

[®] Tulikivi





Contents

The year 2014 in brief	5
Strategic policies	7
Product groups	9
Managing Director's review	12
Performance Improvement Programme	14
Stone supplies and reserves	19
Corporate responsibility	20
Highlights of the year 2014	24
Management	30
Management Group	32
Corporate Governance Statement 2014	34
Salary and remuneration report	38
Information for shareholders	40
Annual summary	41
Tulikivi Corporation's Board of Directors' report and financial statements for 2014	42
Board of Directors' report	43
Consolidated Financial Statements, IFRS	46
Financial and share-related key figures	86
Calculations of Key Ratios	88
Parent company financial statements, FAS	89
Tulikivi Corporation's shareholders and management ownership	102
Signatures to Board of Directors' report and financial statements	103
Auditors' report	103
Contact information	104



8

Fireplaces



10

Sauna



11

Interior





The year 2014 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.

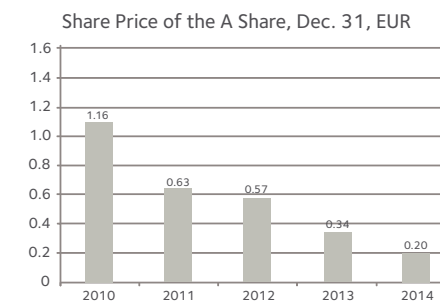
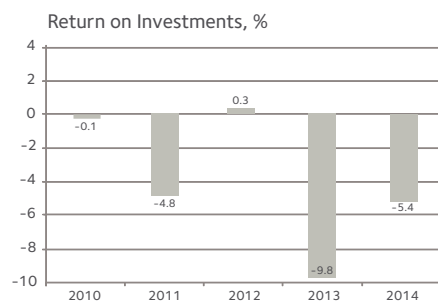
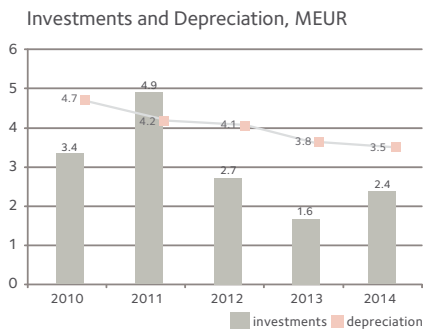
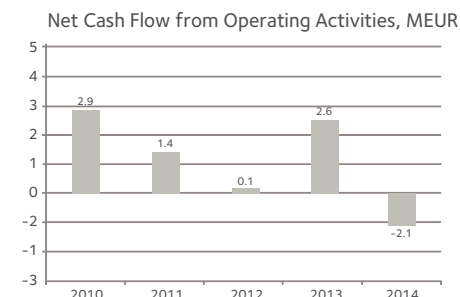
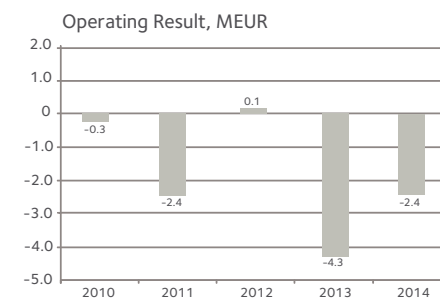
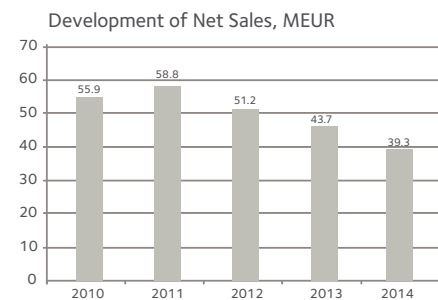
Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy. Tulikivi's net sales are approximately EUR 39.3 million (EUR 43.7 million in 2013), of which exports account for about half. Tulikivi employs approximately 300 people.

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 Rakentamisen MALL Oy. The company Stone Pole Oy was liquidated in 2014.

The formulae for calculating key figures are on page 88.

	2014	2013	Change, %
Net Sales, MEUR	39.3	43.7	-10.1
Operating result, MEUR	-2.4	-4.3	44.2
Result before income tax, MEUR	-3.4	-5.3	35.8
Return on investments, %	-5.4	-9.8	
Solvency ratio, %	39.0	38.1	
Earnings per share, EUR	-0.04	-0.11	
Equity per share, EUR	0.30	0.35	
Payment of dividend on:			
A share, EUR	-	-	
K share, 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.
- Despite its unsatisfactory financial performance, Tulikivi has up-to-date product families that are 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 Central Europe, Russia and Eastern Europe in order to ensure profitable growth.





Product groups

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

Fireplaces

The Fireplaces product group consists of an extensive range of soapstone and ceramic products: heat-retaining fireplaces, fireplaces with bakeoven, bakeovens, stoves, design fireplaces, prefabricated fireplaces, Green products, fireplace accessories and stone cladding for fireplaces.

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 aid of the Tulikivi Figure and Color coating materials, 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, air-heating, 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, ceramic tiles or cast stone, 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.

In sauna heaters, Tulikivi's strengths are its careful attention to safety and design. Tulikivi's Nuoska sauna heater with ceramic tile cladding won a prestigious Fennia Prize in the international Fennia Prize 2012 design competition, and the Association of Finnish Interior Design Editors chose Tulikivi's Kuura sauna heater as one of its 'Editors' Top 12' best Finnish interior design products of 2014.

The Sauna products are sold under the Tulikivi brand, and their principal markets are Finland, Russia and Sweden. 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. Tulikivi sauna heaters can also be directly connected to a building automation system.



Tulikivi Interior

The main products in the Interior product group are countertops made of different natural or composite stone materials and tiling for different rooms in the home. Tulikivi has an extensive interior stone product collection.

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 fitted kitchen suppliers, with which Tulikivi 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.

In Finland, Tulikivi's new hexagonal soapstone tile was awarded a 'Vuoden comeback' (Comeback of the year) prize by Divaani magazine. Explaining the reasons for the award, the magazine said: "Soapstone looks so charming and chic. This Finnish tile is very handy for bathroom floors as it isn't slippery even when wet."





