Logistics Oy since 2013, 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 Ltd (untill April 6, 2012), Chairman of the Board of Nurminen Logistics Plc, Member of the Board of Meka Pro Ltd, 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: 46 336

Markku Rönkkö (b. 1951)
M.Sc. (Econ. & Bus. Admin.) Member of the Board of Tulikivi Corporation since 2009, Member of the Audit Committee since 2009.

Other key positions of trust: Member of the Board of Metsänhoitoyhdistys Savotta since January 1, 2013, Member of the Board of Mikrobioni Ltd, Member of the Board of Digital Foodie Ltd, Vice Chairman of the Board of Hotel Artos Ltd, Vice Chairman of the Board of Osuuskunta KPY, Member of the Board of the Orthodox Church Museum Foundation of Finland, Chairman of the Board of Voimatel Oy, Deputy Member of the Auditing Board of the Central Chamber of Commerce, shareholder/partner at Boardman Ltd.

Primary work experience: Part-time authorised public accountant in a number of companies, 1984–2003; CFO of IS-Yhtymä Oy, 1977–1982; CFO of Olvi plc, 1983–1985; Managing Director of Olvi plc, 1985–2004; Managing Director of Savon Voima Oyj, 2004–2006; Managing Director of Karelia-Upofloor Ltd, 2006–2007; and Managing Director of Järvi-Suomen Portti Oy, 2008–2011.

Tulikivi Corporation share ownership:
Series A shares: 84 173

Pasi Saarinen (b. 1968)
M.Sc. (Eng.) Member of the Board of Tulikivi Corporation since 2011. Vice President Locks Business Unit at Abloy Oy since 2013.

Other key positions of trust: Chairman of Locks and Fittings Group of The Federation of Finnish Technology Industries.

Primary work experience: Abloy Oy: Production Engineer 1995-1996; Project Manager 1996-1997; Production Manager 1997-2000, Exports Manager 2000-2003; Manager of Baltic Operations (Tallinn, Estonia) 2003-2004. Assa Abloy Asia Pacific: Business Unit Director (Shanghai, China) 2004-2005. Abloy Oy: Vice President of Domestic Sales 2006-2010; Vice President of Construction Locking 2011-2013.

Tulikivi Corporation share ownership:
Series A shares: 133 495

Nella Ginman-Tjeder (b. 1959)
M.Sc. (Econ), Senior Adviser at Ifolor Oy since 2013. Member of the Board of Directors at Tulikivi since 2013.

Other key positions of trust: Member of the Board at Indmeas Oy since 2008 and Member of the Board at Stiftelsen Arcada since 2010.

Primary work experience: Managing Director of Ifolor Oy 2007-2013, Vice President, Country Manager at American Express in Finland 2005-2007, Head of Corporate Card American Express in Finland 2004-2005, Marketing

Director at Indmeas 2001-2004, Project Manager at Indmeas 1996-2001, Director Marketing Communications at Finpro 1995-1996, Marketing Director at Sanoma Magazines 1983-1986, Marketing Manager at Sanoma Magazines / Consumer Magazines 1986-1988, Sales Manager at Sanoma Magazines / Consumer Magazines 1989-1995.

Tulikivi Corporation share ownership:
Series A shares: 52 260

Anu Vauhkonen (b. 1972)
M.A., Diploma in Communication Management. Director of Sales and Marketing. Member of the Board of Directors at Tulikivi since October 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Delegation of the Finnish Family Firms Association, Member of the Board of Helsingfors Segelsällskap rf in 2013.

Primary work experience: Wärtsilä Diesel Oy: PR 1995-1997, Tulikivi Corporation: PR 1998, Tulikivi U.S. Inc.: PR and Communications Manager 1998–2001, Tulikivi Corporation: Communications Director 2001-2011, Director of Corporate Communications 2011-August 2013, Director of Sales and Marketing August 2013 -present.

Tulikivi Corporation share ownership:
Series K shares: 500
Series A shares: 54 276







Tulikivi's Board of Directors from left to right:

Harri Suutari, Heikki Vauhkonen, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Nella Ginman-Tjeder and Anu Vauhkonen.

The Management Group from left to right:

Heikki Vauhkonen, Ismo Mäkeläinen, Jouko Toivanen and Anu Vauhkonen

Management Group

Heikki Vauhkonen (b. 1970)
LLB, BBA. Managing Director of Tulikivi Corporation since June 2007 until April 2013, Chairman of the Tulikivi Board of Directors April 16 - August 22, 2013. Managing Director of Tulikivi Corporation since August 23, 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Chairman of the Board of Stone Pole Oy since 2007, Member of the Board of North Karelian Chamber of Commerce since 2010, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Rakennustuoteteollisuus RTT ry since 2012.

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–April 2013, Chairman of the Tulikivi Board of Directors, April 2013-August 2013; Managing Director of Tulikivi Corporation August 2013 -present.

Tulikivi Corporation share ownership:
Series K shares: 5 809 500
Series A shares: 1 047 810

Ismo Mäkeläinen (b. 1962)
Master Builder. Head of Production and Purchasing. Member of the Management Group since 2009. Has worked for Kivia Oy, a Tulikivi subsidiary, since 1999. Has worked for Tulikivi since 2007.

Primary area of responsibility: Overall responsibility for production and purchases.

Positions of trust: No positions of trust.

Primary work experience: Building technology work at Kostamus and Helsinki, 1980-1985; Building Consultant at the Municipality of Nurmes, 1987; General Foreman at Industrial Power Corporation/Posiva Oy, 1987-1990; General Foreman at Rakennusliike Mustonen Oy, 1990–1991; Site Manager at the Kainuu Regional Environment Centre, 1991; General Foreman/Construction Supervisor at Kuhmon Lämpö Oy, 1991–1992; Site Manager at Posiva Oy, 1993–1998; Production Manager at Kivia Oy, 1999–2004; Sales Manager at Kivia Oy, 2002–2004; Plant Manager at Kuhmo and Suomussalmi at Kivia Oy/Tulikivi Corporation, 2005–2007; Production Manager at Tulikivi Corporation, Soapstone Business, 2007–2008; Production Manager at Tulikivi Corporation, Fireplace Business, 2008–2009; Head of Production, 2009–2010; Head of Production and Purchasing, 2010 –present.

Tulikivi Corporation share ownership:
Series A shares: 31 000

Jouko Toivanen (b. 1967)
D.Sc. (Tech.), M.Sc. (Eng.). Director of Finance and Administration. Member of the Management Group since 1995. Has worked for Tulikivi since 1993.

Primary area of responsibility: Direction of Tulikivi's Finance and Administration.

Positions of trust: Tulikivi Corporation: Accounting Manager 1995–1997, Tulikivi Corporation: Financial Manager 1997–1999, Tulikivi Group: Manager of operational accounting and management systems, 1999–2001, Financial Director 2001–2007, Director of Natural Stone Products Business 2003–2011, Director, lining and interior decoration stone products 2011–August 2013, Director, Finance and Administration August 2013 –present.

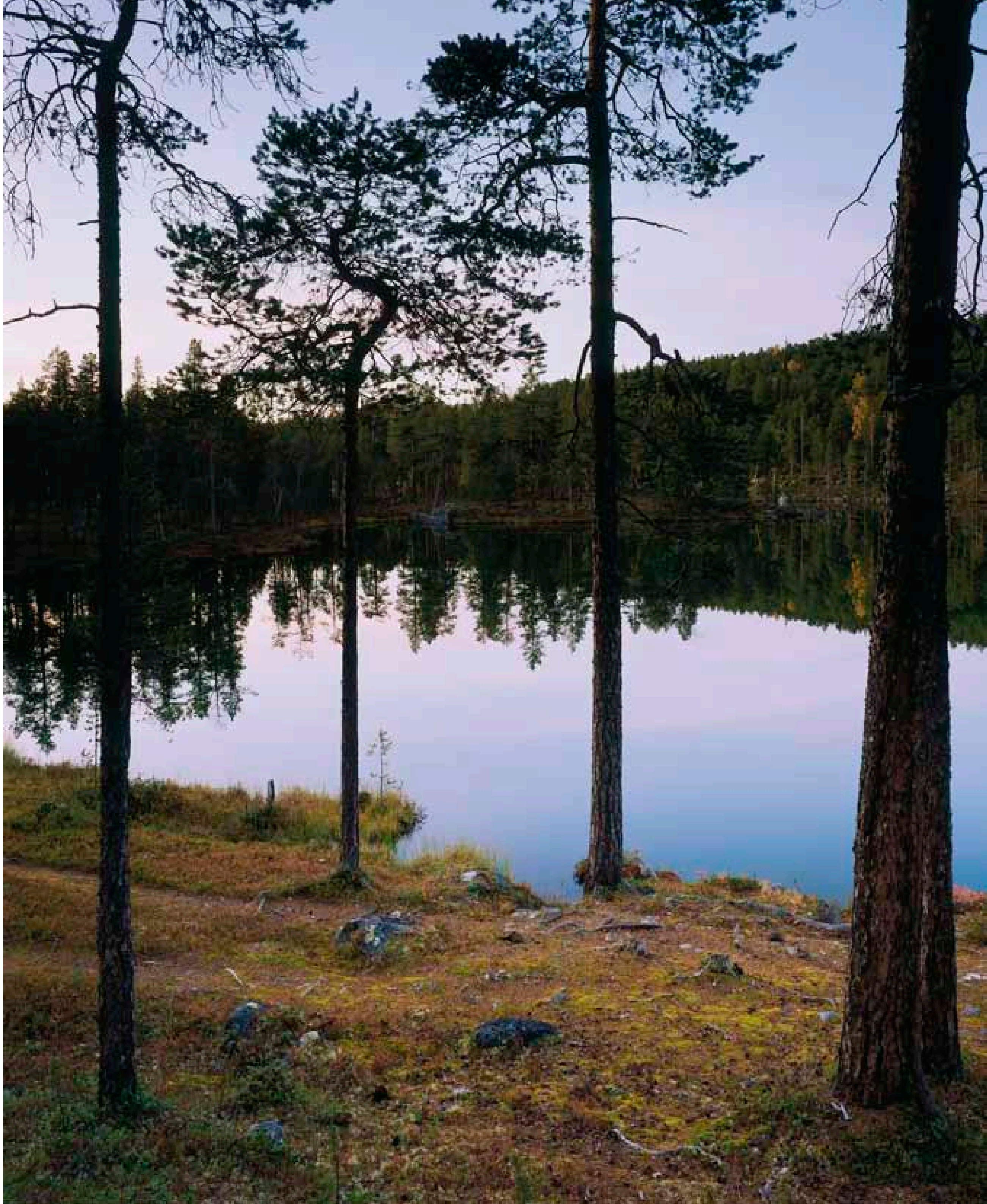
Tulikivi Corporation share ownership:
Series K shares: 100 000
Series A shares: 31 250 kappaletta

Anu Vauhkonen (b. 1972)
M.A., Diploma in Communication Management. Director of Sales and Marketing. Member of the Board of Directors at Tulikivi since October 2013. Member of the Management Group since 2001. Has worked for Tulikivi since 1997.

Other key positions of trust: Member of the Delegation of the Finnish Family Firms Association, Member of the Board of Helsingfors Segelsällskap rf in 2013.

Primary work experience: Wärtsilä Diesel Oy: PR 1995–1997, Tulikivi Corporation: PR 1998, Tulikivi U.S. Inc.: PR and Communications Manager 1998–2001, Tulikivi Corporation: Communications Director 2001–2011, Director of Corporate Communications 2011–August 2013, Director of Sales and Marketing August 2013 –present.

Tulikivi Corporation share ownership:
Series K shares: 500
Series A shares: 54 276



Corporate Governance Statement 2013

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 October 1, 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 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, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi, as well as Tulikivi GmbH, established during the financial year. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy. (Stone Pole Oy had no business activities during 2013; liquidation proceedings have begun.)

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 Extraordinary General Meeting of October 8, 2013 the number of Board members was set at seven.

The personal information of the Board members:

- Harri Suutari, born 1959. Chairman of the Board of Directors since August 23, 2013. B.Sc. (Eng.). Board membership in several companies.
- Olli Pohjanvirta, born 1967. Master of Law. Managing Director of Nurminen Logistics Oy. Managing Director of Russian Capital Management Oy. Board membership in several companies.
- Markku Rönkkö, born 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several companies.
- Pasi Saarinen, born 1968. Master of Science in Engineering. Director of Locks Business Unit at Abloy Oy. Technology Industries, Chairman of the Group.
- Nella Ginman-Tjeder, born 1958. M.Sc. (Econ). Senior Advisor at Ifolor Oy. Board membership in several companies.
- Anu Vauhkonen, born 1972. Member of the Board of Directors since October 8, 2013. M.A, Diploma in Communication Management. Sales and Marketing Director of Tulikivi Corporation.
- Heikki Vauhkonen, born 1970. Chairman of the Board of Directors of Tulikivi Corporation until August 23, 2013. LLB and BBA. Managing Director of Tulikivi Corporation until April 16, 2013 and since August 23, 2013. Chairman of the board of Stone Pole Oy and member of the Board of North Karelian Chamber of Commerce.

The Board members who are independent of the company are Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Harri Suutari and Nella Ginman-Tjeder. The Board members who are independent of the company's major shareholders are Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Harri Suutari and Nella Ginman-Tjeder.

Tulikivi Corporation's Annual General Meeting of April 16, 2013 the number of Board members was set at six.

In the period of Jan.1 to April 16, 2013 the board members were Matti Virtaala, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Maarit Toivanen-Koivisto, Heikki Vauhkonen.

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 2013, the company's Board of Directors convened 24 times. The average attendance at Board meetings was 93.3 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. At the Extraordinary General

Meeting held on October 8, 2013, it was decided in accordance with the proposal of the Board to discontinue the Nomination Board established on April 12, 2012. Its tasks are now with the Nomination Committee of the Board, the members of which the Board will select from among its members.

The Nomination Committee comprised three members. The Committee was composed of Harri Suutari (Chairman) and Markku Rönkkö (member) and Heikki Vauhkonen (member). The duties of the Nomination Committee included 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 did not met in 2013.

The personal information of the members of Nomination Committee:

- Harri Suutari, born 1959. Chairman of the Nomination Committee. Chairman of the Board of Directors of Tulikivi Corporation since August 23, 2013 B.Sc. (Eng.). Board membership in several companies.
- Markku Rönkkö, born 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several companies.
- Heikki Vauhkonen, born 1970. Chairman of the Board of Directors of Tulikivi Corporation until August 23, 2013. LLB and BBA. Managing Director of Tulikivi Corporation until April 16, 2013 and since August 23, 2013. Chairman of the board of Stone Pole Oy and member of the Board of North Karelian Chamber of Commerce.

Operating until October 8, 2013, the Nomination Board included three members: Reijo Vauhkonen as chairman and Olli Pohjanvirta and Matti Virtaala as members. The Nomination Board met one time in 2013. The average attendance at committee meetings was 66.7 per cent.

The personal information of the members of Nomination Board:

- Reijo Vauhkonen, born 1939. Chairman of the Nomination Board. M.Sc. (Civil Eng.). Industrial Counsellor.
- Olli Pohjanvirta, born 1967. Master of Law. Managing Director of Nurminen Logistics Oy. Managing Director of Russian Capital Management Oy. Board membership in several companies.
- Matti Virtaala, born 1951, Chairman of the Board of Tulikivi Corporation until April 16, 2013. M.Sc. (Tech.). Industrial Counsellor. Board membership in several companies.

The Audit Committee is made up of three members, who are appointed by the Board from among its members. Until April 16, 2013 the committee was composed of Markku Rönkkö (Chairman), Pasi Saarinen and Matti Virtaala. Since April 16, 2013 the committee was composed of Markku Rönkkö (Chairman), Pasi Saarinen and Nella Ginman-Tjeder. 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 5 occasions in 2013. The average attendance at committee meetings was 93.3 per cent.

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 Ismo Mäkeläinen, Director of Production and Purchasing, Anu Vauhkonen, Director of Domestic Sales and Marketing, Jouko Toivanen, Director of Finance and Administration. Management Group met on 19 occasions in 2013.

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. Customers value our environmentally friendly and aesthetically pleasing products and the comfort that these products create. They also value the benefits of wood-based heating. Tulikivi is an adaptable and innovative 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.

Participation by Board members in the meetings of the Board, Audit Committee and Nomination Committee and Nomination Board.

Jan.1-Dec. 31, 2013	Board meetings	Audit Committee	Nomination Committee since Oct. 8, 2013	Nomination Board until Oct. 8, 2013
Harri Suutari	20/24			
Olli Pohjanvirta	18/24			
Markku Rönkkö	24/24	5/5		
Pasi Saarinen	22/24	5/5		
Nella Ginman Tjeder	18/24	4/5		
Anu Vauhkonen (since Oct. 8)	5/24			
Heikki Vauhkonen	24/24			
Matti Virtaala (until April 16)	4/24			1/1
Reijo Vauhkonen				1/1

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.

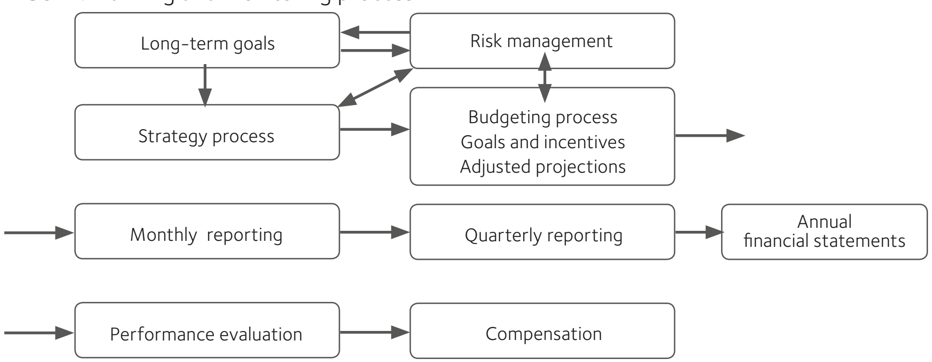
Control functions

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 new enterprise resource planning (ERP) system was introduced during 2012. The implementation went smoothly and the set targets were achieved. With the new system, we have harmonised Tulikivi's internal processes in the company's businesses. The implemented system will enable more efficient cooperation with customers and subcontractors, and with partners.

In 2013 the focus will be on optimising the use of the system and improving the quality of reporting. The new system contains the necessary internal control mechanisms. In order to ensure the quality of operations, the operational handbook will be updated during 2014 in connection with the renewal of the internet.

FIGURE: Planning and monitoring process



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

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: domestic sales, marketing, product development, exports, production, purchasing, administration and economy	- delegate specific control tasks in their respective areas of responsibility to people responsible for different operations - ensure the efficiency of internal control in their respective areas of responsibility - oversee risk management in their areas of responsibility
Director of Finance and Administration	- internal accounting: monitoring and analysis of results - external accounting and reporting
Auditor	- statutory audits - expanded audits assigned by the Board of Directors or the Audit Committee - reports to the Board of Directors and the Audit Committee

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 2013, the auditors conducted extended audits associated with the implementation of the new ERP system. The audits assessed the accuracy of the data transfer in the changeover to the new system from the old system. With regard to the size of the Group and the nature of its activities, it has not been deemed necessary to appoint an internal auditor. The Board may choose to use an external expert in certain fields.

Risk management is part of the Tulikivi Group's control system. Risk management seeks to ensure that the risks related to the Group's business are identified and constantly monitored and evaluated as part of normal operations.

2. Risk evaluation

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

3. Reporting system, internal control and risk management

The Managing Director reports monthly to the Board of Directors on the operations and performance of the Group and its business units and on any divergence from the budget and adjusted projections (monthly report). The Managing Director reports quarterly to the Board of Directors on operating profit based on the interim reports or annual financial statements. The Managing Director must also report immediately on fundamental changes in the Group's business environment. The responsible persons report according to the internal reporting system.

The Director of Finance and Administration of the parent company is reponsible for the Group-level reporting. The parent company's financial department handles accounts and group-level accounting for domestic companies. Qualified accounting firms or outside experts handle accounts and reporting for foreign subsidiaries. The parent company's auditors compare the contents of the Russian subsidiary's Russian reporting to the financial reporting delivered to the parent company for the consolidated financial statements.

Financial reporting guidelines, competence development, reliable information systems, standard control mechanisms and expanded audits ensure accuracy in reporting. Any divergences from the budget and operating plans call for closer analysis to find the underlying causes.

The Director of Finance and Administarion, along with the auditors, monitors the accuracy of financial reporting. Periodic information system evaluations also serve this purpose. The Group seeks to ensure operational compliance with laws and regulations by using outside experts and services.

The Tulikivi Group has financial reporting guidelines that all units must adhere to. The Group ensures organizational competence through briefings and training. Accounting schedules and any changes to accounting policies and laws are reviewed in preparatory meetings related to the annual financial statements.

The Audit Committee evaluates the functionality of the financial reporting system quarterly on the basis of performance analyses of profit outlooks and the accuracy assessment of reporting. The evaluation also includes studying the risks associated with malpractice and illegal activity. The auditors audit the contents of the deviation reporting during the extended audit. The Management Group monitor the accuracy of result reporting on a monthly basis and evaluate the reasons for any deviation in their respective areas of responsibility.

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

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 Director of Finance and Administration 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.

6. Auditing

The Auditor is elected at the Annual General Meeting for a term ending at the conclusion of the subsequent Annual General Meeting. The auditor has been KPMG Oy Ab, Authorized Public Accountants.

Salary and Remuneration Report 2013

Board Members

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

The annual remuneration of Board members since April 16, 2013 is EUR 18 000 (before that period the annual compensation was EUR 18 000, respectively), of which 60 per cent was paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Each Board member received 21 957 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 full-time Chairman of the Board of Directors was paid a monthly salary of EUR 14 500 during April 17 to August 23, 2013, the part-time Chairman of the Board received EUR 4 500 (6 500) a month during August 24 to December 31, 2013, and the member of the Board who is responsible for secretarial duties received EUR 1 400 (1 400) a month. The members of Audit committee of the Board and Nomination Board were paid EUR 330 (330) remuneration per each meeting. In 2013 the members of the Board have not been paid other compensation than that for Board and committees work.

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

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

The incentive plan for the other members of the Management Group and for the managing directors of foreign subsidiaries 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 231 432 (218 447) in 2013. The Managing Director will not receive incentive pay for 2013. 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.

The fixed salaries of the other members of the Management Group and of the managing directors of foreign subsidiaries were EUR 672 412 (720 870) in 2013, while the variable part of salary based on sales growth paid in 2013 was EUR 36 000.

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. In 2013, the annual cost of the pension plan to the company was EUR 30 815, of which EUR 21 671 concerned the managing directors.

Stock options for management and key personnel

In order to promote the commitment of

management and key personnel to the implementation of the performance improvement programme, the Board of Directors of Tulikivi Corporation decided on September 17, 2013 on a new stock option programme for the key personnel of the Tulikivi Group on the basis of authorisation granted by the Annual General Meeting on April 16, 2013. The purpose of the stock options is to provide an incentive to key personnel to commit to long-term work in order to increase shareholder value. A further purpose of the options is to commit key personnel to their employer.

A maximum total of 1 800 000 stock options will be issued, entitling a maximum total of 1 800 000 new Series A shares or Series A shares held by the company to be subscribed. The stock options are divided into A, B and C options and the subscription period of the shares subscribed under these options is May 1, 2016 to May 31, 2018 for stock option 2013A; May 1, 2017 to May 3, 2019 for stock option 2013B; and May 1, 2018 to May 31, 2020 for stock option 2013C. The subscription price of the shares under all stock options is EUR 0.33 per share. The Board of Directors will determine separate financial targets based on the company's performance improvement programme for each option type, which must be met in order for the option to be granted. There are 580 000 2013A stock options, and the subscription period of the A Series shares that can be subscribed with them will commence only if the target set for EBITDA excluding non-recurring items for the 2014 financial year is met.

Incentive Pay Scheme

Tulikivi Corporation has an Incentive pay scheme for all personnel. The Board of Directors approves the payment of incentive plan remunerations to the Managing Director, members of the Management Group and the managing directors of foreign subsidiaries, and the Managing Director approves the payments to others after relevant calculations have been performed.

The incentive pay scheme is for all personnel and is based on the Group's result. The result in 2013 (2012) did not justify the payment of an incentive bonus.

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 2013, the auditing firm were paid a total of EUR 138 680 (164 049), of which the portion of statutory audit amounted to EUR 62 879 (53 935).

Annual Compensation paid to Board Members for Board and Committees Work in 2013 (EUR):

	Annual remunerations	Audit Committee	Nomination Committee/ Nomination Board since Oct. 8, 2013	Total
Ginman-Tjeder Nella, member of the Board	18 000	1 320		19 320
Pohjanvirta Olli, member of the Board	18 000			18 000
Rönkkö Markku, member and secretary of the Board	34 800	1 650		36 450
Saarinen Pasi, member of the Board	18 000	1 650		19 650
Suutari Harri, member of the Board. The part-time Chairman of the Board since August 24, 2013.	37 227			37 227
Vauhkonen Anu, member of the Board	18 000			18 000
Vauhkonen Heikki, member of the Board. The full-time Chairman of the Board during April 17 – August 23, 2013	76 000			76 000
Toivanen-Koivisto Maarit, member of the Board (until April 16, 2013)	0			0
Vauhkonen Reijo, member of the Nomination Committee (until October 8, 2013)	0	0	330	330
Virtaala Matti, member and Chairman of the Board (until April 16, 2013)	22 904	330	330	23 564
Total	242 931	4 950	660	248 541

Information for Shareholders

Annual General Meeting

The Annual General Meeting of Tulikivi Corporation will be held in the Ekberg Extra, Bulevardi 9 A, II krs., Helsinki, on April 2 2014, starting at 10:00. Financial statement documents will be available for inspection at the company's Internet site and head office in Nunnanlahti as from March 11, 2014. Copies of these documents will be sent to shareholders upon request. The right to participate in the Annual General Meeting rests with a share-holder who by March 21, 2014 at the latest has been registered in the company's share-holder list that is maintained by Euroclear Finland Ltd. Share-holders who wish to attend the Annual General Meeting must notify the company thereof by March 23, 2014, either by telephoning at +358 207 636 251 or +358 207 636 322 (Monday to Friday 8:00 to 16:00,); by emailing kaisa.toivanen@tulikivi.fi; by faxing at +358 20 605 0701 or by writing to the address Tulikivi Corporation / Annual General Meeting, FI-83900 Juuka. Holders of nominee registered shares: instructions for the partisipants in the general meeting in address www.tulikivi.com> Investors>General Meeting> General Meeting 2014.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid for year 2013.

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 2014:

Financial statement bulletin for 2013
February 10, 2014
Annual Report for 2013
week 11
Interim Report for January-March
April 29, 2014
Interim Report for January-June
August 8, 2014
Interim Report for January-September
October 24, 2014

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

The Annual Report will be published on the company´s website in week 11. Financial reports are posted on the company´s website, www.tulikivi.com, on their day of publication.
If you have questions concerning investor relations, please contact the company´s director of finance and administration Jouko Toivanen, Tel. +358 207 636 330

Analyst following Tulikivi Corporation:
Matias Rautionmaa / Pohjola Pankki,
Tel. +358 10 252 4408,
matias.rautionmaa@pohjola.fi

Tulikivi Corporation´s Annual Summary of Stock Exchange Releases 2013

19.12.2013 Tulikivi corporation´s general meeting and financial releases in 2014
26.11.2013 Share subscription price of tulikivi corporation stock options 2013, market value and vesting criterion of stock options 2013A
06.11.2013 Codetermination negotiations concluded at Tulikivi Corporation
24.10.2013 Interim Report 1-9/2013
22.10.2013 Flagging announcement 22 October 2013
22.10.2013 Flagging announcement 21 October 2013
21.10.2013 Final results of Tulikivi's share issue
18.10.2013 Tulikivi's share issue successfully completed
11.10.2013 Supplement to Tulikivi Corporation's Prospectus Dated 9 October 2013
11.10.2013 Decision of the District Court of Varsinais-Suomi
10.10.2013 Flagging announcement 9 October 2013
10.10.2013 Flagging announcement 9 October 2013
09.10.2013 Flagging announcements 9 October 2013
09.10.2013 Tulikivi Corporation's Prospectus Approved
08.10.2013 Stock of exchange release: Tulikivi's board of directors has decided on a directed share issue in a maximum amount of aprroximately eur 7.5 million to the public
08.10.2013 Stock of exchange release: resolutions of the extraordinary general meeting of Tulikivi corporation October 8, 2013
07.10.2013 Stock exchange release: request regarding conversion of k-shares to a-shares
17.09.2013 Tulikivi is preparing a directed share issue to the public
17.09.2013 Notice to Extraordinary General Meeting of Tulikivi Corporation
17.09.2013 The Board of Directors of Tulikivi Corporation decided on a New Stock Option Plan
17.09.2013 Tulikivi Corporation to begin codetermination negotiations
26.08.2013 Changes to Tulikivi Corporation's Management Group
23.08.2013 Changes to Tulikivi Corporation management
21.08.2013 Exemption granted by the Financial Supervisory Authority
21.08.2013 Flagging announcements 21 August 2013
08.08.2013 Tulikivi Corporation Interim report, 1 January - 30 June 2013
08.08.2013 Tulikivi Corporation planning extensive performance improvement programme
05.08.2013 PROFIT WARNING – Tulikivi Corporation lowers its outlook for operating result for the year 2013
21.05.2013 PROFIT WARNING – Tulikivi Corporation lowers its outlook for turnover and operating result for the year 2013
24.04.2013 Interim report, 1 January - 31 March 2013
16.04.2013 Resolutions of the Annual General Meeting of Tulikivi Corporation and organisation of the board
16.04.2013 Nella Ginman-Tjeder and Harri Suutari join Tulikivi Corporation's Board of Directors
18.03.2013 Annual report 2012
14.03.2013 Summons to the Annual General Meeting of Tulikivi Corporation
11.03.2013 Codetermination negotiations concluded at Tulikivi Corporation
13.02.2013 Jouni Pitko appointed Managing Director of Tulikivi Corporation
08.02.2013 Financial Statement Release Jan-Dec 2012 correction
08.02.2013 Corporate governance and management 2012
08.02.2013 Financial Statement Release Jan-Dec 2012
28.01.2013 Tulikivi Corporation´s Annual Summary 2012
02.01.2013 Implementation of subsidiary merger

Board of Directors' Report and Financial Statements of Tulikivi Corporation for year 2013

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, 2013. The term IFRS refers to the standards and interpretations upon these in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

The consolidated financial statements are presented in thousands of Euros.

Board of Directors' Report

Operating environment in 2013

The demand for fireplaces in Finland was weakened by the reduced level of low-rise housing construction and renovation projects, the restricted lending by banks and the deterioration in consumer confidence.

The protracted European recession reduced export sales in 2013. In the second half of the year, demand for fireplaces was satisfactory in Germany and France but weak in the Nordic countries. New construction and energy efficiency regulations based on EU rules gave rise to uncertainty in the market and had an impact on consumers' decisions.

In Russia, the market for fireplaces and saunas was on the wane, but sales of Tulikivi products grew despite this.

Order books at the end of the reporting period amounted to EUR 4.4 million (EUR 4.6 million on December 31, 2012).

Net sales and result

The Tulikivi Group's fourth-quarter net sales totalled EUR 11.8 million (EUR 14.2 million Q4/2012), the operating result was EUR -1.8 (0.5) million and the profit before taxes was EUR -2.0 (0.3) million. As a result of adjustments to production and a reduction of fixed costs, the relative profitability of operations improved in the fourth quarter, and the operating result before non-recurring expenses was EUR 0.5 (0.5) million. The adjustments resulted in a non-recurring cost of EUR 2.3 million for the fourth quarter.

Group net sales in 2013 totalled EUR 43.7 million (EUR 51.2 million in Jan-Dec/2012). The operating result in 2013 before non-recurring expenses was EUR -1.4 (0.1) million. The consolidated operating result in 2013 was EUR -4.3 (0.1) million, and the result before taxes was EUR -5.3 (-0.8) million. Earnings per share were EUR -0.11 (-0.02).

In the segment reporting, the net sales for the Fireplaces Business totalled EUR 40.0 (47.1) million, and for the Interior Stone Business EUR 3.7 (4.1) million. Net sales in Finland accounted for EUR 20.8 (24.9) million, or 47.7 (48.5) per cent, of total net sales. Exports amounted to EUR 22.9 (26.3) million in net sales. The principal export countries were France, Russia, Germany, Sweden and Belgium.

In the segment reporting, the operating result for the Fireplaces Business was EUR -4.1 (0.2) million, and for the Interior Stone Business EUR -0.2 (-0.1) million.

Cash flow and financing

Cash flow from operating activities before investments was EUR 2.6 (0.1) million. Working capital decreased by EUR 3.9 (-3.0) million during the financial year. At the end of 2013, working capital was EUR 5.5 (9.4) million. The decrease in working capital was caused by factors such as a decrease in inventories and decline in trade receivables. Interest-bearing debt was EUR 23.0 (23.9) million, and net financial expenses were EUR 1.0 (0.8) million. The equity ratio was 38.1 per cent (35.2 per cent on December 31, 2012). The ratio of interest-bearing net debt to equity, or gearing, was 59.3 (112.9) per cent. The current ratio was 1.8 (1.7). Equity per share was EUR 0.35 (0.49).

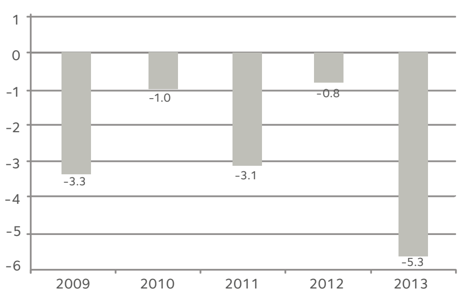
At the end of the financial year, the Group's cash and other liquid assets were EUR 10.7 (3.3) million. The total of undrawn credit facilities and unused credit limits amounted to EUR 0.5 (4.0) million.

The company has several financers with which it has separate credit agreements. The company's credit agreements include financial covenants that concern the equity ratio, the ratio of interest-bearing debt to EBITDA and the ratio of net debt to EBITDA. The company met the covenant that concerns the equity ratio. In spite of the decrease in EBITDA, the company also met the covenant regarding the ratio between net debt and EBITDA excluding non-recurring items as of December 31, 2013. In addition, the company negotiated a waiver from the covenant on the ratio of interest-bearing debt and EBITDA on December 31, 2013, before the close of the financial year. The covenants will be examined again on June 30, 2014. The company has good liquidity and there will be no need for extra financing in 2014.

Investments and product development

The Group's investments in 2013 in production, quarrying and development were EUR 1.6 (2.7) million. Research and development expenditure was EUR 1.6 (1.6) million, or 3.6 (3.1) per cent of net sales. EUR 0.2 (0.6) million of this was

Result Before Income Tax, MEUR



Return on Equity, %

Development of the Sales, MEUR

capitalised in the balance sheet. Product development focused on launching new models in the Hiisi product family. New wood-burning and electric sauna heaters were also introduced in Russia and Finland.

Personnel

The Group employed an average of 293 (351) people during the financial year. The average was calculated according to the period of employment, taking account of the impact of layoffs. The number of personnel at the end of the year was 351 (377) people. Of these employees, 329 (354) were employed by the Fireplaces Segment and 22 (23) by the Interior Stone Segment.

During the financial year ended codetermination negotiations were carried out in two phases. They related to reorganisation of functions, adjustments of production capacity and performance improvement programme. Based on the codetermination negotiations, employees were terminated or they resigned, in total 67 persons, of which 17 persons' employment ended by December 31, 2013. Furthermore, resulting from the codetermination negotiations, 9 persons were laid off until further notice. The number of personnel has also been adjusted through temporary layoffs. In all, 99.2 (97.6) per cent of the employment relationships were permanent and 0.8 (2.4) per cent were temporary. Salaries and bonuses during the year totalled EUR 13.4 (13.9) million. These include restructuring and lay-offs due to costs totalled 1.5 million euros.

The Tulikivi Group has an incentive pay scheme for all personnel. The incentive pay scheme is based on improvements in the Group's result. The 2013 result did not justify the payment of incentive pay.

Occupational safety during the year was good. The number of occupational accidents per million working hours was 17 (32).

Board of Directors, Managing Director and Auditors

At Tulikivi Corporation´s Annual General Meeting held on April 16, 2013 the number of Board members was set at six. Mrs. Nella Ginman-Tjeder, Mr. Olli Pohjanvirta, Mr. Markku Rönkkö, Mr. Pasi Saarinen, Mr. Harri Suutari and Mr. Heikki Vauhkonen were elected as the members of the Board of Directors.

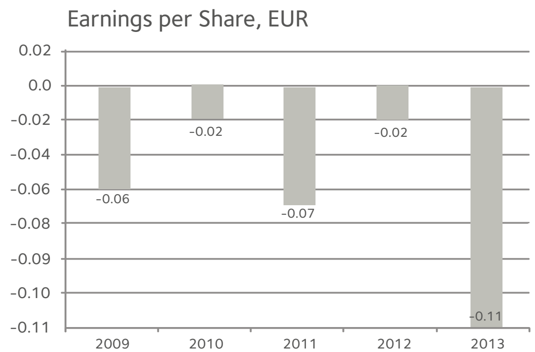
The Extraordinary General Meeting (Oct. 8, 2013) decided, as proposed by the Board, to elect Anu Vauhkonen as new member of the Board of Directors. The amount of members of the Board of Directors will therefore be 7 and the following existing members would continue in the Board of Directors: Nella Ginman-Tjeder, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Harri Suutari and Heikki Vauhkonen. The Managing Director of Tulikivi Corporation is Heikki Vauhkonen. KPMG Oy Ab, Authorized Public Accoutants, was elected as the auditor. The auditor is the authorised public accountants KPMG Oy, with Mr Ari Eskelinen, Authorised Public Accountant, acting as the chief auditor.