Helsinki, February 15, 2015
Heikki Vuuhkonen, Managing Director

Managing Director's review

Competitiveness improved but demand was weak

Demand was weak

Demand for Tulikivi Corporation's products declined considerably in the principal markets, so the overall market environment was challenging. The Tulikivi Group's net sales in 2014 decreased by nearly 10% to EUR 39.3 million (EUR 43.7 million in 1-12/2013).

The decline in consumer confidence during spring 2014 considerably reduced the level of low-rise housing construction and renovation and thus the demand for Tulikivi products. Net sales in Finland were EUR 17.9 (20.8) million, or 45.6% (47.7%) of total net sales.

The protracted European recession reduced export sales in 2014 and intensified price competition. During the second half of the year the fireplace market declined in Central Europe, especially in Germany and France, and as a result net sales were lower than anticipated.

In France the government relaunched its programme to support energy-efficient construction, but the programme did not yet have a positive impact on demand in 2014.

Exports amounted to EUR 21.4 (22.9) million in net sales. The principal export countries were Sweden, Russia, France, Germany and Belgium.

In Russia, the market for fireplaces and saunas declined, but sales of Tulikivi products increased in euros, which meant that Russia was Tulikivi's second-largest export country. Russian consumers are interested in heat-retaining fireplaces and also in sauna heaters and soapstone interior stone products.

Despite the challenging market, demand is growing for the latest product ranges: saunas, design fireplaces and the new-generation Hiisi fireplace collection. The updated range of ceramic products also successfully meets the expectations of consumers and dealers.

In its sauna products, Tulikivi focuses on good design and a high quality sauna experience. The new products are especially popular with architects and interior designers.

Cost savings reduced loss

The decline in net sales meant that the cost-saving measures implemented were unable to make the company profitable.

The operating result before non-recurring items in 2014 was EUR -1.4 (-1.4) million. The consolidated operating result in 2013 was EUR -2.4 (-4.3) million, and the result before taxes was EUR -3.3 (-5.3) million. Earnings per share were EUR -0.04 (-0.11).

Tulikivi's production efficiency was boosted and fixed costs were reduced in line with the goals of the performance improvement programme. Fixed costs declined almost in line with targets, by EUR 2.3 million. The re-organisation of soapstone fireplace and ceramic fireplace production in the spring and summer was successful and improved relative profitability. However, reductions in variable costs did not yet reach the targets. In addition to factory productivity, this was caused by lower-than-anticipated capacity utilisation, old fireplace model clearance sales at the end

of autumn and the decline of the rouble exchange rate in November and December.

Performance improvement continues

The company's management and Board are strongly committed to implementing the performance improvement programme and making the company's result profitable. In the prevailing and challenging market conditions this will require constant improvement of the cost structure and systematic measures to increase sales. Therefore the company will continue to reduce fixed costs by renewing organisational structures and practices during 2015.

A positive factor is that the measures implemented to boost production efficiency will improve profitability throughout the year. The company will also aim to make additional savings in the purchase costs of metal components. The modular products, which have been developed over recent years, will make this possible.

Focus on exports and renewal of distribution in Finland

A key factor in the performance improvement programme is boosting sales. Sales functions were updated to increase sales. Sales were separated into five geographical areas of responsibility: Scandinavia, Russia, Eastern Europe, Western Europe and Germany. The geographical areas of responsibility ensure that the distribution model in each market

area meets local needs.

In Finland we are focusing on the continuous development of Tulikivi distribution, distribution channels for the home-building industry and the development of electronic channels.

In exports, we are seeking growth in new geographical areas in Russia and Eastern Europe. Tulikivi launched direct consumer sales in Moscow as part of measures to boost sales in Russia. As well as boosting sales this will also improve Tulikivi's consumer knowledge in Russia.

Product development

In spite of the challenging financial conditions, Tulikivi implemented a comprehensive renewal of its product range. This is an important measure as customer needs have changed considerably over recent years on account of low-energy construction, changing interior design trends and improvements in other heating systems.

Fireplace regulations were clarified as the EU implemented emission proposals, which will enter into force in 2022. The majority of the fireplaces in Tulikivi's product range already meet these requirements. These regulations are significant as they will prevent individual EU countries from imposing their own demands that are stricter than the EU requirements.

Heat-retaining fireplaces ideal for low-energy construction

Finnish regulations do not support

low-emission, factory-made heat-retaining fireplaces. Finland has no emission regulations and the tax credit for domestic help encourages consumers to choose fireplaces that are built on site.

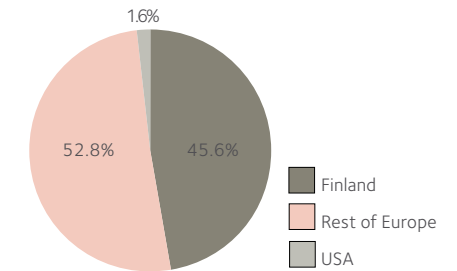
Tulikivi's goal is to influence matters in Finland so that locally-produced Finnish energy sources are favoured over fossil fuels and nuclear power.

As part of Finnish energy policy, heat-retaining fireplaces would provide an excellent addition to other forms of renewable energy: solar and wind power and various heat pumps. Heat-retaining fireplaces release heat energy evenly, which means that they are perfect for low-energy construction. According to a recent study by VVT Technical Research Centre of Finland, a heat-retaining fireplace can produce over 50% of the heat energy required by a household. As the energy requirement of a low-energy house is 5000 kWh a year, 2 cubic metres of firewood would provide 50% of the energy needs. The remaining energy requirement could be met by solar energy, for example.

Natural part of the Finnish energy solution

From the social perspective, it is worth noting that by using wood we could reduce the amount of energy needed to import energy and level out energy consumption spikes in Finland in the middle of winter. Wood can also function as a backup in electricity supply crises.

Net Sales per Geographical Area, %





Tulikivi's performance improvement programme 2014-2015

On 8 August 2013 Tulikivi issued a stock exchange release announcing a performance improvement programme to increase its annual operating result, before non-recurring expenses, by EUR 7 million on 2013 by the end of 2015.

The programme includes measures to rationalise production, reduce costs and boost sales. Owing to a weak market, the impact of the sales efficiency measures that form part of the performance improvement programme will be felt more slowly than anticipated.

The performance improvement programme generated non-recurring expenses of EUR 2.9 million in 2013 and EUR 1.4 million in 2014. The programme is expected to generate further non-recurring expenses of about EUR 0.5 million in 2015.