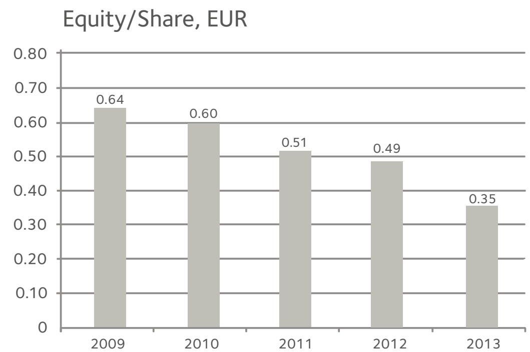
Share capital, shares and Board authorizations

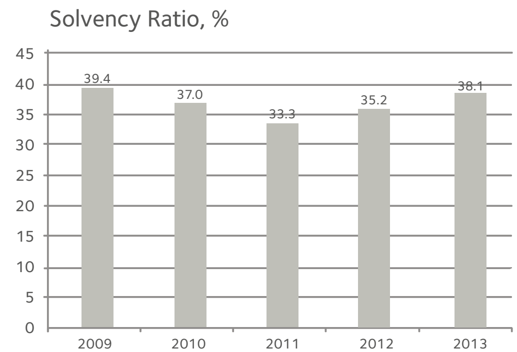
The Annual General Meeting granted the Board authorisation to acquire the company's own shares as proposed by the Board. The company's own shares are acquired to develop the company's capital structure and to be used as consideration in business and company acquisitions and other structural arrangements, the manner and scope of which will be determined at the discretion of the Board of Directors. In addition the shares can be acquired for the use in share-based incentive arrangement, for payment of share-based remuneration or otherwise to be transferred or cancelled. No more than a total of 2 760 397 Series A shares of the company shall be acquired and no more than a total of 954 000 Series K shares of the company shall be acquired, taking into account that the company may not hold more than 10 per cent of all shares. The authorisation is in force until the Annual General Meeting to be held in 2014 but, however, not for a longer period than 18 months as of the resolution by the General Meeting.

The Annual General Meeting authorised the Board of Directors to decide on the issue of new shares or the company´s own shares in possession of the company as proposed by the Board. The new shares and the company´s own shares in possession of the company can be issued in the following amounts: A total of no more than 5 520 794 A series and no more than 1 908 000 K series shares.

The authorisation also includes the right to carry out share capital increase deviating from the shareholders´ pre-emptive subscription right provided there is a weighty financial reason from the company´s point of view for the deviation.







The authorisation includes the right to issue cost-free shares to the company, provided that the number of shares issued to the company would not exceed one tenth of all shares of the company.

The authorisation also includes the right to issue special rights, as defined in Chapter 10 Article 1 of the Companies´ Act, which entitle to subscribe for shares against payment or by setting off the receivable.

The authorisation also includes the right to pay remuneration in the form of shares.

The Board of Directors is entitled to decide on other issues related to the share issues. The authorisation to repurchase shares is in force until the Annual General Meeting to be held in 2014.

On October 8, 2013, the Board of Directors of Tulikivi Corporation decided on a share issue under the authorisation issued by the Annual General Meeting, in which the company, deviating from the shareholders' right of pre-emption, will offer a maximum of 22 727 273 Series A shares in a directed rights issue to the public in Finland. The subscription price of the offered shares was EUR 0.33 per share. The subscription price that was set included the usual discount on the market price of the company's Series A shares that applies to a directed rights issue. The subscription period of the shares offered started at 9.30 a.m. on October 11, 2013 and ended at 4.30 p.m. on October 17, 2013. The maximum number of shares offered corresponded to approximately 61.2 per cent of the company's existing shares and approximately 18.5 per cent of the votes attached to them before the share issue, and to approximately 38.0 per cent of the company's total shares and approximately 15.6 per cent of the votes attached to them after the share issue. A number of Finnish institutional and other investors had committed to subscribe issued shares to a total maximum sum of about EUR 6.1 million. The subscription commitments represented a maximum of approximately 81.74 per cent of the maximum number of shares offered.

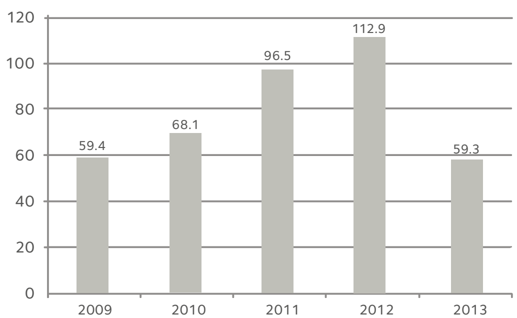
Tulikivi Corporation's directed rights issue of up to approximately EUR 7.5 million was completed successfully on October 17, 2013. According to the final result, a total of 22 920 917 of the company's Series A shares were subscribed, corresponding to some 101 per cent of the offered 22 727 273 shares. On October 21, 2013 the company's Board of Directors approved the subscriptions of 22 727 273 Series A shares under the terms of the share issue. All shares subscribed in the share issue have been paid in full. Shares subscribed in the share issue were registered in the Trade Register on October 22, 2013 and are traded on the NASDAQ OMX Helsinki Ltd exchange together with the company's existing Series A shares as of October 23, 2013. As a result of registering the new shares in the Trade Register, the number of the company's Series A shares is 50 331 243 and the number of the company's Series K shares is 9 540 000. The lead manager of the share issue was Pohjola Corporation Finance Ltd.

On October 4, 2013 the company received a request to convert 1 460 000 Series K shares into Series A shares. This conversion was registered in the Trade Register on November 5, 2013, following which the number of Tulikivi Series A shares is 51 791 243 and the number of Series K shares 8 080 000.

Tulivi Corporation´s share capital entered in the Trade Register, amounted to EUR 6 314 474.90 on December 31, 2013. 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. The Series A share is listed on the NASDAQ OMX Helsinki Ltd.

2.11 per cent of all shares were nominee registered or foreign ownership. Several flagging notifications were made to the company during the financial year, for which the company has issued separate stock exchange releases.

Gearing, %



Treasury shares

The company did not purchase or assign any treasury shares during the reporting period. At the end of the period, the total number of Tulikivi shares held by the company was 124 200 A shares, corresponding to 0.2 per cent of the company's share capital and 0.1 per cent of all voting rights. During 2013 at NASDAQ OMX Helsinki Ltd. 10.5 million shares were traded, with the value of share turnover being EUR 4.6 million. The highest rating for the share was EUR 0.63 and the lowest EUR 0.31. The closing rate for the financial year was EUR 0.34.

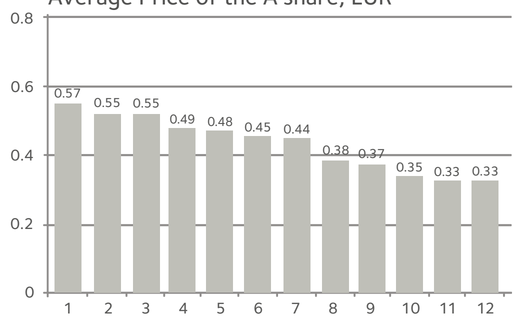
Option rights to management and key employees

To strengthen the commitment of management and key employees to lead the company through the performance improvement program the Board of Directors of Tulikivi Corporation decided on September 17, 2013 to issue stock options to the Tulikivi Group key employees on the basis of the authorization granted by the company's Annual General Meeting held on April 16, 2013.

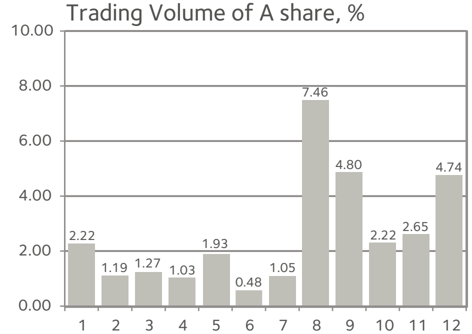
Option rights are used to encourage the key employees to work on a long-term basis to increase shareholder value. The option rights also aim at committing the key employees to the employer. The option program is targeted to approximately 13 key employees, including the members of the Management Group. The Board of Directors decides on the vesting criteria and the amount of the award annually and the program is valid for a year at a time. For all key employees, the prerequisite for receiving stock options is share ownership in the company.

The maximum total number of stock options issued is 1 800 000, and they entitle their owners to subscribe for a maximum total of 1 800 000 new shares in the company or existing shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be May 1, 2016—May 31, 2018, for the stock option 2013B, May 1, 2017 to May 31, 2019, and for the stock option 2013C, May 1, 2018 to May 31, 2020. The share subscription price for all stock options is EUR 0.33 per share. The basis for the subscription price is the subscription price used in the share issue of Tulikivi Corporation carried out in October 2013. Each year dividends and equity returns will be deducted from the share subscription price. For vesting of each stock option class, the Board of Directors will establish financial targets related to the company's performance improvement program separately for each stock option class. The number of stock options 2013A is 580 000. The share subscription period for the A share series for the stock options 2013A will begin only if the targets set for the 2014 financial year's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-recurring items are fulfilled. The theoretical market value of the stock options is described in the note 23 Share-based payments to the financial statement.

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



Monthly Development of the Trading Volume of A share, %



Major business risks

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

Operational risks are related to products, distribution channels, personnel, operations, new product launches and processes. Damage, casualty and loss risks include fires, serious breakdowns of machinery and other damage to assets that may also lead to interruption of business. Damage, casualty and loss risks also include occupational health and safety risks, environmental risks and accident risks. Financial risks the Group is exposed to are liquidity risks, risks related to capital management, interest rate risks and foreign currency risks.

Risk evaluation is carried out in connection with the drawing up of the strategic planning process and the annual action plan. Following analysis of the risks, the means of preventing and controlling them have been examined on the basis of impact and probability. If risk management methods prove ineffective or cannot be used, realised risks can have a substantial adverse effect on the result, financial position, business and share value. Risks and the means of controlling them are presented in greater detail in note 37 to the consolidated financial statements.

Any major downturn that might be caused by the euro area crisis could decrease the demand for the company's products and the company's profitability and equity. The company's balance sheet assets include goodwill, intangible assets and deferred tax assets, the value of which is based on the management's estimates. If these estimates fail to materialise, it is possible that impairment losses would have to be recognised in connection with the impairment testing processes. Meeting the covenant conditions on the Group's bank loans will require the improvement of the company's profitability in future.

Environmental obligations

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

Under the Mining Act and environmental legislation, the Tulikivi Group has landscaping obligations that must be met during operations and after the quarries and plants are eventually shut down. No hazardous or poisonous substances are left in the environment as a result of the Group's operations. The environmental obligations and provisions recognised for them are presented in greater detail in notes 25 and 33 to the consolidated financial statements.

The Group's operations comply with the environmental permits, the requirements of the authorities and the environmental protection requirements. The Group is neither party to judicial or administrative procedures concerning environmental issues nor is it aware of any environmental risks that would have a significant effect on its financial position.

Events following the end of the financial year

In January–February, fireplace production was centralised at Juuka under the performance improvement programme.

Future outlook

The demand for Tulikivi products is in part dependent on consumer confidence. The performance improvement programme started in 2013 includes sales and production efficiency measures and cost-saving measures, the results of which will begin to show in 2014. Full-year net sales are expected to be at the same level as in 2013, and the operating result is expected to be positive.

Order books at the end of the reporting period amounted to EUR 4.4 million (EUR 4.6 million on December 31, 2012).

Monitoring of strategy implementation

The Group strategy covers all key operating and financial targets to the end of 2017. Under the strategy, the company is targeting annual organic growth of over 10 per cent in the next few years. The aim is also to achieve an operating profit of 10 per cent within the next five years. The target for return on equity is that is it should exceed 20 per cent. Corporate acquisitions in support of the strategy are also possible. Due to unstable environment, the Group did not meet its strategic goals. The Group has prepared to improve profitability of business operations.

Key ratios and ownership information

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

Segment reporting

The Group's operating segments are the Fireplaces segment and the Interior Stone Products segment. The Fireplaces segment includes soapstone and ceramic fireplaces sold under the Tulikivi and Kermansavi brands, their accessories, sauna heaters and fireplace lining stones. The Interior Stone Products segment consists of interior stone products for the home. In the reporting for 2013, all Group costs have been allocated to the segments. In previous years, other items, which included Group and financial administration costs, were presented separately in segment reporting. Comparison data has been adjusted to reflect the new practice. Owing to the performance improvement programme, the organisation has been streamlined and the Fireplace and the Interior Stone businesses integrated. This is why the company will no longer report these segments separately as of the beginning of 2014.

Group structure

The companies included in the Tulikivi Group are the parent company Tulikivi Corporation, AWL-Marmori Oy, Tulikivi U.S. Inc. and OOO Tulikivi, as well as Tulikivi GmbH, established during the financial year. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated companies Stone Pole Oy and Rakentamisen MALL Oy. (Stone Pole Oy had no business activities during 2013; liquidation proceedings have begun.)

Corporate Governance Statement

Tulikivi Corporation will issue its Corporate Governance Statement for 2013 separately from the Annual Report. The Corporate Governance Statement has been prepared in accordance with Recommendation 54 of the Finnish Corporate Governance Code and Chapter 2, section 6 of the Securities Markets Act. Information on corporate governance can be found on Tulikivi's website, at http://www.tulikivi.com/en/tulikivi/Corporate_governance_and_management.

Board of Director´s proposal on use of distributable equity

There is no distributable equity. The reserve for instead unrestricted equity has a total of EUR 7 442 thousand of returnable funds. The Board will propose to the Annual General Meeting that no dividend be paid.

Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Sales	2	**43 724**	51 191
Other operating income	5	433	768
Increase/decrease in inventories of finished goods and in work in progress		–559	1 081
Production for own use		171	358
Raw materials and consumables		–9 079	–10 701
External services		–5 959	–7 680
Personnel expenses	6	–16 975	–17 556
Depreciation and amortisation	7	–3 790	–4 085
Other operating expenses	8	–12 225	–13 317
Operating result		**–4 259**	59
Financial income	9	61	83
Financial expenses	10	–1 046	–925
Share of result of associates		–15	3
Result before income tax		**–5 259**	–780
Income taxes expense	11	854	155
Result for the year		**–4 405**	–625
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	10.2	–29	–6
Translation differences	10.2	–26	–13
Income tax on other comprehensive income	10.2	3	2
Other comprehensive income, net of tax		–52	–17
Total comprehensive result for the year		**–4 457**	–642
Calculated from result attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	**–0,11**	–0,02

Consolidated Statement of Financial Position

EUR 1 000	Note	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Assets			
Non-current assets			
Property, plant and equipment	13	11 592	12 789
Goodwill	14, 15	4 174	4 174
Other intangible assets	14	11 301	12 429
Investment properties	16	205	209
Investments in associates	17	0	7
Other financial assets	18	26	26
Deferred tax assets	19	2 792	2 169
Other receivables		41	53
Total non-current assets		**30 131**	31 856
Current assets			
Inventories	20	10 257	11 366
Trade and other receivables	21	3 559	5 154
Current tax assets		0	0
Cash and cash equivalents	22	10 704	3 357
Total current assets		**24 520**	19 877
Total assets		**54 651**	51 733
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	23	6 314	6 314
Treasury shares	23	-108	-108
The invested unrestricted equity fund	23	14 406	7 334
Translation differences	23	-48	-22
Revaluation reserve	23	-77	-51
Retained earnings		292	4 695
Total equity		**20 779**	18 162
Non-current liabilities			
Deferred income tax liabilities	19	994	1 369
Provisions	25	1 570	1 227
Interest-bearing liabilities	26	17 981	19 277
Other liabilities	27	0	20
Total non-current liabilities		**20 545**	21 893
Current liabilities			
Trade and other payables	27	6 996	7 153
Current tax liabilities		0	0
Provisions	25	1 279	17
Short-term interest-bearing liabilities	26	5 052	4 508
Total current liabilities		**13 327**	11 678
Total liabilities		**33 872**	33 571
Total equity and liabilities		**54 651**	51 733

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 - Dec. 31, 2013	Jan. 1 - Dec. 31, 2012
Cash flows from operating activities			
Result for the year		-4 405	-625
Adjustments:			
Non-cash transactions	30	3 750	3 815
Interest expense and finance costs		1 046	925
Interest income		-56	-80
Dividend income		-5	-2
Income taxes	11	-854	-155
Changes in working capital:			
Change in trade and other receivables		1 600	290
Change in inventories		1 108	-618
Change in trade and other payables		-355	-1 597
Change in provisions		1 604	-1 067
Interest paid		-894	-948
Interest received		31	69
Dividends received		5	2
Income tax paid		25	58
Net cash flow from operating activities		**2 600**	67
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-968	-1 265
Purchases of intangible assets		-703	-1 659
Grants received for intangible assets		1	29
Proceeds from sale of tangible assets		168	554
Net cash flow from investing activities		**-1 502**	-2 341
Cash flows from financing activities			
Proceeds from share issue		7 059	0
Proceeds from current borrowings		2 000	0
Repayments of current borrowings		-500	0
Proceeds from non-current borrowings		6 800	4 100
Repayments of non-current borrowings		-9 072	-5 239
Net cash flow from financing activities		**6 287**	-1 139
Net decrease (-) / increase (+) in cash and cash equivalents		**7 385**	-3 413
Cash and cash equivalents at the beginning of the year		3 357	6 769
Exchange gains (+) / losses (-)		-38	1
Cash and cash equivalents at the end of the year	22	**10 704**	3 357

Consolidated statement of changes in equity

Attributable to equity holders of the Company	Note	Share capital	The invested unrestricted equity fund	Revaluation reserve	Treasury shares	Translation differences	Retained earnings	Total equity
EUR 1 000								
Equity at January 1, 2012		6 314	7 334	-46	-108	-10	5 321	18 804
Total comprehensive result for the year				-5		-12	-625	-642
Equity at December 31, 2012	23, 28.5	6 314	7 334	-51	-108	-22	4 696	18 162
Total comprehensive result for the year				-26		-26	-4 405	-4 457
Transactions with owners								
Share issue			7 500					7 500
Transaction costs directly attributable to the issue of new shares			-427					-427
Share option scheme							2	2
Total transactions with owners			7 073				2	7 074
Equity at December 31, 2013	23, 28.5	**6 314**	**14 406**	**-77**	**-108**	**-48**	**292**	**20 779**

Basic Information of the Group

The parent company is Tulikivi Corporation (Business ID 0350080-1) and it is domiciled in Juuka, Finland. Its registered address is 83900 Juuka, Finland.

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

The Group has two reportable segments, Fireplaces and Interior stone segments. Fireplaces segment comprises soapstone and ceramic fireplaces sold under Tulikivi and Kermansavi brands, their by-products lining stones for heaters and sauna heaters. Interior stone segment comprises interior decoration stone products and paving stones. In segment reporting non-allocable expenses are presented under 'Other items', which also includes expenses from the corporate finance expenses and income taxes.

Tulikivi Corporation's Board of Directors has approved these financial statements for publication at its meeting held on February 7, 2014. Under the Finnish Limited Liability 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 for Financial Statements

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, 2013. The term IFRS refers to the standards and interpretations that are approved for adoption in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also 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 and financial liabilities (including derivatives) carried at fair value through profit or loss. The consolidated financial statements are presented in thousands of euros.

Tulikivi Group has applied the following amended standards as from January 1, 2013:

- Amendments to IAS 1 Presentation of Financial Statements: The major change is the requirement to group items of other comprehensive income as to whether or not they will be reclassified subsequently to profit or loss when specific conditions are met.
- Amendment to IAS 19 Employee Benefits: The amendments to IAS 19 regarding the defined benefit pension plan accounting will have no impact on the consolidated financial statements as all Group's pension plans are defined contribution plans. The other amendments made to the standard, associated with termination benefits, for example, are not assessed to have a material impact on the consolidated financial statements.
- IFRS 13 Fair Value Measurement: IFRS 13 establishes a single source for all fair value measurements and disclosure requirements for use across IFRSs. The new standard also provides a precise definition of fair value. IFRS 13 does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when fair value is required or permitted. IFRS 13 will expand the disclosures to be provided for non-financial assets measured at fair value.
- Annual Improvements to IFRSs 2009-2011: The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments cover in total five standards.
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine: The interpretation provides guidance to the accounting treatment of stripping costs in the production phase of a surface mine, when benefit from the stripping activity is realized in two ways: in the form of mineral ores to the production of inventory, and on the other hand in the form of improved access to further quantities of material that will be mined in future periods.

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

Financial year 2014

- IFRS 10 Consolidated Financial Statements and subsequent amendments (in the EU effective for financial years beginning on or after January 1, 2014): IFRS 10 builds on existing principles by identifying the concept of control as the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. The standard also provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard is not expected to have a material impact on the consolidated financial statements.
- IFRS 11 Joint Arrangements and subsequent amendments (in the EU effective for financial years beginning on or after January 1, 2014): In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In future jointly controlled entities are to be accounted for using only one method, equity method, and the other alternative, proportional consolidation is no longer allowed. The new standard is not assessed to have a material impact on the consolidated financial statements.
- IFRS 12 Disclosures of Interests in Other Entities and subsequent amendments (in the EU effective for financial years beginning on or after January 1, 2014): IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and

other off-balance sheet vehicles. The new standard will expand the notes the Group provides for its interests in other entities.
- IAS 28 Investments in Associates and Joint Ventures (revised 2011) and subsequent amendments (in the EU effective for financial years beginning on or after January 1, 2014): Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be equity accounted. The revised standard is not assessed to have a significant impact on Tulikivi's consolidated financial statements.

Other amendments to standards are not expected to have an impact on the consolidated financial statements when adopted.

Financial year 2015
- IFRS 9 Financial Instruments* and subsequent amendments (effective for financial years beginning on or after January 1, 2018): This originally three-phase project is intended to replace the current IAS 39 Financial Instruments: Recognition and Measurement. The amendments resulting from the first phase (published in November 2009) address the classification and measurement of financial assets. Based on measurement, financial assets are classified into two main groups: financial assets at amortised cost and financial assets at fair value. Classification depends on a company's business model and the characteristics of contractual cash flows. The amendments published in October 2010 deal with the classification and measurement of financial liabilities and the standard retains most of the related IAS 39 requirements. The unfinished part of IFRS 9, i.e. the impairment of financial assets is still a work in progress. Furthermore, the IASB is also considering limited amendments regarding the classification and measurement of financial assets. As the IFRS 9 project is incomplete, the impacts of the standard on the consolidated financial statements cannot yet be assessed.

The preparation of the consolidated financial statements in conformity with IFRS requires the management make certain estimates and judgements. Information about the areas where the management has exercised judgment in the application of the Group's accounting principles is presented under "Critical management judgments in applying the entity's accounting principles and major sources of estimation uncertainty".

1.2. Accounting Policies for the Consolidated Financial Statements

Subsidiaries

The consolidated financial statements include the parent company, Tulikivi Corporation, and all its subsidiaries. Subsidiaries are companies, over which the Group has control. Control exists when the Group owns more than half of the voting rights, or it has otherwise control. Also the existence of potential voting rights is considered when assessing the conditions of control if the instruments entitling to potential voting rights are currently 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 using the acquisition 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 the disposed subsidiaries until the control ceases. Intragroup transactions, balances and unrealized gains on transactions between group companies, and intragroup distribution of profits are eliminated. Unrealized losses are also eliminated unless the loss is due to impairment. Tulikivi Corporation 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).

Associates

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 losses in an associate exceeds the book value of the interest, the investment is recognized in the balance sheet to zero value and further losses are not recognized unless the Group has committed to fulfil the associates' obligations.
The investment in an associate includes goodwill identified on acquisition. Unrealized gains between the Group and an associate are eliminated according to the ownership interest of the Group.The Group's share of the associate's profit or loss for the year is separately disclosed below operating profit. Respectively, the Group's share in the changes recognized in other comprehensive income of an associate is recognized in other comprehensive income of the Group. Associates of the Group have not had these items in the financial years 2012 or 2013.

Translation of Foreign Currency Items

The results and financial positions of subsidiaries are measured using the currency of the primary economic environment in which the entity operates (functional currency). 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 business operations are recognized in the respective items in the income statement as part of the operating profit. Gains or losses

arising from borrowings and cash in bank are recognized in finance income and expenses.

Translation of financial statements of foreign subsidiaries

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

Goodwill arisen from the acquisitions of foreign entities and related fair value adjustments to the assets and liabilities of the acquired entities are recognized as assets and liabilities of the said foreign entities and are translated to euro using the exchange rates at the reporting date. The fair value adjustments and goodwill arisen from the acquisitions occurred prior to January 1, 2004, have been recognized in euro.

Property, Plant and Equipment

Property, plant and equipment assets are measured in the balance sheet at cost less accumulated depreciation and impairment charges.

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

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 any remaining part of the asset is derecognised. Otherwise subsequent costs are included in the book value of an item 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 is calculated using the straight-line method based on the useful lives of the assets. Land areas are not depreciated except for mining areas, where depreciations are recognised based on the consumption of the rock material and stacking area filling time.

The useful lives are as follows:

Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 15 years
Motor vehicles	5 to 8 years
Other property	3 to 5 years
Equipment	3 to 5 years
investment property(buildings)	10 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

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 classified as held for sale during the years 2012 and 2013.

Gains and losses on disposal of property, plant and equipment are recognised in profit or loss and presented in other operating income and expenses. Gain/loss on sale is determined based on the difference between the disposal price and the residual value.

Government Grants

Government grants, for example grants from the state, 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 depreciation/amortisation made over the useful life of the asset. Grants received as compensation for expenses already incurred are recognised in profit or loss of the period in which they become receivable. Such government grants are presented within other operating income.

Investment Properties

Investment properties are properties held in order to earn rental income or capital appreciation. Investment properties are measured at cost less accumulated depreciation.

Intangible Assets

– Goodwill

Goodwill arising on business combinations taking place after January 1, 2010 is recognised as the excess of the aggregate of the consideration transferred, the recognised amount of non-controlling interests and previously held equity interest in the acquired company, over the Group's share of the fair value of the net identifiable assets acquired. No business combinations have taken place in the Group since January 1, 2010.

Business combinations taken place between January 1, 2004 and December 31, 2009 have been accounted for in accordance with the previous IFRS standard (IFRS 3(2004)). The goodwill arisen from the acquisitions occurred before January 1, 2004 represents the carrying amount of goodwill at the date of transition to IFRSs based on the previous accounting principles. The 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 associate is in question, goodwill is included in the cost of the associate. The goodwill is measured at historical cost less impairment.

- Research and development costs

Research costs are expensed in the income statement as incurred. Development costs arising from planning of new or improved products are capitalized as intangible assets in the balance sheet when costs arising from the development phase can be reliable measured, the entity can demonstrate the technological and commercial feasibility of the product and the Group has the intention and resources to complete the development work. Capitalised development costs comprise material, labour and test costs incurred in bringing the assets capable of operating in the manner intended by management. Development costs previously expensed cannot be capitalized later.

Amortisation of an asset begins as soon as the project commences. Assets not available for use are tested annually for impairment. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of the capitalized development costs is 5 years during which the capitalized costs are expensed 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 the assets are amortised over 5 to 10 years. The exploration and evaluation assets are classified as a separate intangible asset category until technical feasibility and commercial viability is demonstrable. Afterwards the exploration and evaluation assets are reclassified 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 are 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 theGroup.

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. Amortisation of quarry lands, basins and other auxiliary structures begins when the quarry is ready and taken into production use, and the amortisation is allocated 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 amortisation in unit of production method is the portion of the cost equalling to the portion of extracted rock during the reporting period from the estimated total extractable amount of rock of the quarry.

The amortisation period of quarries in production phase varies from ten to twenty years. The amortisation of construction expenses of roads and dams begins in the construction year.

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

Amortisation periods of other intangible assets are as follows:

Patents and trademarks	5 to 10 years
Development costs	5 years
Distribution channel	10 years
Mineral resource exploration and evaluation costs	5 to 10 years
Quarrying areas and basins =	unit of production method
Quarrying area roads and dams	5 to 15 years
Computer software	3 to 5 years
Others	5 years

The useful life of the trademark related to Fireplaces segment has been assessed to be indefinite, because there is no foreseeable limit to the period which this asset is 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 incidental to the leased assets are 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 includes both land and buildings elements, the classification of each element as either a finance lease or an 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 useful lives consistent with the Group's normal depreciation policy. Part of the leased assets is subleased. Lease income from operating leases is recognized on a straight-line basis over the lease term.

Impairment

The Group assesses 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, indefinite-lived intangible assets and intangible assets not yet available for use. Mineral resource exploration and evaluation assets are tested always before reclassification of the assets in question. For the purpose of assessing criteria for recognising an impairment loss assets are grouped at the lowest levels for which there are separately identifiable cash-generating units with separately identifiable cash flows. The Group's corporate assets, which contribute to several cash-generating units and which do not generate separate cash flows, have been allocated to cash-generating units in a reasonable and consistent manner and they are tested as a part of each cash-generating unit.

The recoverable amount of an asset is the higher of the 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 a 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 the 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 a deduction of the goodwill allocated to the unit and then on pro-rata basis to unit's other assets. By recognition of an impairment loss the useful life of the asset to be depreciated / amortised is reassessed. For other assets except for goodwill, the impairment loss is reversed in case there is a change in those estimates that were used when the recoverable amount of the asset 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 on goodwill is not reversed under any conditions.

Employee Benefits

– Pension obligations

Pension plans are classified either as defined benefit plans or 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 meet 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 incentive plans in which the payments are made either as equity instruments or in cash. The benefits granted are measured at fair value at the grant date and expensed over the vesting period. In those plans where the payments are made in cash, the recognized liability and changes in its fair value are expensed respectively. The impact on profit or loss is presented under the item Employee benefit expenses.

The expense determined at the grant date of the stock options is based on the theoretical market value of the stock option which is calculated using the Black & Scholes stock option pricing model. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria. The stock options have been granted for the first time in 2013 and they can be used to subscribe shares earliest in 2016 if the vesting criteria are met.

The Group had no share-based incentive plans in 2013 or 2012.

Provisions and Contingent Liabilities

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made. A provision is measured at the present value of the expenditure required to settle the obligation. The discount factor used in the calculation of the present value is determined so that it reflects the current market assessment of the time value of money and risks related to the obligation. The amount of provisions is assessed at each reporting date and adjusted to correspond to the current best estimate. Changes in provisions are recognised in income statement in the same item as the provision was originally recognised.

A warranty provision is recognized when the product subject to the warranty is sold. The amount of the warranty provision relies on the statistical information of historical warranty realization.

A provision for restructuring is recognised when the Group has prepared a detailed restructuring plan and the restructuring either has commenced or communicated the restructuring plan to those affected by it. No provisions are recognised on expenses related to the Group's continuing operations.

A provision of onerous contracts is recognized when the incremental costs exceed the benefits received from the contract. Based on environmental legislation the group has restoration obligations related to the 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 relate to items recognised directly in equity or in 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 the initial recognition of an asset or liability in a transaction other than a business combination or 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 is able to control the timing of the reversal of the temporary difference and it is not probable that the temporary difference will reverse in the foreseeable future.

The Group´s most significant temporary differences arise from depreciation of property, measuring derivatives at fair value, tax losses carried forward and fair value measurement associated to business combinations.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the end of the reporting period. 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 a deferred tax asset in this respect are assessed at each reporting date.

Non-recurring items

For the sake of comparability between reporting periods the Group classifies certain income and expense items as non-recurring in its financial reporting. The following items are presented as non-recurring items: income and expenses arising from Group's restructuring plans, one-time impairment losses on goodwill and other assets as well as other exceptional non-recurring items, which materially skew the comparability of profitability of Group's business functions over time.

Revenue Recognition

Revenue includes the consideration received from sale of goods and services rendered measured at fair value adjusted with indirect taxes, rebates, and exchange rate differences from sales in foreign currencies.

- 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 a 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 income

Lease income is recognised on a straight-line basis over the lease term.

- Construction contracts

The Group did not have any construction contract revenues in 2013 and 2012.

- Interest income and dividends

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

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

The Group did not have non-current assets classified as held for sale nor discontinued operations during in 2013 or 2012.

Financial Assets and Financial Liabilities

- Financial Assets

The Group classifies its financial assets in the 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 recognition.

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.

Financial 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 assets that include one or more embedded derivatives that alter significantly the cash flows under a 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 in 2013 or 2012.

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 when they arise.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a maturity date, and the Group has the positive intent and ability 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 in 2013 or 2012.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not hold them for trading or does not explicitly designate them 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.

Financial assets available for sale are non-derivative financial assets, that are specifically designated this category or that are not classified into any other category. They are recognized as non-current assets 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 securities. 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, and presented within equity in the revaluation reserve. When securities classified as available for sale are sold or they are impaired, the accumulated fair value adjustments recognised in equity are transferred to the income statement as a reclassification adjustment. Interest income from available-for-sale interest securities are recognised in finance income using the effective interest method. The Group had no available-for-sale financial assets in 2013 or 2012.

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 readily convertible to known amounts of cash and for which the risk of changes in value is insignificant. Cash and cash equivalents mature in three months or less.

– Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If the fair value of an equity investment is significantly lower compared to the cost and for a 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 classified as available for-sale financial assets are not reversed through profit or loss, whereas, subsequent reversal of impairment losses on interest instruments is rec ognised 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 an 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 is be reversed through the income statement.

Financial Liabilities

Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial carrying amount for those financial liabilities carried at amortised cost. Subsequently financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method. Financial liabilities may comprise of current and non-current 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. Fees related to the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the loan facility will be drawn down. In these cases, the fees are deferred (capitalised) until the draw-down occurs. As the loan is drawn down, any related transaction fees are recognised as part of transaction expenses. To the extent that it is probable that the loan facility will not be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The principles applied in determination of fair values of all financial assets and financial liabilities are presented in note 29. Carrying 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 at 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 highly probable forecast 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 reporting 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 derivatives 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 2013 or 2012.

- 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 in equity is transferred to profit or loss in the same period as the hedged cash flows affect profit or loss. Gains or losses on derivatives hedging forecast foreign currency denominated sales are recognised as sales adjustments when those sales are realised. The ineffective portion of the changes in fair values is recognised in profit or loss in finance income or finance expenses. If the forecast transaction that is hedged results in the recognition of a non-financial asset, such as an item of property, plant and equipment, the gains and losses recognised in equity are accounted for as a 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 29 Commitments. Changes in the revaluation reserve are presented in Note 10.2 Other comprehensive income. The Group did not have derivatives qualifying for fair value hedges in 2013 or 2012.

Treasury Shares

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

Operating Profit / Result

The IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as following: The operating profit is the net amount attained when the sales are added by other operating income, deducted by purchase expenses adjusted with changes in finished goods and work in progress 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 business operations, otherwise they are recognised in the financial items. Negative operating profit is referred to as Operating result in the reporting.

Critical Management Judgments in Applying the Entity's Accounting Principles and Major Sources of Estimation Uncertainty

In preparing the consolidated financial statements estimates and assumptions about the future 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.

- Sources of estimation uncertainty

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 reporting 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 the underlying factors regularly in co-operation with business units by using various, both internal and external sources of information. Possible revisions to estimates and assumptions are recognized in the period in which the estimates and assumptions are revised and in any future periods affected.

In Tulikivi the key assumptions about the future and major sources of estimation uncertainty 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 quarries, 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 statements, 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, intangible assets not yet available for use and indefinite-lived intangible assets annually for potential impairment and assesses indications of impairment of property, plant and equipment and intangible assets at each reporting date. In addition, in respect of mineral resource exploration and evaluation assets, impairment tests are performed when the assets are reclassified. The recoverable amounts of the cash-generating units are assessed based on their value in use. The preparation of such calculations 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 Note 15.3 Impairment testing.

EUR 1 000

2. Segments

The Group has two reportable segments, Fireplaces and Interior stone.

Fireplase- and Interior stone businesses produce different product and services and they are managed as separate units because the businesses require different marketing strategies and use of different distribution channels. Expenses not allocated to the operating segments form Other items, which include the Group financial expences and taxes.

The Group's segment information is based on internal management reporting, in which measurement principles of assets and liabilities are in accordance with IFRS. In the internal management reporting the following product groups are presented: the fireplades sold under the Tulikivi and Kermansavi brands and their accessories, fireplace lining stones as well as sauna heaters. These operating segments have been aggregated into reportable Fireplaces-segment. The aggregation is based on the similar economic characteristics of these product groups, similar nature of the products and services, the nature of the production processes, the type and class of customer for products and services and the similar product distribution methods. The Interior stone is presented at the segment level in internal management reporting.

Evaluation of segment performance and decisions on resource allocation to segments are based on segments' operating result. The management believes that this is the most suitable indicator of profitability in comparison to other companies operating in the industries in question. In The Group the reviews as discussed above are the respondiblity of the Manging Director as the chief opreting decision maker. Segment's assets and liabilities are items that the segment uses in its operations or that can be reasonably allocated to segments. Capital expenditure comprise additions to property, plant and equipment and intangible assets used over more than one reporting period.