Rationalisation of production



Measures 2014:

- Production of soapstone fireplaces was concentrated at one factory in Juuka
- Ceramic production at Heinävesi was discontinued and the company switched to purchasing ceramic material sourced elsewhere.
- Operations were successfully started up and productivity is at a satisfactory level
- Capacity had to be further adjusted on account of low demand

Goals 2015:

- To improve productivity in all modernised factories
 - To make savings with subcontracted parts of new modularised products
 - Sufficient capacity adjustment measures with layoffs
-

Cost cuts



Measures 2014:

- Fixed costs were cut by more than 15% with personnel reductions, reorganisations, changes to premises and by updating the distribution network and operating models in Finland

Goals 2015:

- To further reduce fixed costs by reorganising export functions, digitising operations and by focusing on core operations by over 10%
-

Increased sales



Measures 2014:

- In Finland several cooperation agreements were signed with operators in the home-building industry
- In Sweden and Norway the distribution channel was extended and sales grew in line with targets
- In Germany the sales growth targets were not achieved
- In Russia, distribution was boosted in line with targets by transferring to direct consumer sales in Moscow
- Domestic and export sales of sauna products were increased

Goals 2015:

- To increase the market share in Finland in the home-building industry and sauna products
- To boost export sales in new markets in Eastern Europe and the United Kingdom increase the market share in the traditional markets in Central Europe and Scandinavia



Shareholders and Management Ownership December 31, 2014

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	1 080 537	11.51
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. Investment Fund Taaleritehdas Arvo Markka Osake		2 878 787	4.81
6. Varma Mutual Pension Insurance Company		2 813 948	4.70
7. Finnish Cultural Foundation	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. Fennia Mutual Insurance Company		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	45.87
2. Mutanen Susanna	797 500	846 300	6.84
3. Elo Eliisa	477 500	2 631 036	5.74
4. Elo Mutual Pension Insurance Company		4 545 454	3.52
5. Vauhkonen Mikko	397 500	363 810	3.36
6. Keskinäinen Eläkevakuutusyhtiö Ilmarinen		3 720 562	2.88
7. Finnish Cultural Foundation	100 000	2 158 181	2.45
8. Investment Fund Taaleritehdas Arvo Markka Osake		2 878 787	2.23
9. Varma Mutual Pension Insurance Company		2 813 948	2.18
10. Investment Fund Phoebus		1 797 811	1.39

The members of the Board and Managing Director control 5 810 000 K shares and 1 676 896 A shares representing 46.33 % of votes.



Stone supplies and reserves

In accordance with its strategy, Tulikivi Corporation strives to ensure that the company is in possession of the best possible soapstone reserves. The company has been systematically studying soapstone reserves for over 30 years, using the expert services of the Geological Survey of Finland, for example. The aim of this work has been to evaluate current soapstone reserves in greater detail and to seek new soapstone reserves.

Tulikivi Corporation's stone supplies and reserves total just over 8 million m³. The deposits that have been studied and evaluated are at Nunnanlahti, Kuhmo, Paltamo and Suomussalmi. The company has 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 manufactured at Nunnanlahti and Suomussalmi. In 2014, the evaluation of deposits focused on Nunnanlahti. Investigation of potential deposits and further work on current deposits will continue in 2015.

Stone supplies used sparingly

In geographic terms quarrying is limited to small areas compared with clear cutting of forest resources, for example. A total of around 110,000 cubic metres of soapstone is quarried annually from the company's quarries. Around 25,000 cubic metres of this goes to three soapstone factories. Each year, the quarried material includes just under 80,000

cubic metres of adjoining rock that is not part of the deposits. Earth also needs to be moved from time to time when excavating quarries in order to access the deposits. 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 is important. The overall yield of raw material is improved through product development, taking account of the raw material's properties and using production technologies that make efficient use of the material. Tulikivi's strategic goal is to ensure sufficient raw material reserves for decades to come.

Environmental aspects of operations

Soapstone is extracted by sawing. The extraction does not require chemical treatment, and no chemicals are used in the quarrying. The saws used in the quarrying run on electricity and do not require cooling water. Only bio-oils such as rapeseed oil and tall oil are used for lubricating the blades. The



rainwater entering the quarry is pumped into sedimentation pools. Water samples are taken three times a year in order to monitor the environmental impact of the quarrying operation. Studies show that soapstone dust does not spread far from the sawing site. Watering is used to prevent the dust from spreading in dry weather. The noise from the extraction is mainly sawing and machine noise. The noise emitted from Tulikivi's operations is within the permitted limits. In the quarrying work, the blasting of adjoining rock takes place a few times per week.

Quarrying process accords with environmental and mining permits

The principal aims of Tulikivi's operations are

as follows: a safe and healthy work environment, the sparing use of natural resources, and management of quarrying and production processes that minimises adverse environmental effects. Tulikivi takes environmental considerations into account in its acquisition of raw materials, in production and in the end products, and it monitors the environmental effects of its operations in accordance with officially approved monitoring programmes. Tulikivi has permits granted by the environmental and mining authorities for its entire production and a permit for the storage and use of blasting materials.

Environmental and corporate responsibility

Tulikivi's operations are guided by the company's values. Accordingly, it complies with the relevant legislation and regulations in all its activities and operates responsibly towards society at large, the environment and the company's stakeholders. The most important stakeholders for Tulikivi are its customers, personnel, shareholders, finance providers 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 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 granted an ISO 9001 quality certificate. Work on environmental and safety matters is continuously being developed in accordance with the ISO 14001 and OHSAS 18001 standards.

Tulikivi carries out long-term product development in order to ensure and enhance the environmentally friendly aspects of its products. The products must be as durable and safe as possible and their environmental impact must be

minimised at all stages of their life cycle. The aims of Tulikivi's research and development work include the provision of reliable information on the environmental impacts of its products in production and use, and the improvement of eco-efficiency and material efficiency. To improve material efficiency, Tulikivi utilizes waste materials from other parts of the ceramics industry as a raw material for its ceramic fireplaces. The materials and components used in the products are tested regularly and the products must pass type approval tests. Tulikivi's soapstone has been approved as a material that can come into contact with food, for example. We strive to increase our suppliers' awareness of their environmental responsibilities and to act in accordance with the principles of sustainable development.