2.1. Segments

Fireplaces
Interior stone
Other items

2013	Fireplaces	Interior stone	Other items	Group
Sales				
External revenue	40 056	3 668		43 724
Operating result	-4 052	-207		-4 259
Finance income/expense, share of profit of associates			-1 000	-1 000
Income taxes			854	854
Result for the year				-4 405
Assets by segment	36 399	2 033	16 219	54 651
Liabilities by segment *)	8 775	471	24 627	33 873
Capital expenditure	1 560	30		1 590
Depreciation and amortisation expenses	3 728	62		3 790
2012	**Fireplaces**	**Interior stone**	**Other items**	**Group**
Sales				
External revenue	47 068	4 123		51 191
Operating result	150	-91		59
Finance income/expense, share of profit of associates			-839	-839
Income taxes			155	155
Result for the year				-625
Assets by segment	40 947	2 499	8 287	51 733
Liabilities by segment *)	7 352	433	25 786	33 571
Capital expenditure	1 737	37	713	2 487
Depreciation and amortisation expenses	3 206	76	803	4 085

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

EUR 1 000

2.2. Geographical information 2013	Finland	Rest of Europe	USA	Group total
Sales	20 858	22 039	827	43 724
Assets	27 207	121	0	27 328
2012				
Sales	24 851	25 043	1 297	51 191
Assets	29 550	137	0	29 687

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 per cent of the company's total revenue in 2013 (2012).

3. Business combinations

The Group has not undertaken any business combinations during the financial years 2013 and 2012.

4. Net sales per goods and services	2013	2012
Sales of goods	40 081	46 574
Rendering of services	3 643	4 617
Sales, total	**43 724**	51 191
5. Other operating income		
Proceeds from sale of PPE	119	388
Rental income from investment properties	34	28
Public grants	55	53
Other income	225	299
Other operating income, total	**433**	768
6. Employee benefit expense		
Wages and salaries	13 385	13 909
Pension costs – defined contribution plans	2 603	2 506
Other social security expenses	985	1 141
Share-based compensation	2	0
Employee benefit expense, total	**16 975**	17 556

Personnel expenses include expenses arisen from the personnel reductions and restructuring measures as follows: wages and salaries EUR 1 515 thousand, pension expenses EUR 582 thousand and other social security expenses EUR 68 thousand, totalling EUR 2 165 thousand.

The restructuring provision, note 26, includes unpaid personnel costs amounting to EUR 1 423 thousand.

Information on key management personnel compensation is disclosed in note 35.3. Key management compensation.

6.1. Group's average number of personnel for the financial period		
Fireplaces	273	330
Interior stone	20	21
Personnel, total	**293**	351

EUR 1 000	2013	2012

7. Depreciation, amortisation and impairment

Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	22	25
Capitalised development costs	561	468
Other intangible assets	1 012	972
Amortisation on quarries based on the unit of production method *)	100	235
Amortisation of intangible assets, total	**1 695**	1 700
Tangible assets		
Buildings	500	571
Machinery and equipment	1 155	1 405
Motor vehicles	130	151
Depdeciation on land areas based on the unit of production method *)	25	29
Other tangible assets	281	225
Depreciation of tangible assets, total	**2 091**	2 381
Investment property		
Buildings	4	4
Total depreciation, amortisation and impairment	**3 790**	4 085

*) The Group applies the unit of production method based on the usage of stone in calculating the amortisation for quarries, precipitation basins 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.

8. Other operating expenses

Losses on sales of tangible assets	84	19
Operating expenses of investment properties	2	2
Rental expenses	1 940	1 751
Maintenance of real estates	8	18
Marketing expenses	3 496	4 000
Other variable production costs	2 939	3 737
Other expenses	3 786	3 790
Other operating expenses, total	**12 255**	13 317

8.1. Research expenditure

Research costs expensed totalled EUR 1 341 thousand (1 035 thousand in 2012).

8.2. Auditors' fees

Audit fees	62	54
Tax advice	52	0
Assignments referred to under the Auditing Act (section 1, subsection 1, paragraph 2)	3	13
Other fees	21	97
Audit fees, total	**138**	164

EUR 1 000	2013	2012
9. Finance income		
Dividend income on available for sale financial assets	5	2
Changes in fair values of derivative contracts	26	11
Foreign exchange transaction gains	14	36
Interest income on trade receivables	14	18
Other interest income	2	16
Finance income, total	**61**	83
10. Finance expense		
10.1. Items recognised in profit or loss		
Interest expenses on financial liabilities at amortised cost and other liabilities	784	713
Foreign exchange transactions losses	76	68
Other finance expense	186	144
Finance expense, total	**1 046**	925

Exchange rate differences recognised in sales and purchases totalled EUR 60 thousand (loss) in 2013 (2012: gain of EUR 10 thousand).

10.2. Other comprehensive income

Financial items recognised in other comprehensive income:

	2013			2012		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	-29	3	-26	-6	2	-4
Translation differences	-26	0	-26	-13	0	-13
Other comprehensive income, total	**-55**	**3**	**-52**	-19	2	-17

11. Income taxes	2013	2012
Current tax	6	15
Tax carried from previous years	0	-14
Transfer of income taxes to the revaluation reserve	3	2
Tax related to invested unrestricted equity fund	139	0
Deferred tax	-1 002	-158
Income taxes, total	**-854**	-155

The reconciliation between the tax expense in the income statement and the tax calculated based on the Group's domestic tax rate (24.5 per cent in 2013).

	2013	2012
Profit before tax	-5 259	-779
Tax calculated at domestic tax rates 24.5 per cent	-1 289	-191
Change in domestic tax rate 24.5 per to 20 per cent	395	
Effect of foreign subsidiaries different tax bases	10	9
Income not subject to tax	-1	14
Expenses not deductible for tax purposes	29	44
Tax losses for which no deferred income tax asset was recognised	0	-17
Tax carried from previous years	0	-14
Other	2	0
Income statement tax expense	-854	-155

EUR 1 000	2013	2012
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)	-4 405	-625
Weighted average number of shares for the financial period	41 378 425	37 019 770
Basic/diluted earnings per share (EUR)	-0,11	-0,02

13. Property, plant and equipment 2013	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 287	15 064	42 261	2 420	3 235	85	64 352
Additions	1	80	852	85	81	10	1 109
Disposals	0	53	792	279	424	85	1 633
Exchange rate differences and other adjustments	0	0	0	11	0	0	11
Cost December 31	1 288	15 091	42 321	2 215	2 892	10	63 817
Accumulated depreciation and impairment January 1	339	9 127	38 133	2 193	1 772	0	51 564
Depreciation	25	500	1 152	130	281	0	2 088
Depreciation related to the disposals	0	34	772	248	372	0	1 426
Accumulated depreciation and impairment December 31	364	9 593	38 513	2 075	1 681	0	52 226
Property, plant and equipment, Net book amount January 1, 2013	949	5 937	4 128	227	1 463	85	12 789
Property, plant and equipment, Net book amount December 31, 2013	**925**	**5 498**	**3 808**	**140**	**1 211**	**10**	**11 592**

The Group's production machinery within property, plant and equipment has carrying amount of EUR 3 414 (3 561) thousand.
Disposals in property, plant and equipment and accumulated depreciation on disposals in property, plant and equipment comprise assets scrapped amounting to EUR 525 (307) thousand.

2012	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 287	15 043	42 639	3 772	2 921	59	65 721
Additions	0	21	619	164	314	85	1 203
Disposals	0	0	997	1 516	0	59	2 572
Cost December 31	1 287	15 064	42 261	2 420	3 235	85	64 352
Accumulated depreciation and impairment January 1	310	8 556	37 649	3 411	1 547	0	51 473
Depreciation	29	571	1 407	148	225	0	2 380
Depreciation related to the disposals	0	0	923	1 366	0	0	2 289
Accumulated depreciation and impairment December 31	339	9 127	38 133	2 193	1 772	0	51 564
Property, plant and equipment, Net book amount January 1, 2012	977	6 487	4 990	361	1 374	59	14 248
Property, plant and equipment, Net book amount December 31, 2012	949	5 937	4 128	227	1 463	85	12 789

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2013	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	3 794	3 532	6 285	388	3 996	7 449	29 618
Additions	0	1	0	2	0	66	279	348
Capitalised development costs	0	0	219	0	0	0	0	219
Cost December 31	4 174	3 795	3 751	6 287	388	4 062	7 728	30 185
Accumulated amortisation and impairment January 1	0	969	1 868	4 070	250	1 758	4 100	13 015
Amortisation related to the disposals	0	23	561	103	37	57	914	1 695
Accumulated amortisation and impairment December 31	0	992	2 429	4 173	287	1 815	5 014	14 710
Goodwill and other intangible assets, Net book amount January 1, 2013	4 174	2 825	1 664	2 215	138	2 238	3 349	16 603
Goodwill and other intangible assets, Net book amount December 31, 2013	**4 174**	**2 803**	**1 322**	**2 114**	**101**	**2 247**	**2 714**	**15 475**

Internally generated intangible assets are costs incurred from opening new quarries and construction of basins. The carrying amount of intangible assets includes costs incurred from opening quarries EUR 4 508 (4 340) thousand in total. Other intangible assets consist of licences, software, connection fees as well as of expenditures arisen from gates and asphalting works. Costs from opening quarries are a few €/m³ for the total stone reserves of the quarry in question. All stone reserves do not have carrying amount.

The group received EUR 28 thousand public grants in 2013 (any public grants in 2012) for development costs and other intangible assets. The public grants have been recognised as deduction of the carrying amount.

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. There haven't been recognised any expenditures relating to mineral resources exploration and evaluation directly as an expense in the income statement.

There were no disposals in other non-current expenditures and accumulated amortisation on disposals in other non-current expenditures (scrapped assets to EUR 1 414 thousand in 2012).

At the end of the current financial year, there were EUR 12 (53) thousand under construction under other intangible assets.

2012	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	3 781	2 241	6 550	388	5 246	7 144	29 524
Additions	0	13	0	40	0	164	701	918
Disposals	0	0	0	0	0	1 414	0	1 414
Transfer between groups	0	0	701	-305	0	0	-396	0
Capitalised development costs	0	0	590	0	0	0	0	590
Cost December 31	4 174	3 794	3 532	6 285	388	3 996	7 449	29 618
Accumulated amortisation and impairment January 1	0	943	1 390	3 928	209	3 073	3 187	12 730
Transfer between groups	0	0	10	9	0	-54	35	0
Amortisation	0	26	468	133	42	153	878	1 700
Amortisation related to the disposals	0	0	0	0	0	1 414	0	1 414
Accumulated amortisation and impairment December 31	0	969	1 868	4 070	251	1 758	4 100	13 016
Goodwill and other intangible assets, Net book amount January 1, 2012	4 174	2 838	851	2 622	179	2 173	3 957	16 794
Goodwill and other intangible assets, Net book amount December 31, 2012	4 174	2 825	1 664	2 215	138	2 238	3 349	16 603

EUR 1 000

15. Goodwill
15.1. Goodwill allocation
The Group's goodwill totals EUR 4.2 (4.2) million. Of that amount EUR 3.5 million has been allocated to Ceramic fireplaces unit under Fireplaces segment and EUR 0.6 million to Interior stone 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:	Interior stone products	Kermansavi fireplaces
2013		
Goodwill	632	3 542
Trademark		2 712
Total	632	6 254
2012		
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 12.2 to 12.1 per cent (7.6 - 7.7 per cent in 2012), 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 per cent growth rate for the operation in question. The growth rate used does not exceed the actual long-term growth rate of the industry in question. The growth rate used in the forecast period, that is, the growth factor, is on average 5.0 per cent for Kermansavi fireplaces corresponding to the growth forecast for residential construction (Euroconstruct). The growth rate used for the Interior Stone segment in the forecast period is on average 5 per cent considering the change of the business structure and the actual growth percentage.

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

1. Sales margin
- The sales margin percentage of Kermansavi fireplaces used in the forecast is based on the actual sales margin of the past financial year. The sales margin of the Interior stone segment is assumed to improve resulting from the optimization of operations through business restructuring.

2. Budgeted market share: The market share is expected to increase some through the renewed product range, focus on producers of prefabricated homes and the renewed organization.

3. Discount rate: determined as the weighted average cost of capital (WACC) where the cost of capital is the weighted average cost of equity and liability components including the adjustment for risk.

EUR 1 000

The discount rate and growth rate	Interior stone		Kermansavi fireplaces	
	2013	2012	2013	2012
Discount rate	12.2	7.6	12.1	7.7
Growth rate (average for the forecast period)	5.0	7.5	5.0	2.8

With the assumptions, the recoverable amount exceeded the carrying amount as follows:	2013	2012
Interior stone	432	513
Kermansavi fireplaces	301	2 521

Sensitivity analysis of impairment tests

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

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

	Discount rate		Profit change, % of set targets	
	2013	2012	2013	2012
Interior stone	15.9	10.4	–24 %	–31 %
Kermansavi fireplaces	12.5	9.5	-3 %	-30 %

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

	Effect of changes in discount rate, in thousands of euro		Effect of changes in profit, in thousands of euro	
	2013	2012	2013	2012
Interior stone	–	–	–	–
Kermansavi fireplaces	-734	–	–1 700	–

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 101 (137) thousand. Impairment tests are performed always when theclassification of assets in question changes and if there is an indication of impairment. Change in classification is dealt with more thoroughly in the accounting principles, section Mineral resource exploration and evaluation assets.

EUR 1 000

16. Investment property	2013 Land	2013 Buildings	2012 Land	2012 Buildings
Acquisition cost January 1	188	114	188	114
Cost December 31	188	114	188	114
Accumulated depreciation and impairment January 1	0	93	0	89
Depreciation	0	4	0	4
Accumulated depreciation and impairment December 31	0	97	0	93
Net book amount January 1	188	21	188	25
Net book amount December 31	188	17	188	21
Investment property, total	**205**		209	
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.

The Group has categorised the fair value measurement for all of its investment properties as a Level 3 fair value since observable market data was not comprehensively available when fair value was determined.

17. Investments in associates	2013	2012
Shares and interest in associates		
Acquisition cost January 1	7	7
Disposals	7	0
Balance sheet value December 31	0	7
Share of the (loss)/profit of associates	-15	3

Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000). 2013	Domicile	Assets	Liabilities	Sales	Profit/Loss	% of shares
Stone Pole Oy	Juuka	18	101	0	0	27.3
Rakentamisen MALL Oy	Helsinki	95	141	559	-60	25.0
Associate financials are unaudited.						
2012						
Stone Pole Oy	Juuka	18	101	13	-16	27.3
Rakentamisen MALL Oy	Helsinki	74	59	503	14	25.0

Stone Pole Oy is a stone business development company. Business operations are closing and the liquidation process has been initiated. The purpose of Rakentamisen MALL Oy is to develop its holding companies' operation in markets.

18. Other financial assets	2013	2012
Financial assets available for sale		
Balance sheet value January 1and December 31	**26**	26

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

EUR 1 000						
19. Deferred tax assets and liabilities						
Changes in deferred taxes during year 2013:	Jan. 1, 2013	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2013
Deferred tax assets:						
Provisions	273	271	0	0	0	544
Unused tax losses	828	153	0	139	-5	1 115
Accumulated depreciation / amortisation not yet deducted in taxation	758	127	0	0	0	885
Change in the revaluation reserve	16	0	3	0	0	19
Measurement of derivatives at fair value	14	-8	0	0	0	6
Other items	281	-58	0	0	0	223
Deferred tax assets, total	**2 170**	**485**	**3**	**139**	**-5**	**2 792**
Deferred tax liabilities:						
Capitalisation of intangible assets	-211	103	0	0	0	-108
The effect of the business combinations	-1 024	247	0	0	0	-777
Other items	-134	25	0	0	0	-109
Deferred tax liabilities, total	**-1 369**	**375**	**0**	**0**	**0**	**-994**
Changes in deferred taxes during year 2012:	Jan. 1, 2012	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2012
Deferred tax assets:						
Provisions	534	-261	0	0	0	273
Unused tax losses	800	25	0	0	3	828
Accumulated depreciation / amortisation not yet deducted in taxation	403	354	0	0	0	757
Change in the revaluation reserve	15	0	2	0	0	17
Measurement of derivatives at fair value	17	-3	0	0	0	14
Other items	297	-16	0	0	0	281
Deferred tax assets, total	2 066	99	2	0	3	2 170
Deferred tax liabilities:						
Capitalisation of intangible assets	-196	-15	0	0	0	-211
The effect of the business combinations	-1 096	72	0	0	0	-1 024
Other items	-134	0	0	0	0	-134
Deferred tax liabilities, total	-1 426	57	0	0	0	-1 369

Generally the Group has recognised a deferred tax asset for all deductible temporary differences. Deferred tax assets are recognised for tax losses and depreciation / amortisation not yet deducted in taxation as it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. The losses in question expire gradually over 2016-2022. Recognition of deferred tax assets is based on the Group's profit forecast and the operating plan.

The Group has no such unused tax losses, nor tax credits for which no deferred tax assets have been recognized.

EUR 1 000	2013		2012
20. Inventories			
Raw materials and consumables	4 504		5 054
Work in progress	2 769		3 059
Finished goods	2 984		3 253
Inventories, total	**10 257**		11 366

In 2013 raw materials, consumables and changes in finished goods and in work in progress recognized as an expense amounted to EUR 25 053 (29 483) thousand. Furthermore, a write-down of inventories to net realisable value was made, amounting to EUR 180 (116) thousand.

21. Trade and other receivables			
21.1. Current trade and other receivables			
Trade receivables	2 553		3 922
Current tax assets based on the taxable income for the financial period	12		44
Accrued incomes			
Grant receivables	68		0
Prepayments	243		279
Other accrued income	441		456
Other receivables	242		453
Current receivables, total	**3 559**		5 154
21.2. Aging analysis of trade receivables and impairment losses at balance sheet date			
2013	Gross	Impairment	Net
Not past due	2 106		2 106
Past due 1-30 days			
Past due 31-60 days	413		413
Past due 61-90 days	13		13
Past due over 90 days	36	15	21
Total	49	49	0
Yhteensä	2 617	64	2 553
2012	Gross	Impairment	Net
Not past due	2 923		2 923
Past due 1-30 days	825		825
Past due 31-60 days	98		98
Past due 61-90 days	115	39	76
Past due over 90 days	41	41	0
Total	4 002	80	3 922

EUR 1000

21.3. Trade receivables by risk categories			
2013	Gross	Impairment	Net
Largest customers by customer groups			
Stove producers	414	16	398
Distributors of fireplaces in foreign countries	1 084	12	1 072
Construction companies	123	6	117
Distributors in home country	844	15	829
End users	152	15	137
Trade receivables, total	**2 617**	**64**	**2 553**
2012			
Largest customers by customer groups	Gross	Impairment	Net
Stove producers	520		520
Distributors of fireplaces in foreign countries	1 558	26	1 532
Construction companies	211	31	180
Distributors in home country	1 117		1 117
End users	596	23	573
Trade receivables, total	4 002	80	3 922
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 28.3. Credit risk.

22. Cash and cash equivalents		2 013	2 012
Cash in hand and at bank		10 704	3 357

At the balance sheet date, fixed-term deposit under cash and cash equivalents amounted to eur 6 (6) thousand, with maturities of less than three months.