Material choices, energy consumption and modes of transport together account for a

significant proportion of the environmental impact of our products in the production chain. Using bioenergy-fuelled 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. Tulikivi's fireplaces already beat the world's strictest emissions standards (BimSchV), and the company is continuing its research into even cleaner combustion.

All of Tulikivi Corporation's operational quarries and production plants have valid mining and environmental permits. Tulikivi monitors the environmental impact of quarrying and complies with the officially approved supervision programmes. Operating principles have been drawn up for the quarries, and these require regular analysis of operating risks, taking into account both safety and environmental considerations. Landscaping is carried out as part of normal quarrying operations and at quarries that have ceased operating.

The raw materials used at the production plants include soapstone, natural stone and ceramic material. No substances that are hazardous to the environment are used in the processing of soapstone, and none are produced in the manufacturing process. The production plants use closed process water circulation. Tulikivi has identified energy efficiency improvement and further development of waste management

as areas of its operations that require development input. 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 9 per cent, and to 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 (e.g. board and paper) goes for recycling via 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).

Financial responsibility

The Tulikivi Group's main line of business is the stone processing industry. In addition, the Group engages in extensive research into

combustion and heat transfer. Tulikivi aims to achieve growth of 10 per cent in the next few years, and it also aims to reach an operating profit level of 10 per cent within the next five years. The target for return on equity is that it should exceed 20 per cent.

Tulikivi's operations affect many stakeholders: customers, suppliers, service providers, employees, investors and the public sector. The direct financial impact of Tulikivi's operations on stakeholders comprised the following in 2014.

Customers generated a total of EUR 39.3 million (43.7) in net sales. This consisted of Tulikivi and Kermansavi fireplaces, natural stone products, sauna heaters and

product-related services sold to customers. Tulikivi paid EUR 8.5 million (9.5) to suppliers of goods and semi-finished products and EUR 15.9 million (18.0) to service providers. In addition, the company paid EUR 1.1 million (0.9) for machinery and equipment.

Employees' salaries and bonuses totalled EUR 11.2 million (13.4), and the related pension and other insurance contributions were EUR 2.6 million (3.3). The effect of the restructuring provision has been accounted for in the figures for the period.

Finance providers were paid EUR 0.9 million (1.0) net in interest and other financial expenses. Shareholders were paid no dividends for 2014 or for 2013.

Social responsibility

In 2014 a large number of changes affecting Tulikivi's personnel were made in the company's operations. The concentration of soapstone fireplace production in a single factory, the completion of the development project for ceramic fireplaces and the start of production for stoneware tile processing were all significant projects in personnel terms and all require new skills to be learnt. The digitisation of operations and the associated development of data systems continued during the year.

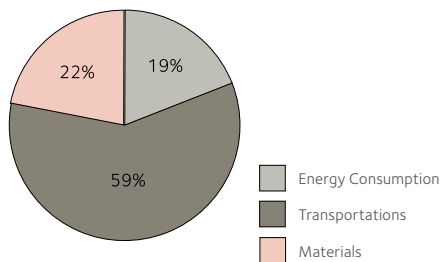
In soapstone production at Juuka, the production of fireplaces was concentrated in a single factory. This also involved a major production line reorganisation project and a project to redirect material flows. Meeting and reporting practices were also modified to shorten timescales. At Heinävesi, tile production was discontinued in the spring, and the processing of stoneware tiles as a cladding material for ceramic fireplaces was started on a new production line. The introduction of new practices has required flexibility and adaptability from the company's personnel, and new skills have had to be learnt. The changes taking place have resulted in a reduced need for personnel resources in production. The redundancies introduced in the previous financial year led to the

termination of 50 employment contracts by the summer of 2014. On December 31, 2014, the company employed 292 (351) people. Due to the continuing decline in the construction of detached houses, Tulikivi has had to adjust its personnel resources in production, quarrying and the support functions to bring them into line with the volume of work. This has been achieved through temporary layoffs.

A new ceramic product range was launched in the spring. The design of this product range and its preparation for production was a substantial development project for the company's design management, product development department and purchasing, and for production at Heinävesi. In Tulikivi's IT development projects, the digitisation of operations in customer service and in sales network cooperation is still continuing.

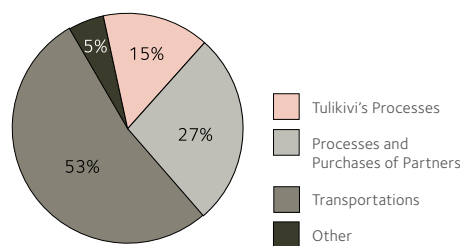
The company's personnel development project continued as planned. Office staff took part in joint development and training days on the theme 'Tulikiven työpäivä' (Tulikivi working day). This included product training and training in the opportunities brought by digitisation. In production, occupational safety training was especially important: all production personnel now have an occupation safety card. Introductory training in the use of the new production lines and training required

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.

for the new investments at Heinävesi were the main training events focusing on work skills. Occupational safety staff and employee representatives took part in the training concerning well-being at work cards.

Additional training needed for new forms of business and training related to the ongoing changes were provided as targeted training for specific individuals. Apprenticeship training continued in accordance with the practice followed earlier. The development discussion procedures were improved for office staff, and preparations were made for their introduction on the production side too.

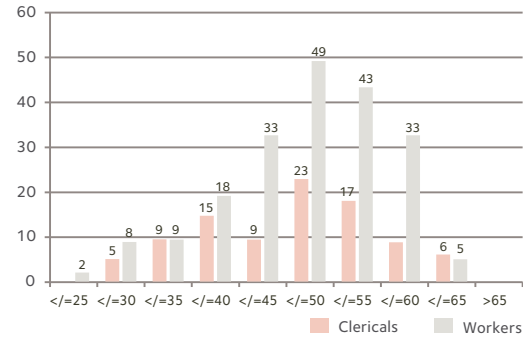
The focus of the occupational health service is on preventive actions, but basic medical care is also part of occupational healthcare. Under the early intervention model used, discussions on a person's fitness for work are conducted after each 40 hours of sickness absence over a 12 month monitoring period. Workplace reports were completed in all places of operation in cooperation with occupational healthcare and the Finnish Institute of Occupational Health.