EUR 1 000

23. Notes to shareholders' equity

Share series	Number of shares	% of shares	% of voting rights	Share, EUR of share capital
K shares (10 votes) at January 1,2013	9 540 000			
Converdion of K-shares to A-shares	-1 460 000			
K shares total at December 31, 2013	8 080 000	13,5	60,9	852 178
A shares (1 vote)	27 603 970			
Converdion of K-shares to A-shares	1 460 000			
Issue of shares	22 727 273			
A-shares total at December 31, 2013	51 791 243	86,5	39,1	5 462 297
Shares total at December 31, 2013	59 871 243	100,0	100,0	6 314 475

Effect of changes in the number of shares	Number of shares	Share capital, EUR	Treasury shares, EUR	Total, EUR
January 1, 2011	37 143 970	6 314 475	-108 319	6 206 156
Acquisition of own shares	-124 200			0
December 31, 2011	37 019 770	6 314 475	-108 319	6 206 156
December 31, 2012	37 019 770	6 314 475	-108 319	6 206 156
Issue of shares	22 727 273			
Shares total at December 31, 2013	59 747 043	6 314 475	-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. Shares do not have nominal value. Maxium share capital was EUR 10 200 in 2013 and 2012.

Share premium fund and invested unrestricted equity fund

Payments for share subscriptions under the old Companies Act (29.9.1978/734) have been recognised in share capital and share premium fund in accordance with the terms of the share issues. As decided by the Annual general meeting the funds of the share premium account, EUR 7 334 thousand, has been transfered to the invested unrsetricted equity fund in 2010.
The proceeds received from the share issued carried out in 2013, amounting to EUR 7 500 thousand, are recognised in the invested unrestricted equity fund. The related transaction costs, totalling EUR 427 thousand, are debited to the invested unrestricted equity fund. The invested unrestricted equity fund amounted to EUR 14 406 thousand at December 31, 2013.
Tulikivi Corporation's directed rights issue of up to approximately EUR 7.5 million was on October 17, 2013. According to the final result, a total of 22 920 917 of the company's Series A shares were subscribed, corresponding to some 101 per cent of the offered 22 727 273 shares. On October 21, 2013 the company's Board of Directors approved the subscriptions of 22 727 273 Series A shares under the terms of the share issue. All shares subscribed in the share issue have been paid in full. Shares subscribed in the share issue were registered in the Trade Register on October 22, 2013 and are traded on the NASDAQ OMX Helsinki Ltd exchange together with the company's existing Series A shares as of October 23, 2013. As a result of registering the new shares in the Trade Register, the number of the company's Series A shares is 50 331 243 and the number of the company's Series K shares is 9 540 000. The lead manager of the share issue was Pohjola Corporation Finance Ltd.
On October 4, 2013 the company received a request to convert 1 460 000 Series K shares into Series A shares. This conversion was registered in the Trade Register on November 5, 2013, following which the number of Tulikivi Series A shares is 51 791 243 and the number of Series K shares 8 080 000.

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

Terms of share-based payments / Option rights
Option rights are used to encourage the key employees to work on a long-term basis to increase shareholder value. The option rights also aim at committing the key employees to the employer.

The option program is targeted to approximately 13 key employees, including the members of the Management Group. The Board of Directors decides on the distribution of the option rights annually. For all key employees, the prerequisite for receiving stock options is share ownership in the company.
The management of Tulikivi Group and the key employees are entitled to subscribe the company shares if the separately established vesting criteria are met, as follows:

The maximum total number of stock options issued is 1 800 000, and they entitle their owners to subscribe for a maximum total of 1 800 000 new A shares in the company or existing A shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be May 1, 2016 to May 31, 2018, for the stock option 2013B, May 1, 2017 to May 31, 2019, and the for stock option 2013C, May 1, 2018 to May 31, 2020. The share subscription price for all stock options is EUR 0.33 per share. The basis for the subscription price is the subscription price used in the share issue of Tulikivi Corporation carried out in October 2013. Each year dividends and equity returns will be deducted from the share subscription price. The option program is targeted to approximately 13 key employees, including the members of the Management Group.
For vesting of each stock option class, the Board of Directors will establish financial targets related to the company's performance improvement program separately for each stock option class. The number of stock options 2013A is 580 000. The share subscription period for the A share series for the stock options 2013A will begin only if the targets set nfor the 2014 financial year's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-recurring items are fulfilled. The theoretical market value of one stock option 2013A is EUR 0.10 per stock option. The theoretical market value of the stock options 2013A is EUR 58 000 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model with the following inputs: share price EUR 0.32, share subscription price EUR 0.33, risk-free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria.

The Tulikivi Group didn't have any share-based payments in the year 2013 (2012).

EUR 1000

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 neither acquired nor disposed any own shares in 2013 (2012). At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.2 per cent of the share capital and 0.1 per cent of the voting rights. The acquisition price is EUR 0.87 /share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

No dividend was paid in 2013 and 2012.

24. 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 2013 (2012).

25. Provisions	Environmental provision		Warranty provision		Restructuring provision	
	2013	2012	2013	2012	2013	2012
Provisions January 1	696	758	270	390	278	1 161
Increase in provisions	3	25	86	71	2 064	0
Effect of discounting, change	10	-7	0	0	0	0
Used provisions	-12	-2	-131	-115	-415	-883
Discharge on recerves	0	-78	0	-76	0	0
Provisions December 31	**697**	696	**225**	270	**1 927**	278

Environmental provision
A provision for Tulikivi Group's estimable environmental obligations has been recognised. The provision covers the costs from future closure of quarries related to monitoring waters, security arrangements and stacking area lining work. For the quarries open at the moment, the costs are estimated to incur on average in ten years from now. The discount rate used in determining the present value is 4 (4) per cent. The undiscounted amount of environmental provision was EUR 1 046 (1 050) thousand.

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

Restructuring provision
The restructuring provision includes the termination benefits payable arisen from the dismissals carried out, together with the social costs, the continued unemployment allowance component, as well the provisions for the employer's compensation fee related to the increase of the disability component of the Finnish Employees Pension Act (TyEl). Furthermore, the provision includes, in accordance with the performance improvement programme, the expenditure arising from the closure of ceramic tile manufacturing and the lease costs related to the closed office facilities, all payable in 2014.

	2013	2012
Non-current provisions	1 570	1 227
Current provisions	1 279	17
Proviosions, total	**2 849**	1 244
26. Interest-bearing liabilities		
Balance sheet value	23 033	23 785
26.1. Non-current		
Bank borrowings	13 289	13 581
TyEL pension loans	4 692	5 696
Total	**17 981**	19 277

EUR 1000	2013	2012
Interest bearing loans expire as follows:		
2013		4 508
2014	5 052	4 993
2015	13 069	13 083
2016	4 070	898
2017	663	303
2018	179	
Total	**23 033**	23 785

26.2. Current

Current portion of non-current bank borrowings and of TyEL pension loans	5 052	4 508

26.3. The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

At December 31, 2013 interest-bearing non-current liabilities effective interest rate weighted average was 3.0 per cent (2.9 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.

The Group's debt financing, EUR 15.9 (18.4) million includes covenants which are tied to the Group's equity ratio. Furthermore, a covenant condition tied to the ratio between the interest-bearing debt and EBITDA, or to the ratio between the Group's interest-bearing net debt and EBITDA, is applied on a share of EUR 15.9 (8.4) million of debt financing. These terms do not directly restrict the Group's use of equity but in case of a breach, they may require negotiations with the financier and arranging additional collaterals to the borrowings.

27. Trade and other payables	2013	2012
27.1. Non-current		
Other liabilities	0	20
27.2. Current		
Trade payable	1 799	1 998
Advances received	160	111
Accrued expenses		
Wages and social security expenses	2 862	3 154
Discounts and marketing expenses	436	472
External services	510	638
Interest liabilities	305	187
Other accrued expenses	370	95
Accrued expenses, total	4 483	4 546
Amounts due to associates	18	5
Other liabilities	536	493
Current trade and other payables, total	**6 996**	7 153

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

EUR 1 000

28. Financial risk management

The Group's activities expose it to various financial risks. The objective of the Group's financial risk management is to 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 finance department is responsible for investing the liquidity surplus and for financial risk management in accordance with the policies approved by the Board of Directors.

28.1. 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 90 per cent of the Group's cash flows are denominated in euro, thus, the Group's exposure to foreign currency risk is not significant. Foreign currency risk can be hedged with forward contracts. The group had open forward contracts with total nominal amount of EUR 259 (361) thousand, RUB 12,0 (15,0) million, at the reporting date in 2013 (2012). 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:

	2013		2012	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets	0	72	0	143
Current assets	445	934	477	742
Current liabilities	3	271	0	123
Position	442	735	477	762
Derivate contracts	0	265	0	372
Net position	442	470	477	390

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2013 and 2012. The Group does not hedge the foreign equity exposure.

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

	2013		2012	
	Income	Share capital	Income	Share capital
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes	+/- 45	+/- 0	+/- 48	+/- 0
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes	+/- 48	+/- 0	+/- 39	+/- 0

EUR 1 000

28.2. 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 16.6 (16.8) million representing 71.9 per cent (70.7 per cent) for interest-bearing liabilities at the year-end. At the balance sheet date the group had open interest rate swaps denominated in Euro with a nominal value of EUR 7.8 (2.3) million. Based on these interest rate swaps the group receives floating rate interest based on Euribor rates (EUR 2.7 million / 3 months, EUR 5.0 million / 6 months) and pays fixed interest on average 3.16 (2.95) 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 96 (67) 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 96 (EUR 67) thousand, which has been recognized through profit and loss.

The gains from the fair value changes of other interest rate swops, amounting to EUR 26 thousand (11), are recognized in profit or loss. The cumulative interest rate risk of the borrowings is negative EUR 128 thousand (352 thousand), assuming 1 per cent point change in market interest rates, and the cumulative impact on equity is EUR 78 thousand (positive). Here the impact of the derivatives on the interest rate risk and equity has been taken into account.

Interest rate risk		2013		2012
		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		6 465		6 957
Floating rate instruments				
Financial liabilities		16 568		16 828
Interest rate derivatives				
Accrued interest costs payable		104		100

28.3.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 and the impairment losses on trade receivables recognised in the income statement during the financial year totalled EUR 41 (reduction in impairment losses -12) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 54.0 (45.6) per cent of the outstanding accounts at balance sheet date. Business units are responsible for credit risk related to trade receivables. The aging analysis of trade receivables is presented in note 21.2. The group's maximum credit risk exposure for trade receivables is their carrying amount at the year-end less any compensation received from customer credit insurances.

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

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

EUR 1 000

28.4. 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 0.5 (4.0) million at the balance sheet date.

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

Maturity analysis

December 31, 2013						
Type of credit	Balance sheet value	Total cash flows	Under 1 year	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	23 033	24 232	5 660	13 585	4 987	0
Cash flows from derivatives	104	227	66	59	102	0
Trade and other payables	2 514	2 514	2 514	0	0	0
Total	**25 651**	**26 973**	**8 240**	**13 644**	**5 089**	**0**
December 31, 2012						
Type of credit	Balance sheet value	Total cash flows	Under 1 year	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	23 785	25 067	4 995	5 415	14 657	0
Cash flows from derivatives	100	89	49	25	15	0
Trade and other payables	2 627	2 627	2 607	20	0	0
Total	26 512	27 783	7 651	5 460	14 672	0

EUR 1 000		
Derivatives, nominal value Interest rate swaps	2013	2012
Arrive at maturity 2013		915
Arrive at maturity 2014	712	680
Arrive at maturity 2015	716	444
Arrive at maturity 2016	0	224
Arrive at maturity 2017	4 394	
Arrive at maturity 2018	1 936	
Total Interest rate swaps	7 758	2 263

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. Financial assets at fair value are discloded in Note 29.

28.5. Capital management

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

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

The group calculates equity ratio using the following formula:

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

	2013	2012
Equity	20 779	18 162
Balance sheet total	54 651	51 733
Advances received	160	111
Solvency ratio, %	38.1	35.2

According to the credit rating byBishope D & B Finland Oy the Group's credit rating is A.

EUR 1 000

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

Balance sheet, 2013	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	Hierarchy of fair value
Long-term assets							
Other receivables	0	41	0	0	41	41	2
Other financial assets	0	0	26	0	26	26	2
Short-term assets							
Trade and other receivables	0	2 795	0	0	2 795	2 795	2
Cash and cash equivalents	0	10 704	0	0	10 704	10 704	2
Carrying amounts of financial assets by categories	0	13 540	26	0	13 566	13 566	
Long-term liabilities							
Interest bearing liabilities	0	0	0	17 981	17 981	17 994	2
Derivatives	104 *)	0	0	0	104	104	2
Short-term liabilities							
Interest bearing liabilities	0	0	0	5 052	5 052	5 148	2
Trade and other payables	0	0	0	2 353	2 353	2 353	2
Carrying amounts of financial liabilities by categories	**104**	**0**	**0**	**25 386**	**25 490**	**25 599**	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 77 (51) thousand.

EUR 1 000

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

Balance sheet, 2012	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	Hierarchy of fair value
Long-term assets							
Other receivables	0	53	0	0	53	53	2
Other financial assets	0	0	33	0	33	33	2
Short-term assets							
Trade and other receivables	0	4 375	0	0	4 375	4 375	2
Cash and cash equivalents	0	3 357	0	0	3 357	3 357	2
Carrying amounts of financial assets by categories	0	7 785	33	0	7 818	7 818	2
Long-term liabilities							
Interest bearing liabilities	0	0	0	19 277	19 277	19 610	2
Derivatives	100 *)	0	0	0	100	100	2
Other long-term liabilities	0	0	0	20	20	20	2
Short-term liabilities							
Interest bearing liabilities	0	0	0	4 508	4 508	4 734	2
Trade and other payables	0	0	0	2 496	2 496	2 496	2
Carrying amounts of financial liabilities by categories	**100**	**0**	**0**	**26 301**	**26 401**	**26 960**	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 51 (46) thousand.

The levels in a fair value hierarchy are as follows:

Level 1: fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values are based on inputs other than quoted prices included within level 1. However, the fair values are based on information that is observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of these instruments is measured on the basis of generally accepted valuation techniques which primarily use inputs based on observable market data.

Level 3: fair values are not based on observable market data (non-observable inputs) but to large extent on management estimates and application of those in generally accepted valuation models.

There were no transfers between levels of the fair value hierarchy during the financial year ended and the comparative financial year.

		2013	2012
Derivatives			
Interest rate swaps, nominal value		7 758	2 263
Interest rate swaps, fair value		-101	-92
Forward contracts, nominal value		259	361
Forward contracts, fair value		-3	-8

EUR 1 000		
30. Adjustments of cash generated from operations	2013	2012
Non-cash transactions:		
Depreciation and amortisation	3 790	4 085
Exchange differences	-22	-46
Other	-18	-224
Non-cash transactions, total	**3 750**	3 815

31. Leases

Operating leases

31.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:		
Not later than 1 year	815	806
Later than 1 year and not later than 5 years	494	434
Later than 5 years	16	0
Total	**1 325**	1 240

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 2013 includes expensed lease rentals EUR 1 450 (1 588) thousand.

Leasing commitments		
Due during the financial year 2014	332	238
Due later	508	498
Leasing commitments, total	**840**	736
Leasing agreements are three to six years in duration and do not include redemption clauses.		
31.2. Group as lessor		
The Group has leased commercial spaces and offices from its own properties under cancellable operating leases.		
Minimum lease payment under non-cancellable operating leases		
Not later than 1 year	39	39
Later than 1 year and not later than 5 years	24	38
Later than 5 years	26	28
Total	**89**	105

EUR 1 000	2013	2012
32. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	23 033	23 785
Real estate mortgages given	12 724	11 581
Company mortgages given	19 996	17 696
Total given mortgages and pledges	32 720	29 277
Other own liabilities for which guarantees have been given		
Real estate mortgages given	534	534
Pledges given	3	3
Total given guarantees on behalf of other own liabilities	**537**	537
Obligation to repay VAT deductions made in earlier periods	41	69

33. Other contingent liabilities

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

Actions demanded by the environmental obligations are continuously performed besides normal production processes. Handling of water, arrangements for soil and rock material stacking areas, vibration and noise measurement, dust prevention and the monitoring the measurement result belong to these tasks. The costs relating to these activities are mainly recognised in the income statement as expense. Transport of soil material to stacking areas by opening new quarries is capitalised to other long-term expenses and depreciated during the useful life of the quarry. Lining work of stacking areas is based on long-term quarrying plans, according to which surface material of new opened quarries will be used in lining work. However, the lining work cannot be done until the point when there are finished sectors in the stacking area. The landscaping 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 570 000 in total. For other environmental obligations, the Group has given real estate mortgages for EUR 34 thousand. In accordance with the permit obligations, environmental monitoring of these areas is continued for the time being.

EUR 1 000			
34. Indicators relating to environmental obligation	**2013**	**2012**	**2011**
Use of energy, electricity MWh	10 489	11 572	13 099
Use of oil, m^3	199	173	167
District and wood chips heating, MWh	814	1 017	1 243
Liquid gas, tonne	156	178	217
Fuel for vehicles, tonne.	185	245	471
Exsplosives, tonne	16	45	49
Stone material extracted in quarrying, 1 000 fixed-m^3	100	190	200
Quarrying of soap stone, 1 000 fixed-m3 gross	69	107	110
Stacked soil material, 1 000 net-m^3	1	41	209
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 2013 45 tonne rapeseed and pine oil was spent.	45	58	75

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	1	1	1

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 3 000 tonnes. The heavy metal rich waste from the decal process is carried to a hazardous waste treatment plant. Normal washing water and waste from the ceramic and concrete production is directed to the sedimentation basin on the factory area from which the solids are carried to the dumping ground.

In 2013 3 100 cubic meter new process water and 4 990 cubic meter domestic water was taken in Group's production processes. Process waters have closed circulation. In Espoo as well as in the Heinävesi production plants process waters are treated in sedimentation basins. Process waters are extracted through sedimentation basins to the water system. Quarry waters are led to the water system through sedimentation basins. Domestic waste water is led to the municipal waste water system or in absence of such a system, in filted fields.

EUR 1 000

35. Related-party transactions

Group's related parties comprise the parent company, subsidiaries, associates, Board members, Managing Director and the Management Group as well as the managing directors of the foreign subsidiaries. In addition Finnish Stone Research Foundation is included in the relate parties.

The Group's parent company and subsidiaries have the following relation:	Ownership interest (%)			Share of voting right (%)
Tulikivi Corporation, Juuka, parent company				
Tulikivi U.S. Inc., USA	100			100
OOO Tulikivi, Russia	100			100
Tulikivi GmbH, Germany	100			100
AWL-Marmori Oy, Turku	100			100
The New Alberene Stone Company Inc., USA	100			100
Kivia Oy, Kuhmo, merged into Tulikivi Corporation by absorption in December 31, 2012				
35.1. Associated companies		**2013**		**2012**
Stone Pole Oy, Juuka *)		27		27
Rakentamisen MALL Oy, Helsinki		25		25
*) The liquidation process has been initiated.				
35.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
2013				
Associated companies	0	87	0	14
2012				
Associated companies	5	303	0	263
Transactions with key management		**2013**		**2012**
Leases from related parties		101		109
Sales to related parties		10		2

The Group companies had no receivables from the key management personnel at the end of the current or the previous financial year.

Transactions with other related parties

Tulikivi Corporation is a founder member of Finnish Stone Research 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 235 (233) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 9 (16) thousand in 2013 and rent charges on land EUR 2 (2) thousand. The Foundation did not charge any services from Tulikivi Corporation. The Company had receivables of TEUR 4 (1) from Foundation at the reporting date.

EUR 1 000		
35.3. Key management compensation	**2013**	**2012**
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.	494	430
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	39	40
Contributions to voluntary supplementary pension plan	22	31
Termination benefits paid	306	0
Total	**861**	501
Managing Directors		
Salaries and fees		
Vauhkonen Heikki		
Salaries	131	218
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	22	40
Contributions to voluntary supplementary pension plan	12	31
Pitko Jouni		
Salaries	100	0
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	17	0
Contributions to voluntary supplementary pension plan	10	0
Termination benefits paid	306	0
Total	**598**	289

EUR 1 000	2013	2012
Members of the Board of Directors		
Bishop Ambrosius	0	1
Erma Juhani	0	6
Ginman-Tjeder Nella	19	0
Pohjanvirta Olli	18	18
Rönkkö Markku	36	32
Saarinen Pasi	20	19
Suutari Harri	37	0
Toivanen-Koivisto Maarit	0	18
Vauhkonen Anu	18	0
Vauhkonen Heikki	76	18
Virtaala Matti	24	100
Total	**248**	212
Key management personnel comprises the members of the Management Group as well as the managing directors of the foreign subsidiaries.		
The Managing Director is a member of the Management Group.		
Key management personnel compensation		
Salaries and fees	940	1033
Post-employment benefits	593	43
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	161	192
Contributions to voluntary supplementary pension plan	31	32
Share-based payments	2	0
Total	**1727**	1300

36. Events following the end of the financial year

In January to February the fireplace production was centralized to Juuka in accordance with the performance improvement programme.

37. Major risks and their management

Anything that may prevent or hinder the Group from achieving its objectives is designated as a risk. Risks may constitute threats, uncertainties or lost opportunities related to current or future operations. The Group's risks are divided into strategic and operational risks, damage, casualty and loss risks and financial risks. In the assessment of risks, their probability and impact are taken into account.

Strategic Risks

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

Unfavourable changes in operating environment, market situation and market position

An abrupt fall in consumer confidence may result in a quick, unexpected fall in demand. The recession and related uncertainty of consumers leads to decline in housing construction and in renovation which decreases the demand for products and thereby profitability. Recession may also affect consumers' choices by making price the dominant factor instead of product features.

Changing competitive environment and substitute products entering the market and changes in consumer habits may adversely affect the demand for Group's products. Operations in several market areas, active monitoring of industry development and flexibility of capacity and cost structure even out the sales risks arising from economic fluctuation. The downturn may also have a negative impact on customers' solvency and subcontractors' operations. Keeping the product cost structure competitive is a prerequisite for maintaining demand and growth.

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

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

Risks related to managing soapstone raw materials

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

Changes in legislation and environmental issues

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

Tulikivi keeps abreast of the development and preparation of regulations and exercise an influence on them both directly and through regional fireplace associations. The burning technology of the products is constantly developed and product development takes a long-term approach to ensuring that Tulikivi products measure up to local regulations. We secure product approval for our products in all our business countries. Group's products have long life cycles and carbon emissions of fireplace production are extremely low.

Business portfolio and acquisitions

The management of Tulikivi's business operations accounts for development opportunities, new products and customer groups and new technological solutions. New business opportunities, new markets and new product groups involve risks that may affect not only profitability, but also the Tulikivi brand. Strong fluctuations in exchange rates may hinder reaching market-specific gross margin targets.

The Tulikivi Group's strategic objective is to seek growth through acquisitions as well. Successful acquisitions and mergers have a bearing on the implementation of growth plans. If an acquisition or merger fails, the company's competitiveness might suffer and financial position may deteriorate. On the other hand, acquisitions can change the company's risk profile. However, the Group only carries out acquisitions on the basis of precise business and financial analyses. Alternative business models are actively surveyed. The Group has cut down the non-core businesses accumulated through business combinations.

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.

Operational and process risks

Operational risks are related to the consequences of human activities, failures in internal company processes or external events. The operational risks of factory operations are minimized by means such as compliance with the company's operating manual, by developing occupational safety consistently and with systematic development efforts. Manufacturing and introduction of new products involve risks. Careful planning and training of personnel are used as protection against these risks.

Dependence on key goods supplies might increase the Group's material costs or the costs of machinery or their spare parts or affect production. Failures in the distribution network can affect the Group's ability to deliver products timely to its customers. Energy procurements from external suppliers might influence the Group's energy costs or energy supply. On the other hand, the high price of energy supports demand for products. Changes in distribution channels and logistics systems might also disturb operations. Contractual risks are part of operational risks.

The Group's business relies on functional and reliable information systems. The utilization of the ERP system involves risks if new practices are not adopted in business processes and the potential provided by the new system utilized promptly. The Group aims to manage the risks related to data applicability by duplicating the critical information systems, among other things. Steps taken to manage their risks include setting up backups for critical information systems and telecom connections, selecting cooperation partners carefully and standardizing the workstation configurations and software used in the Group as well as consistent information security practices.

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

The Group's core expertise involves its core business processes, including sales, product development, 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 Group continuously seeks to step up the core expertise and other significant competence of its personnel by offering opportunities for on-the-job learning and training and to complete the expertise needed for strategy implementation in those areas where it has not existed before. Sufficient core competencies can be partly secured through networking.

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

Damage, Casualty and Loss Risks

Most of the Group's production is capital-intensive and a large share of the Group's capital is committed to its production plants. A fire or serious machinery break¬down, for instance, could therefore cause major damage to assets or loss of profits as well as other indirect adverse impacts on the Group's operations. The Group seeks to protect itself against such risks by evaluating its production plants and processes from the perspective of risk management. Damage, casualty and loss risks also include occupational health and protection risks, environmental risks and accident risks. The Group regularly reviews its insurance coverage as part of overall risk management. Insurance policies are taken out to cover the risks that it is prudent to insure for business or other reasons. There are no pending legal proceedings and the Board of Directors is not aware of any other legal risks involved in the company's operations that would have a significant effect on its result of operations.

Financial Risks

The Group's business exposes it to a variety of financial risks. Risk management seeks to minimize the potential adverse effects of changes in the financial markets on the Group's result. The main financial risks are liquidity risk, capital management risk, interest rate risk and foreign exchange risk. Financial risks and their management are presented in greater detail in Note 28 to the consolidated financial statements. Any major downturn that might be caused by the euro area crisis could decrease the demand for the company´s products and the company's profitability and equity. The company's balance sheet assets include goodwill, the value of which is based on the management's estimates. If these estimates fail to materialise, it is possible that impairment losses would have to be recognised in connection with the impairment testing processes. Weakened profitability and a drop in equity could lead to deterioration in the company´s financial position. In order to meet the covenant requirements contained in the Group's bank borrowings the company's profitability should improve.

Development of the Group by Quartal and Business Area

MEUR	Q4/2013	Q3/2013	Q2/2013	Q1/2013	Q4/2012	Q3/2012	Q2/2012	Q1/2012
Sales	11.8	12.1	10.6	9.2	14.2	13.1	13.2	10.7
Fireplaces business	10.9	11.3	9.5	8.3	13.3	12.2	12.0	9.6
Interior stone	0.9	0.8	1.1	0.9	0.9	0.9	1.2	1.1
Operating result	-1.8	0.0	-0.8	-1.7	0.5	0.4	0.6	-0.4
Fireplaces business	-1.7	0.0	-0.8	-1.6	0.5	0.4	0.5	-1.2
Interior stone	-0.1	0.0	0.0	-0.1	0.0	0.0	0.1	-0.2

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000	2009	2010	2011	2012	2013
Income statement					
	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	53 143	55 895	58 771	51 191	43 724
Change, %	-20.1	5.2	5.1	-12.9	-14.6
Operating result	-2 387	-272	-2 368	59	-4 259
% of turnover	-4.5	-0.5	-4.0	0.1	-9.7
Finance incomes and expenses and share of loss of associated companies	-930	-719	-754	-839	-1 000
Result before income tax	-3 317	-991	-3 122	-779	-5 259
% of turnover	-6,2	-1,8	-5,3	-1,5	-12
Income taxes	958	173	692	155	854
Result for the year	-2 359	-818	-2 430	-642	-4 405
Balance sheet					
Assets					
Non current assets	34 308	32 736	33 554	31 857	30 131
Inventories	10 191	10 939	10 748	11 366	10 258
Cash and cash equivalents	10 597	10 210	6 769	3 357	10 704
Other current assets	5 264	5 960	5 507	5 154	3 558
Equity and liabilities					
Equity	23 785	22 131	18 804	18 162	20 779
Interest bearing liabilities	24 729	25 277	24 924	23 785	17 981
Non-interest bearing liabilities	11 846	12 437	11 539	8 559	14 321
Balance sheet total	60 360	59 845	56 578	51 733	54 651

Financial Ratios 2009 - 2013

	2009	2010	2011	2012	2013
Return on equity, %	-9.2	-3.6	-11.9	-3.4	-22.6
Return on investments, %	-4.3	-0.1	-4.8	0.3	-9.8
Solvency ratio, %	39.4	37.0	33.3	35.2	38.1
Net indebtness ratio, %	59.4	68.1	96,5	112.9	59.3
Current ratio	1.9	1.9	1.5	1.7	1.8
Gross investments, EUR 1 000	2 126	3 376	4 860	2 665	1 618
% of turnover	4.0	6.0	8.3	5.2	3.7
Research and development costs, EUR 1 000	1 666	2 180	2 091	1 648	1 574
% of turnover	3.1	3.9	3.6	3.1	3.6
Development costs (net), capitalised, EUR 1 000	452	504	634	613	233
Order book, EUR million	4.8	6.3	5.7	4.6	4.4
Average personnel	417	404	427	351	293
Key indicators per share					
Earnings per share, EUR	-0.06	-0.02	-0.07	-0.02	-0.11
Equity per share, EUR	0.64	0.60	0.51	0.49	0.35
Dividends					
Nominal dividend per share, EUR					
A share	0.0250	0.0250	-	-	-
K share	0.0233	0.0233	-	-	-
Dividend per earnings, %	-38.5	-111.1	-	-	-
Effective dividend yield, %/A shares	2.4	2.2	-	-	-
Price/earnings ratio, EUR	-16.6	-52.5	-9.6	-33.8	-4.6
Highest share price, EUR	1.30	1.79	1.40	0.92	0.63
Lowest share price, EUR	0.67	1.07	0.61	0.47	0.31
Average share price, EUR	0.96	1.31	1.00	0.60	0.44
Closing price, December 31, EUR	1.06	1.16	0.63	0.57	0.34
Market capitalization, EUR 1 000	39 241	42 943	23 322	21 101	20 314
(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)	3 959	4 647	3 849	4 050	10 493
% of the total amount	14.4	16.9	14.0	14.7	33.5
The average issue-adjusted number of shares for the financial year (1 000 pcs)	37 024	37 020	37 020	37 020	41 378
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	37 020	37 020	37 020	37 020	59 871

Calculations of Key Ratios

Key figures describing financial development		
Return on equity (ROE), % =	100 x	Result for the year / Average shareholders' equity during the year
Return on investments (ROI), % =	100 x	Result before income tax + interest and other finance 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/loss attributable to owners of the parent company / Average issue-adjusted number of shares for the financial year *)
Equity per share =		Shareholders' equity / Issue-adjusted number of shares at balance sheet date *)
Dividend per share =		Dividend paid for the year / Issue-adjusted number of shares at balance sheet date *)
Dividend per earnings, % =	100 x	Dividend per share / Earnings per share
Effective dividend yield, % =	100 x	Issue-adjusted dividend per share / The closing price of A- share at balance sheet date
Price/ Earnings ratio (P/E)=		The closing price of A-share at balance sheet date / Earnings per share
*) own shares held by the company excluded		

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 – Dec. 31, 2013	Jan. 1 – Dec. 31, 2012
Net Sales	1.1.	**42 475**	50 159
Increase (+) / decrease (–) in inventories			
in finished goods and in work in progress		–641	1 077
Production for own use		157	152
Other operating income	1.2.	470	1 474
Materials and services			
Purchases during the fiscal year			
Change in inventories, increase (–) / decrease (+)		–8 323	–10 150
External charges		–549	–462
Materials and services, total		–5 958	–7 680
Personnel expenses		–14 830	–18 292
Salaries and wages			
Pension expenses		–13 126	–13 620
Other social security expenses			
Personnel expenses, total		–2 567	–2 478
Depreciation, amortisation and value adjustments		–691	–808
Other operating expenses	1.3.	–16 384	–16 906
Operating result			
Financial income and expenses	1.4.	–3 888	–4 292
Result before untaxed reserves and income taxes	1.5.	–11 921	–13 332
Untaxed reserves		**–4 562**	40
Change in accelerated depreciation	1.6.	–1 549	–839
Change in deferred tax liabilities / tax assets		**–6 111**	–799
Transfer of income taxes to the revaluation reserve			
Income taxes in total		–45	493
Result for the year			
Change in deferred tax liabilities / tax assets		266	-235
Transfer of income taxes to the revaluation reserve		-3	-1
Income taxes in total		263	-236
Result for the year		**–5 893**	–542

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2013**	Dec. 31, 2012
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		779	802
Intangible rights		91	113
Goodwill		2 932	3 668
Other long term expenditures		8 211	8 945
Intangible assets, total	2.1.	**12 013**	13 528
Tangible assets			
Land		1 039	1 062
Buildings and constructions		5 505	5 948
Machinery and equipment		3 917	4 343
Other tangible assets		42	40
Advance payments		10	85
Tangible assets, total	2.2.	**10 513**	11 478
Investments			
Shares in group companies	2.3.	48	23
Group receivables	2.4.	74	34
Participating interests	2.3.	4	4
Other investments	2.5.	26	26
Investments, total		**152**	87
Fixed assets and other non-current investments, total		**22 678**	25 093

Continues on next page.

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2013**	Dec. 31, 2012
Current assets			
Inventories			
Raw material and consumables		4 504	5 054
Work in progress		2 769	3 059
Finished products/goods		2 766	3 116
Inventories, total	2.6.	**10 039**	11 229
Non-current receivables			
Trade receivables	2.7.	41	53
Non-current receivables from group companies		41	40
Deferred tax assets	2.8.	569	304
Non-current receivables, total		**651**	397
Current receivables			
Trade receivables		2 257	3 557
Receivables form group companies		619	687
Other receivables		231	438
Prepayments and accrued income		667	673
Current receivables, total	2.9.	**3 774**	5 355
Cash in hand and at banks		**10 176**	3 143
Total current assets		**24 640**	20 124
Total assets		**47 318**	45 217

Balance Sheet

EUR 1 000	Note	Dec. 31, 2013	Dec. 31, 2012
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock		6 314	6 314
Reserve for invested unrestricted equity		14 834	7 334
Revaluation reserve		-77	-51
Treasury shares		-108	-108
Retained earnings		-1 391	-849
Result for the year		-5 893	-542
Total shareholders' equity	2.10.	**13 679**	12 098
Untaxed reserves			
Accelerated depreciation		833	787
Provisions	2.13.	2 848	1 244
Liabilities			
Non-current liabilities			
Bank borrowings		13 289	13 581
TyEL pension loans		4 692	5 696
Other liabilities		0	20
Non-current liabilities, total	2.14.	**17 981**	19 297
Current liabilities			
Bank borrowings		2 428	2 231
Pension loans		2 624	2 277
Advances received		94	83
Trade payable		1 730	1 973
Liabilities to group companies		277	307
Liabilities to associates		18	5
Other liabilities		428	432
Accrued expenses		4 378	4 483
Current liabilities, total	2.15.	**11 977**	11 791
Total liabilities		**29 958**	31 088
Total liabilities and shareholders' equity		**47 318**	45 217

Cash Flow Statement

EUR 1 000	**Jan. 1 - Dec. 31, 2013**	Jan. 1 – Dec. 31, 2012
Cash flow from operating activities		
Reuslt before extraordinary items	-6 111	-799
Adjustments for:		
Depreciation	3 888	4 292
Unrealised exchange rate gains and losses	-7	-30
Other non-payment-related expenses	1 604	-1 502
Financial income and expenses	1 549	839
Other adjustments	-32	-369
Cash flow before working capital changes	891	2 431
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	1 597	216
Increase (-) / decrease (+) in inventories	1 190	-615
Increase (+) / decrease (-) in current non-interest bearing liabilities	-547	-1 483
Cash generated from operations before financial items and income taxes	3 131	549
Interest paid and payments on other financial expenses from operations	-1 335	-915
Dividends received	5	2
Interest received	22	47
Income taxes paid	21	-21
Cash flow before extraordinary items	1 844	-338
Net cash flow from operating activities	**1 844**	-338
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-1 605	-2 479
Investment grants received	1	0
Proceeds from sale of tangible and intangible assets	158	554
Other investments	-40	0
Repayments of loan receivables	0	10
Proceeds from sale of other investments	-25	0
Interest received	0	1
Net cash used in investing activities	**-1 511**	-1 914
Cash flow from financing activities		
Proceeds from share issue	7 500	0
Proceeds from current borrowings	2 000	0
Repayments of current borrowings	-500	0
Long-term borrowing	6 800	4 600
Repayment of long-term loans	-9 072	-5 239
Net cash flow from financing activities	**6 728**	-639
Net increase (+) / decrease (-) in cash and cash equivalents	7 061	-2 891
Cash and cash equivalents at the beginning of the financial year	3 143	5 933
Effect of changes in exchange rates	-28	3
Received in merger	0	98
Cash and cash equivalents at the end of the financial year	**10 176**	3 143

Notes to the Financial Statements of the Parent Company

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

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

	Depreciation period
Intangible rights and other long-term expenditure	5 to 15 years
Quarring areas and basins	unit of production method
Goodwill	10 years
Buildings	25 to 30 years
Constructions	5 years
Process machinery	3 to 15 years
Motor vehicles	5 to 8 years
IT equipment	3 to 5 years
Development expenditure	5 years

The acquisition cost of equipment is depreciated applying the maximum depreciation rates allowed by the corporate tax law, starting from the time of acquisition.

Quarrying areas, including the opening costs of quarries, basins and quarry land areas are depreciated using the unit of production method based on the amount of rock used and filling time of damping areas. Depreciation of quarry lands and basins and other auxiliary structures is commenced when the quarry is ready for production use.