In the scheme to promote initiatives by personnel, a total of 98 (98) new initiatives were submitted during 2014. The frequency of accidents was 25 (17) accidents per million working hours.

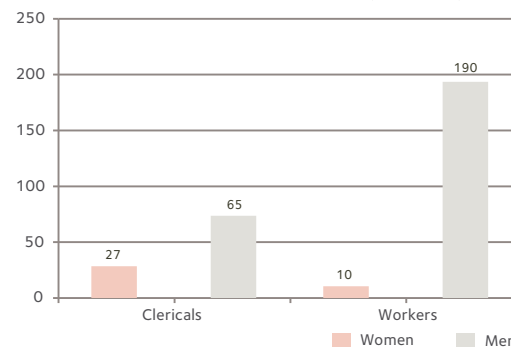
Community spirit

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

Age Distribution of Personnel, Dec. 31, 2014



Gender Distribution of Personnel, Dec. 31, 2014







'Comeback of the year' award

At the end of the year, the Finnish interior design magazine Divaani granted Tulikivi the 'Vuoden comeback 2014' (Comeback of the year 2014) award.

Divaani's editorial team and readers selected the best products, creators, trends and ideas of 2014. The editorial team awarded the 'Vuoden comeback' prize to Tulikivi for its novel and fresh use of soapstone: "Tulikivi's new mosaic tile both surprises and delights: soapstone looks so charming and chic. This Finnish tile is very handy for bathroom floors, as it isn't even slippery when wet."



Tulikivi Hiisi 5 wins best pellet fireplace award in United Kingdom

Tulikivi was present for the first time at the Hearth & Home Exhibition.

In Harrogate in the United Kingdom, the Tulikivi Hiisi 5 soapstone hybrid fireplace gained first place in the 'Pellet or wood chip' fireplaces category. The Hiisi is Tulikivi's smallest but also most energy-efficient heat-retaining fireplace, with an efficiency of 80–89%. The Hiisi is an innovative hybrid fireplace with a firebox that can burn both wood and pellets. The compact structure and the scope for integration with the W10 water-heating system make the Hiisi an excellent option for building low-energy homes. Tulikivi's Nietta i23 design fireplace also made it as a finalist in the category 'Wood log and multifuel' fireplaces. The contestants were evaluated on the basis of appearance, power and usability.

Kuura electric sauna heater favourite with design editors

The Association of Finnish Interior Design Editors chose Tulikivi's Kuura

The Kuura electric sauna heater was one of its 'Editors' Top 12' best Finnish interior design products of 2014, which focused on new products that had entered production. With this award, the design editors wanted to highlight what they see as sensible, ergonomic, beautiful and functional design. Named on a wintry theme, the Kuura's very striking look is new in sauna heater design, and its distinct form gives it a visual calmness.



According to the design editors, the Kuura sauna heater takes Finnish sauna culture a step forward without losing the traditional atmosphere of the sauna. The editors' award winners are united by good design that appeals to the user's values and awakens the senses. The chosen products, including the Kuura, are mostly locally produced and designed. In its choices, the Association of Finnish Interior Design Editors also emphasised the Helsinki Design Week theme 'Loikka', i.e. daring to jump to new challenges and to boldly introduce new ideas. Tulikivi has, says the Association, focused resolutely on revitalising and developing its fireplaces and sauna products, and on visual appearance.

New and redesigned Tulikivi stores opened

Tulikivi's flagship store in Tammisto, Vantaa, was refurbished and now includes all of Tulikivi's product groups.

The store now has an extensive display of Tulikivi's soapstone and ceramic fireplaces, woodburning and electric sauna heaters and interior stone products. Following the refurbishment, the new Tammisto store has double the floorspace, and now displays more than 30 fireplaces and 10 sauna heaters. The store also features two saunas for product display purposes, which include the Nuoska and Riite sauna heaters, which are integrated with the sauna benches. There is an extensive range of interior stone products on display at the store, with the focus on interior design, floors and countertops. The new-look store is spacious and light. A large number of new Tulikivi stores have been opened by dealers in the company's export countries. The most significant of these new stores were those in Schörfling am Attersee in Austria, and Bielefeld in Germany. Other new Tulikivi stores opened by its dealers abroad include stores in Lithuania (Kaunas), South Korea and France (Nantes and Metz). A new store has also been refurbished in Moscow and will open in March 2015.





Completely redesigned Tulikivi website service

In the spring, Tulikivi launched a completely redesigned multilingual website with the aim of more effectively presenting its new fireplace collection and accompanying material.

Key elements of the new website are its suitability for mobile devices and the linkage to the company's other web services such as the online shop and social media.

In addition, Tulikivi's Finnish online shop was fully up and running during the year. The online shop's product range includes not only sauna heaters, fireplaces and interior stone products, but also a wide selection of accessories for fireplaces and saunas, and spare parts and supporting products. Tulikivi's online shop will be enlarged to include export sales during 2015.

Tulikivi also focused heavily on social media during the year, with the aim of providing good customer service, information and genuine dialogue with fans and customers alike. The company is on Facebook, LinkedIn, Twitter, Pinterest, Instagram, YouTube, Google+ and Houzz.



Sauna heaters with cast stone cladding included in Q-TIO sauna concept

Tulikivi is involved in the novel Q-TIO sauna concept through the inclusion of its striking new Tulikivi sauna heaters clad in cast stone. The Q-TIO sauna collection's stylish saunas respect tradition while also enabling versatile use of the sauna spaces.

With their Q-TIO concept, Tulikivi, Q-TIO and Tervaleppä are producing exciting solutions for the sauna and for shower rooms. At the heart of the concept lies Finnish sauna expertise and design.

The novel, versatile Q-TIO furniture units function as a seat or a table, or even a shelf system if units are combined. The design of the Q-TIO furniture and saunas has been the responsibility of interior and concept designer Anne Munkki and industrial designer Jesse Laivo. Suomen Tervaleppä Oy is in charge of production and sale of the furniture and saunas.