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

Revenue Recognition
Net sales represents sales after the deduction of discounts, indirect taxes and exchange gains/losses on trade receivables. Revenue has been recognized at the time of the delivery of the goods. Revenue from installing and services is recognised in the period when the service is rendered.

Research and Development Cost
Research cost has been recorded as annual costs when incurred. Development costs of Sauna products, as well as development costs related to renewing the ERP system, have been capitalised. Costs incurred from drilling exploration in quarry areas have been capitalised 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 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 Board will propose to the Annual General Meeting that no dividend be paid.

Share-based payments and option rights
The expense determined at the grant date of the stock options is based on the theoretical market value of the stock option which is calculated using the Black & Scholes stock option pricing model. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria. The stock options have been granted for the first time in 2013 and they can be used to subscribe shares earliest in 2016 if the vesting criteria are met. The Group had no share-based incentive plans in 2013 or 2012.

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

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

Notes to the Income Statement

EUR 1 000	2013	2012
1.1. Net sales		
1.1.1. Net sales per business area		
Fireplaces business	39 341	46 106
Interior stone	3 134	4 053
Total net sales per business area	**42 475**	50 159
1.1.2. Net sales per geographical area		
Finland	20 889	24 903
Rest of Europe	21 024	24 367
USA	562	889
Total net sales per geographical area	**42 475**	50 159
1.1.3. Net sales per goods and services		
Sales of goods	38 776	45 467
Rendering of services	3 699	4 692
Total net sales per goods and services	**42 475**	50 159
1.2. Other operating income		
Rental income	49	63
Charges for intergroup services	56	75
Government grants	56	53
Proceeds from sale of fixed and other non-current investments	116	388
Other income	193	895
Total other operating income	**470**	1 474

EUR 1 000	2013	2012
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 Directors	494	430
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	39	40
Contributions to voluntary supplementary pension plan	22	31
Termination benefits paid	306	0
Total	**861**	501
Managing Directors		
Salaries and fees		
Vauhkonen Heikki		
Salaries	131	218
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	22	40
Contributions to voluntary supplementary pension plan	12	31
Pitko Jouni		
Salaries	100	0
Contributions to statutory pension plan	17	0
Contributions to voluntary supplementary pension plan	10	0
Termination benefits paid	306	0
Total	**598**	289
Members of Board		
Piispa Ambrosius	0	1
Erma Juhani	0	6
Ginman-Tjeder Nella	19	0
Pohjanvirta Olli	18	18
Rönkkö Markku	36	32
Saarinen Pasi	20	19
Suutari Harri	37	0
Toivanen-Koivisto Maarit	0	18
Vauhkonen Anu	18	0
Vauhkonen Heikki	76	18
Virtaala Matti	24	100
Total	**248**	212

EUR 1 000	2013	2012
Key management personnel comprises the members of the Management Group as well as the managing directors of the foreign subsidiaries.		
The Managing Director is a member of the Management Group.		
Key management personnel compensation	820	939
Salaries and fees	593	0
Post-employment benefits (pension benefits)		
Post-employment benefits	141	174
Termination benefits paid	31	31
Share-based payments	2	0
Total	**1587**	1144
1.3.2. Average number of empoyees durung the fiscal year		
Clerical employees	103	119
Workers	184	228
Total number of employees	**287**	347
1.4. Depreciation according to plan		
Development expenditure	227	173
Intangible rights	22	23
Other long-term expenditure	997	900
Amortisation on quarries based on the unit of production method *)	100	235
Buildings and constructions	504	574
Machinery and equipment	1 275	1 620
Other tangible assets	1	1
Depreciation on land areas based on unit of production method	25	29
Goodwill	737	737
Depreciation according to plan in total	**3 888**	4 292

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

1.5. Other operating expenses		
Rental expenses	1 875	1 671
Maintenance of real estates	528	509
Marketing expenses	3 221	3 807
Other variable costs	2 955	3 785
Other expenses	3 342	3 560
Total	**11 921**	13 332
1.5.1. Auditors' fees		
Audit fees	63	54
Assignments referred to under the Auditing Act (section 1, subsection 1, paragraph 2)	52	0
Tax advice	3	13
Other fees	21	97
Audit fees, total	**139**	164
1.6. Financial income and expenses		
Income from non-current investments		
Didivends received from others	5	2
Other financial income		
Interest income from group companies	2	1
Interest income from others	21	48
Changes in fair value of derivatives	26	11
Financial income, total	54	62
Interest expenses and other financial expenses		
Interest expenses to group companies	0	-12
Interest expenses to others	-784	-713
Other finalcial expenses to others	-819	-176
Interest expenses and other financial expenses, total	-1 603	-901
Financial income and expenses, total	**-1 549**	-839

Notes to the Balance Sheet

EUR 1 000	2013	2012
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	1 118	184
Tansfers between the groups	0	701
Additions	204	233
Acquisition cost December 31	1 322	1 118
Accumulated depreciation according to plan January 1	316	133
Tansfers between the groups	0	10
Depreciation for the financial year	227	173
Accumulated depreciation December 31	543	316
Balance sheet value of capitalised development expenditure December 31	**779**	802
2.1.2. Intangible rights		
Acquisition cost January 1	704	671
Acquisition received in merger	0	20
Additions	0	13
Acquisition cost December 31	704	704
Accumulated depreciation according to plan January 1	591	549
Acquisition received in merger	0	17
Depreciation for the financial year	22	23
Acquisition received in merger	0	2
Accumulated depreciation December 31	613	591
Balance sheet value of intangible rights, December 31	**91**	113
2.1.3. Goodwill		
Acquisition cost January 1 and December 31	8 713	8 713
Accumulated depreciation according to plan January 1	5 044	4 308
Depreciation for the financial year	737	737
Accumulated depreciation December 31	5 781	5 045
Balance sheet value of goodwill, December 31	**2 932**	3 668
The parent company's goodwill comprises merger losses.		

EUR 1 000	2013	2012
2.1.4. Other long term expenditures		
Acquisition cost January 1	18 559	18 204
Acquisition received in merger	0	62
Tansfers between the groups	0	701
Additions	414	1 218
Disposals	423	224
Acquisition cost December 31	18 550	18 559
Accumulated depreciation according to plan January 1	9 614	8 713
Accumulated depreciation on disposals	372	224
Tansfers between the groups	0	10
Depreciation for the financial year	1 097	1 135
Accumulated depreciation December 31	10 339	9 614
Balance sheet value of long term expenditure, December 31	**8 211**	8 945

The balance sheet value of other long term expenditure includes EUR 5 874 (6 588) million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

Decreases in other non-current expenditures and accumulated amortization on decreases in other non-current expenditures include disposals amounting to EUR 51 (224) thousand.

At the end of the current financial year, there were EUR 22 (53) thousand under construction under other intangible assets.

Total intangible assets	**12 013**	13 528

EUR 1 000	2013	2012
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 402	1 402
Additions	1	0
Acquisition cost December 31	1 403	1 402
Accumulated depreciation January 1	339	311
Depreciation based on the unit of production method for the financial year	25	29
Accumulated depreciation December 31	364	340
Balance sheet value of land, December 31	**1 039**	1 062
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 151	15 135
Additions	80	36
Disposals	53	20
Acquisition cost December 31	15 178	15 151
Accumulated depreciation according to plan January 1	9 708	9 139
Accumulated depreciation on disposals	34	5
Depreciation for the financial year	504	574
Accumulated depreciation December 31	10 178	9 708
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	**5 505**	5 948
2.2.3. Machinery and equipment		
Acquisition cost January 1	45 563	47 369
Additions	895	706
Disposals	1 040	2 512
Acquisition cost December 31	45 418	45 563
Accumulated depreciation according to plan January 1	41 220	41 890
Accumulated depreciation on disposals	994	2 290
Depreciation for the financial year	1 275	1 620
Accumulated depreciation December 31	41 501	41 220
Balance sheet value of machinery and equipment, December 31	**3 917**	4 343

Machinery and equipment deductions/depreciation on dedutions include EUR 364 (1 770) in scrap.

EUR 1 000	2013	2012
2.2.4.Other tangible assets		
Acquisition cost January 1	285	285
Additions	4	0
Acquisition cost December 31	289	285
Accumulated depreciation according to plan January 1	246	245
Depreciation for the financial year	1	1
Accumulated depreciation December 31	247	246
Balance sheet value of other tangible assets, December 31	**42**	40
2.2.5. Advance payments		
Advance payments 1.1.	85	59
Additions	10	85
Disposals	85	59
Advance payments, total	**10**	85
Total tangible assets	**10 513**	11 478
Amount of machinery and equipment included in balance sheet value	3 441	3 623

EUR 1 000	2013	2012
2.3. Shares in Group Companies	Ownership,	Ownership,
	%	%
Tulikivi U.S. Inc., USA	100	100
OOO Tulikivi, Russia	100	100
Tulikivi GmbH, Saksa	100	100
AWL-Marmori Oy, Turku	100	100
The New Alberene Stone Company Inc., USA	100	
Kivia Oy, Kuhmo, merged into Tulikivi Corporation in December 31, 2012		100
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany, Tulikivi Oyj Niederlassung Deutschland		
Associated companies		
Stone Pole Oy, Juuka *)	27	27
Rakentamisen MALL Oy, Helsinki	25	25
*) The liquidation process has been initiated.		
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	34	34
Capital loan, Tulikivi GmbH	40	0
2.5. Other investments		
Stone Pole Oy	1	1
Other	25	25
Total other investments	**26**	26
2.6. Inventories		
Raw material and consumables	4 504	5 054
Work in grogress	2 769	3 059
Finished products/goods	2 766	3 116
Total inventories	**10 039**	11 229
2.7. Non-current receivables		
Trade receivables		
From others	41	53
From Group companies		
Loan receivables	40	40
Accrued incomes	1	0
Receivables from Group companies, total	41	0
Total non-current receivables	**82**	93
2.8. Deferred tax assets		
Provisions and accrued expenses	569	304

EUR 1 000	2013	2012
2.9. Current receivables		
Receivables form group companies		
Trade receivables	538	687
Loan receivables	80	0
Accrued income	1	0
Receivables form group companies, total	619	687
Receivables from others		
Trade receivables	2 257	3 557
Other receivables	231	438
Accrued income		
Other accrued income	356	373
Receivables from grants	68	0
Prepayments	243	279
Amortized taxes	0	21
Accrued income, total	667	673
Receivables from other, total	3 155	4 668
Total current receivables	**3 774**	5 355
2.10. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
The invested unrestricted equity fund January 1	7 334	7334
Share issue	7 500	0
The invested unrestricted equity fund December 31	14 834	7 334
Revaluation reserve January 1	-51	-46
Change	-26	-5
Revaluation reserve Decenber 31	-77	-51
Retained earnings January 1	849	1 872
Treasury shares	-108	-108
Retained earnings December 31	-1 499	-957
Result for the year	-5 893	-542
Equity	7 365	5 784
Total shareholders' equity	**13 679**	12 098
2.11. Statement of distributable earnings December 31		
Profit for the previous years	-1 499	-957
The invested unrestricted equity fund	14 834	7 334
Result for the year	-5 893	-542
Total distributable earnings	**7 442**	5 835

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

EUR 1 000	2013	2012
Share-based payments		

Terms of share-based payments / Option rights
Option rights are used to encourage the key employees to work on a long-term basis to increase shareholder value. The option rights also aim at committing the key employees to the employer.

The option program is targeted to approximately 13 key employees, including the members of the Management Group. The Board of Directors decides on the distribution of the option rights annually. For all key employees, the prerequisite for receiving stock options is share ownership in the company.

The management of Tulikivi Group and the key employees are entitled to subscribe the company shares if the separately established vesting criteria are met, as follows:

The maximum total number of stock options issued is 1 800 000, and they entitle their owners to subscribe for a maximum total of 1 800 000 new A shares in the company or existing A shares held by the company. The option rights are divided into three classes. The share subscription period, for the stock option 2013A will be May 1, 2016 to May 31, 2018, for the stock option 2013B, May 1, 2017 to May 31, 2019, and the for stock option 2013C, May 1, 2018 to May 31, 2020. The share subscription price for all stock options is EUR 0.33 per share. The basis for the subscription price is the subscription price used in the share issue of Tulikivi Corporation carried out in October 2013. Each year dividends and equity returns will be deducted from the share subscription price. The option program is targeted to approximately 13 key employees, including the members of the Management Group.

For vesting of each stock option class, the Board of Directors will establish financial targets related to the company's performance improvement program separately for each stock option class. The number of stock options 2013A is 580 000. The share subscription period for the A share series for the stock options 2013A will begin only if the targets set nfor the 2014 financial year's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-recurring items are fulfilled. The theoretical market value of one stock option 2013A is EUR 0.10 per stock option. The theoretical market value of the stock options 2013A is EUR 58 000 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model with the following inputs: share price EUR 0.32, share subscription price EUR 0.33, risk-free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria.

The Tulikivi Group didn't have any share-based payments in the year 2013 (2012).

2.12. Treasury shares

During the financial year 2013 (2012), Tulikivi Oyj has neither acquired nor disposed any own shares. At the reporting date, the company held 124 200 (124 200) own A shares, which represents 0.2 per cent of the share capital and 0.1 per cent of the voting rights. The acquisition price is EUR 0.87/share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

2.13. Provisions	2013	2012
Warranty provision	225	270
Environmental provision (Present value)	683	679
Ympäristövaraus, lyhytaikainen	13	17
Restructuring provision, non-current	662	278
Restructuring provision, current	1 265	0
Total	2 848	1 244

The undiscounted amount of environmental provision was EUR 1 046 (1 050) thousand. The discount rate used in determining the present value is 4.0 (4.0) per cent.

EUR 1 000	2013	2012
2.14. Non-current liabilities		
Liabilities from others		
Loans from credit institutions	13 289	13 581
TyEL pension loans	4 692	5 696
Other non-current liabilities	0	20
Total non-current liabilities	**17 981**	19 297
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	277	307
Liabilities to associates		
Trade payables	18	5
Liabilities to others		
Loans from credit institutions	2 428	2 231
Pension loans	2 624	2 277
Advances received	94	83
Trade payables	1 730	1 973
Other current liabilities	428	432
Accrued liabilities		
Salaries, wages and social costs	2 837	3 143
Discounts and marketing expenses	361	422
External charges	510	637
Interest liabilities	305	187
Other accrued liabilities	365	94
Liabilities to others, total	11 682	11 479
Total current liabilities	**11 977**	11 791

EUR 1 000	2013	2012
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	23 033	23 785
Loans and credit limit accounts, total	23 033	23 785
Real estate mortgages given	12 690	11 581
Company mortgages given	19 996	17 696
Given mortgages and pledges, total	32 686	29 277
Other own liabilities for which guarantees have been given		
Guarantees	500	500
Other commitments	3	3
Other own liabilities for which guarantees have been given, total	503	503
Other commitments		
Rental commitments due		
Rental obligations payable not later than 1 year	785	790
Rental obligations payable later	486	434
Rental commitments due, total	1 271	1 224
Leasing commitments		
Due not later than 1 year	328	232
Due later	508	493
Leasing commitments, total	836	725
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps , nominal value	7 758	2 263
Interest rate swaps , fair value	-101	-92
Forward contracts, nominal value	259	361
Forward contracts, fair value	-3	-8
Obligation to repay VAT deductions made in earlier periods	41	69

2.17. Other contingent liabilities

Environmental obligations

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

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

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

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

Based on the environmental authorisations, the Company has given guarantees to the effect of EUR 570 thousand in total.

Shareholders and Management Ownership December 31, 2013

10 Major shareholders according to number of shares Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Heikki	5 809 500	1 047 810	11.45
2. Elo Mutual Pension Insurance Company		4 545 454	7.59
3. Ilmarinen Mutual Pension Insurance Company		3 720 562	6.21
4. Elo Eliisa	477 500	2 631 036	5.19
5. Sijoitusrahasto Taaleritehdas Arvo markka osake		2 878 787	4.81
6. Varma Mutual Pension Insurance Company		2 813 948	4.70
7. Suomen Kulttuurirahasto	100 000	2 158 181	3.77
8. Investment Fund Phoebus		1 797 811	3.00
9. Mutanen Susanna	797 500	846 300	2.75
10. Keskinäinen Vakuutusyhtiö Fennia		1 515 151	2.53

10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	K shares	A shares	Proportion, %
1. Vauhkonen Heikki	5 809 500	1 047 810	44.61
2. Mutanen Susanna	797 500	846 300	6.65
3. Elo Eliisa	477 500	2 631 036	5.59
4. Elo Mutual Pension Insurance Company		4 545 454	3.43
5. Vauhkonen Mikko	397 500	363 810	3.27
6. Nuutinen Tarja	397 500	277 040	3.21
7. Ilmarinen Mutual Pension Insurance Company		3 720 562	2.81
8. Suomen Kulttuurirahasto	100 000	2 158 181	2.38
9. Sijoitusrahasto Taaleritehdas Arvo markka osake		2 878 787	2.17
10. Varma Mutual Pension Insurance Company		2 813 948	2.12

The members of the Board and Managing Director control 5 810 000 K shares and 1 447 807 A shares representing 44.94 per cent of votes.

Breakdown of share ownership of December 31, 2013 Number of shares	Shareholders pcs	Proportion %	Shares kpl	Proportion %
1 - 100	476	9.4	31 306	0.05
101 - 1000	2 244	44.31	1 272 231	2.14
1001 - 5000	1 570	31.00	3 965 492	6.62
5001 - 10000	386	7.62	2 935 431	4.90
10001 - 100000	345	6.82	8 930 888	14.92
100001 -	44	0.88	42 735 895	71.38
Total	5 065	100.00	59 871 243	100.00

The Company's shareholders were broken down by sector as follows Sector	Holding %	Votes %
Enterprises	12.15	5.49
Financial and insurance institutions	9.15	3.95
Public organisations	18.51	8,36
Non-profit organisations	4.56	2,74
Households	53.53	78.34
Foreign	2.11	1.14
Total	100.00	100.00

Nominee-registered shares, 1 143 849 in total (1.91 per cent of the capital stock), are entered under financial and insurance institutions. Treasury shares owned by Tulikivi Corporation, in total 124 200 Series A shares, are included in section dealing with shareholding information.

Signatures to Board of Directors' Report and Financial Statements

Helsinki February 10, 2014

Harri Suutari

Nella Ginman-Tjeder

Olli Pohjanvirta

Markku Rönkkö

Pasi Saarinen

Anu Vauhkonen

Heikki Vauhjonen
Managing Director

Auditors' Report

To the Annual General Meeting of
Tulikivi Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Tulikivi Corporation for the year ended 31 December 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors
and the Managing Director

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

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

Opinion on the company's financial statements
and the report of the Board of Directors

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

Helsinki, 17 February 2014

KPMG OY AB
ARI ESKELINEN
Authorized Public Accountant

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Tulikivi®

It's such a cold, cold world.

ES 2020, 03/14