Tulikivi's very strikingly designed Kuura, Riite and Huurre sauna heaters, clad in cast stone, offer a new twist on sauna heater design, making them a great fit for the Q-TIO sauna concept. Available round or square with rounded corners, the distinct form of the Kuura gives it a visual calmness. The rounded Riite features an Art Nouveau pattern or clear-lined arrangement with three segments. The Huurre, which is square-shaped with rounded corners, has a wavy, rippled surface texture. The colour and shape options of these eye-catching sauna heaters make them ideal for either a light or dark sauna design.



New products for the range of modern power heater fireplaces

Tulikivi's popular range of modern power heaters was expanded in the late spring with the Valkia Kide and Valkia Aalto hybrid fireplaces, which can burn both wood and pellets. This range of fireplaces combines excellent heating capacity with attractive design.

They incorporate a large amount of soapstone and their advanced combustion technology means that they can heat large spaces with just a small amount of wood. The fireplaces can be integrated with hot water central heating and are perfect for low-energy homes.

Soapstone forms the core of these power heaters, and for their external appearance you can choose from different surface coatings. The Valkia Kide and Valkia Aalto fireplaces have the three-dimensional Tulikivi Figure coating, which is made of a fireproof material. The product names of these fireplaces refer to their surface patterns: the Valkia Aalto has a wavy, rippled appearance, and the Kide has a crystal-like pattern. The surface patterns can be accentuated by the lighting in the room.

At the end of the year the product range was extended with the addition of the Valkia Nammi fireplace, which differs from the others in that it combines the best of ceramics and soapstone. Three cladding options are available for this powerful home heater: horizontal format ceramic stoneware tiles, a completely seamless stoneware tile surface, and a coarse textured finish.

The natural colour options for the cladding include tones that are dark as night or light and bright. There are eight tile tones available: gloss white, white, zinc grey, graphite grey, chocolate brown, gloss black, black, and latte beige. The gentle tones of the textured finish are natural white, putty beige, grey and dark grey.

The Valkia fireplaces have a stylish design and they feature a large, rectangular door oriented horizontally. The fireplaces are airtight and beat

even the world's toughest emission standards. They also carry the Key Flag symbol indicating Finnish origin.

At the Holiday Housing Fair in Kalajoki, the Valkia Aalto was voted the best looking of Tulikivi's products. The Valkia Kide was on show for the first time at the Habitare fair, where it was well received. The launch of the Valkia Nammi was begun at the start of 2015.





Completely new ceramic collection

Tulikivi completely redesigns its range of ceramic fireplaces.

Tulikivi's fully redesigned, modern ceramic fireplace collection was launched in May 2014. This is a new and contemporary collection of harmonious, streamlined designs that is based on six different ceramic fireplace bodies for which there are various surface cladding options and height and colour alternatives.

The body of Tulikivi's ceramic fireplaces is made of the Kermansavi fireproof material developed by the company, which guarantees that the inner parts of the fireplace can withstand high temperatures extremely well. Tulikivi uses recycled crushed ceramic material in the manufacture of these fireplace bodies.

Using different combinations of the surface materials and fireplace bodies, more than 1,000 different fireplaces can be created. The new Kalla, Vaala, Mustio, Nuuta, Lentua and Jalanti designs are named after Finnish lakes. Five choices of cladding are available: textured surface, partially clad with stoneware tiles, fully clad with two-piece stoneware tiles, clad with large horizontal stoneware tiles or a completely seamless stoneware tile surface. The natural colours of the stoneware tiles and textured surfaces are shades of white, grey, brown and black. These stoneware tiles are available in both gloss and matt options. The stoneware tiles are worked, cut and ground at Tulikivi's Heinävesi production plant. The uniform quality of the material guarantees that the stoneware tiles will withstand the major temperature fluctuations of the fireplace extremely well. The evenness of the colour ensures that the tile ends are the same colour as the rest of the tile surface.

The fireplaces designs are tailored for particular uses and locations: as a space divider, on a standard wall or in a corner, with or without a slow cook oven, and as a fireplace with bakeoven.

Tulikivi's new ceramic fireplaces are designed to meet the demands of modern homes. Their operation is independent of the indoor air, as the combustion air is drawn into the firebox from outside, and the doors are airtight. This means the fireplace does not

affect the ventilation in the home and does not use air that has already been heated. In renovation projects, the combustion air can of course be taken from indoors if necessary. The new fireplaces can also be connected to the Tulikivi Green W10 water-heating system, allowing heat from the fireplace to be used for hot water central heating and for producing domestic hot water.

The new ceramic body fireplaces can be installed traditionally by building them on-site, or they can be completely factory-made and ready for use, with installation taking just a couple of hours.

The redesigned fireplace collection is part of Tulikivi's reorganisation of production, in which it has discontinued tile production and switched to using high-quality stoneware tiles for the cladding of its ceramic fireplaces. The stoneware tiles are extremely durable, consistent in colour and of a uniform quality ceramic material, which allows the use of even large seamless surfaces in the cladding. The ceramic bodies for the fireplaces are still produced at the company's Heinävesi factory. Tulikivi's old ceramic fireplace collection was withdrawn from sale in January 2015. The new ceramic fireplace selection will be expanded later in the autumn, when this range of modern fireplaces will be joined by a more traditional fireplace selection.

Great to present new products

The main fairs and exhibitions in Finland at which Tulikivi was present in 2014 were the Holiday Housing Fair in Kalajoki, the Housing Fair in Jyväskylä and the Habitare fair.

In export markets the Verona trade fair is definitely the most important, and Tulikivi had its own stand there.

Tulikivi had its own external stand at both the Kalajoki and Jyväskylä housing fairs, and the company was also present inside the homes on display. The Holiday Housing Fair, held for the eleventh time, featured 28 homes, and 15 of these incorporated Tulikivi fireplaces, sauna heaters, countertops or other products. The leading role at the company's own



stand was played by the new ceramic fireplaces – on show for the first time – and the Valkia Aalto fireplace. The theme of the fair was nature, terraces and waterside living, inspired by a unique landscape and location. This theme dovetailed perfectly with Tulikivi's product philosophy.

The Housing Fair at Äijälänranta in Jyväskylä had a total of 43 homes. In 13 of these, the interior featured Tulikivi fireplaces, sauna heaters and interior stone products. At its own stand, Tulikivi presented a wide selection of its latest products. These included the modern ceramic fireplace collection launched in May 2014, and a working Valkia Aalto hybrid fireplace connected to a hot water system. The contemporary cast stone sauna heaters were also there, as was a comprehensive range of interior stone products. Tulikivi's products were well suited to the theme of the event, which this time was linked to trends in living and construction. The design of the Housing Fair site was based on connecting urban living with being close to nature. Based on this theme, the focus was on natural materials.

At the Habitare 2014 fair, Tulikivi presented its Valkia Kide hybrid fireplace for the first time. In the same product family, the Valkia Aalto fireplace had already inspired a lot of interest at the summer's Housing Fair and Holiday Housing Fair. At the Habitare fair, Tulikivi also brought along its completely redesigned ceramic fireplace collection and the striking Kuura, Huurre and Riite electric sauna heaters clad in cast stone.

New additions to the interior stone products collection were the fashionable hexagonal marble and soapstone mosaic tiles, which attracted huge attention during and after the fair, for instance in design magazines and blogs.

In Italy, Tulikivi displayed an extensive range of fireplaces at Verona's Progetto Fuoco international exhibition of wood-burning plant and equipment. Here, Tulikivi launched its Valkia Aalto and Kide hybrid fireplaces.

Tulikivi's heat-retaining fireplaces can produce half the thermal energy needed in low-rise housing

A joint research project on fireplaces and heating,

being carried out by VTT Technical Research Centre of Finland Ltd in conjunction with operators in the fireplaces sector and the Ministry of the Environment, has studied the thermal energy output of different fireplaces in various low-rise housing designs that

vary in terms of their energy efficiency. The results show that fireplaces releasing their heat slowly or very slowly, i.e. heat-retaining fireplaces, can provide about half of the heat needed by such homes without the indoor temperature rising to high.

Tulikivi Corporation has been involved in this research project, which also looked at how well the heat from the fireplaces could be utilised in heating the home. The project was motivated by the EU target of reducing energy consumption by 2020. The EU's energy efficiency directive for buildings affects national building regulations and therefore also fireplaces.

The results of the research project referred to above confirm that heat-retaining fireplaces can produce a significant share of the thermal energy in buildings, even in passive buildings, and by burning only a small amount of wood. Fireplaces will continue to play an important role in the heating arrangements for low-rising housing in the future as well. The study in its entirety can be found here (though in Finnish only): <http://www.vtt.fi/inf/pdf/technology/2014/T191.pdf>



Board of Directors

<p>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.</p>	<p>since 2012, Member of the Board of Suomen Lähiennergialiitto ry since 2015.</p>	<p>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.</p>	<p>Corporation since 2011. Vice President of Locks Business Unit at Abloy Oy since 2013.</p>
<p>Other key positions of trust: 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.</p>	<p>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.</p>	<p>Other key positions of trust: Member of the Board of Mikrobioni Ltd; Member of the Board of Digital Foodie Ltd; Vide Chairman of the Board of Hotel Artos Ltd; Member of the Board of the Orthodox Church Museum Foundation of Finland; Chairman of the Board of Voimatel Oy; Member of the Board of Potwell Ltd; Member of the Board of IS-Vet Ltd; Member of the Board of Goodwiller Ltd; Chairman of the business department of the Finnish Forest Center; Deputy Member of the Auditing Board of the Central Chamber of Commerce; Shareholder/partner at Boardman Ltd; Member of the Board of Saimaan Juomatehdas Ltd.</p>	<p>Other key positions of trust: Chairman of the Locks and Fittings Group of The Federation of Finnish Technology Industries.</p>
<p>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).</p>	<p>Tulikivi Corporation share ownership: Series K shares: 5 809 500 Series A shares: 1 080 537</p>	<p>Primary work experience: Part-time authorised public accountant in a number of companies, 1984–2003; CFO of IS-Yhtymä Ltd, 1977–1982; CFO of Olvi Plc, 1983–1985; Managing Director of Olvi Plc, 1985–2004; Managing Director of Savon Voima Plc, 2004–2006; Managing Director of Karelia-Upofloor Ltd, 2006–2007; and Managing Director of Järvi-Suomen Portti Ltd, 2008–2011.</p>	<p>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 2003–2004. Assa Abloy Asia: Business Unit Director (Shanghai, China) 2004–2005. Abloy Oy: Vice President of Domestic Sales 2006–2010; Vice President of Construction Locking 2011–2013, Vice President of Locks Business Unit since 2013.</p>
<p>Tulikivi Corporation share ownership: Series A shares: 54 684</p>	<p>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.</p>	<p>Tulikivi Corporation share ownership: Series A shares: 116 900</p>	<p>Tulikivi Corporation share ownership: Series A shares: 166 222</p>
<p>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.</p>	<p>Other key positions of trust: 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, Chairman of the Board of Oplax Ltd.</p>	<p>Pasi Saarinen (b. 1968) M.Sc. (Eng.) Member of the Board of Tulikivi</p>	<p>Nella Ginman-Tjeder (b. 1959) M.Sc. (Econ), Senior Adviser at Indmeas Oy 2014–. Member of the Board of Directors at Tulikivi since 2013.</p>
<p>Other key positions of trust: Member of the Board of Directors of Tulikivi Corporation since 2001, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Rakennustuoteteollisuus RTT ry</p>	<p>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.</p>	<p>Tulikivi Corporation share ownership: Series A shares: 79 063</p>	<p>Other key positions of trust: Member of the Board at Stiftelsen Arcada since 2010; Member of the Board of Viking Malt Oy since 2014.</p>
			<p>Primary work experience: Managing Director of Ifolor Oy 2007–2014; Vice President, Country Manager at American Express in Finland 2004–2007; Marketing Director at Indmeas 2001–2004; Project Manager at Indmeas 1996–2001; Director Marketing Communica-</p>

tions at Finpro 1995–1996; Marketing Director at Sanoma Magazines 1988–1995; Marketing Manager at Sanoma Magazines 1986–1988.

Tulikivi Corporation share ownership:
Series A shares: 84 987

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.

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 2011–2013; Director of Sales and Marketing August 2013 – present.

Tulikivi Corporation share ownership:
Series K shares 500
Series A shares 87 003



Tulikivi's Board of Directors from left to right:

Harri Suutari, Heikki Vauhkonen, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Nella Ginman-Tjedder 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: 1 080 537

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: Member of the Board of the Finnish Natural Stone Association.

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

Tulikivi Corporation share ownership:

Series K shares: 100 000

Series A shares: 31 250

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.

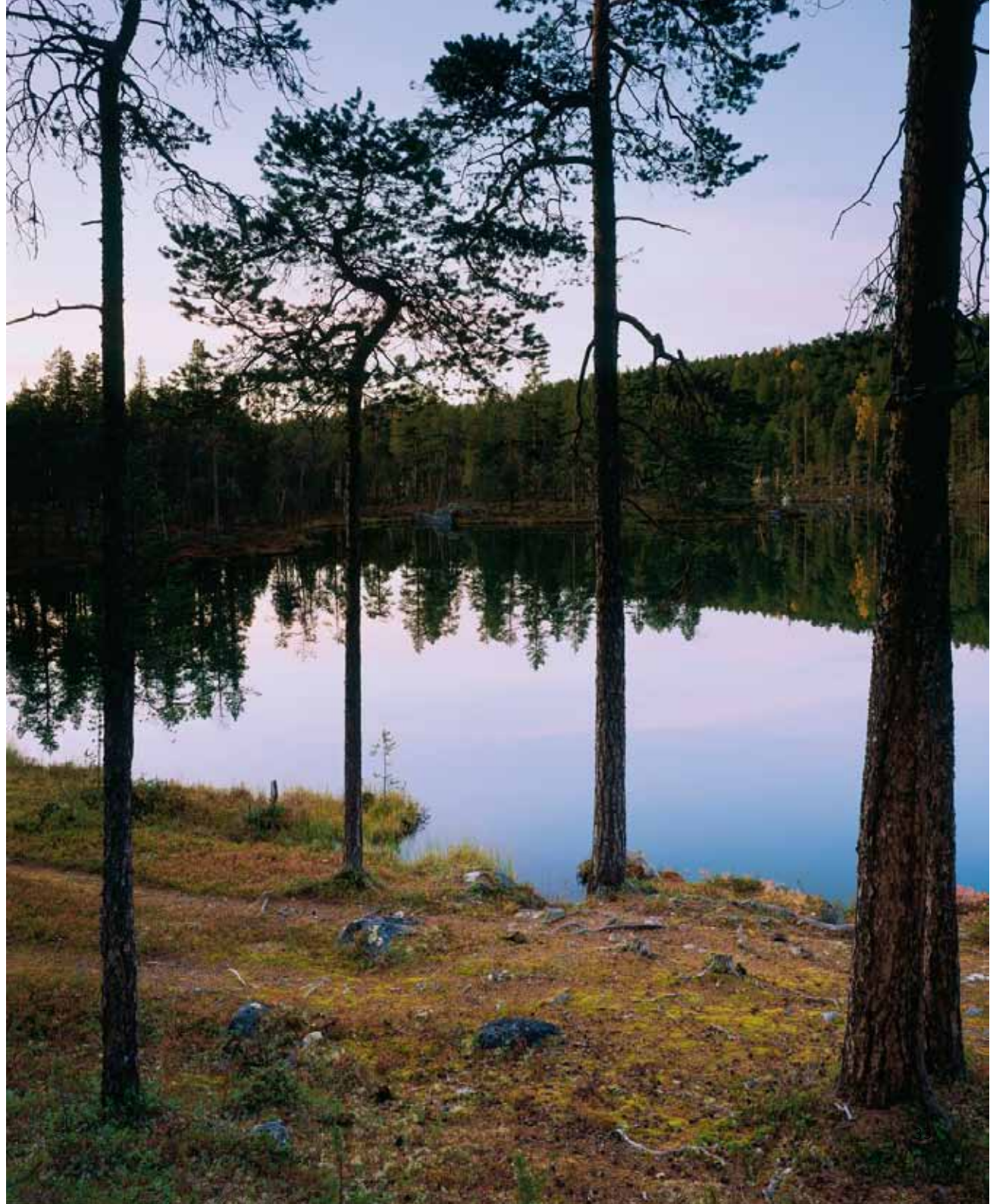
Other key positions of trust: Member of the Delegation of the Finnish Family Firms Association,

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: 87 003



Corporate Governance Statement 2014

The governance of Tulikivi Corporation and its subsidiaries is based on the law, the Articles of Association and the Finnish Corporate Governance Code which entered into force on 1 October 2010. The company complies with the Guidelines for Insiders prepared by NASDAQ OMX Helsinki. 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 in the Tulikivi Group are the parent company Tulikivi Corporation, AWL-Marmorio Oy, Tulikivi U.S. Inc., OOO Tulikivi, and Tulikivi GmbH, which was 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 the associated company Rakentamisen MALL Oy. The former associated company Stone Pole Oy was liquidated in 2014. The Board of Directors, which is elected by the Annual General Meeting, the Board committees, the Managing Director and the Management Group, which assists the Managing Director, are responsible for the Tulikivi Group's administration and operations.

Description of the composition and operations of the Board of Directors and the Board committees

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

Composition of the Board of Directors

Tulikivi Corporation's Annual General Meeting of 2 April 2014 decided that the Board shall have seven members.

The personal information of the Board members:

- Harri Suutari, born 1959. Chairman of the Board since 23 August 2013. B.Sc. (Eng.). Board membership in several companies.
- Olli Pohjanvirta, born 1967. LL.M. President and CEO of Nurminen Logistics Plc Managing Director of Russian Capital Management Ltd.

Board membership in several companies.

- Markku Rönkkö, born 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several companies.

- Pasi Saarinen, born 1968. M.Sc. (Eng.). Director of Locks Business Unit at Abloy Oy. Federation of Finnish Technology Industries, Chairman, Locks and Fittings Groups.

- Nella Ginman-Tjeder, born 1959. M.Sc. (Econ. & Bus. Admin.). Senior Advisor at Indmeas Oy. Board membership in several companies.

- Anu Vauhkonen, born 1972. Member of the Board of Directors since 8 October 2013. M.A., Diploma in Communication Management. Tulikivi Corporation, Director of Sales and Marketing.

- Heikki Vauhkonen, born 1970, Chairman of the Board of Directors until 23 August 2013. LL.B., B.B.A. Managing Director of Tulikivi Corporation until 16 April 2013 and as of 23 August 2013.

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.

The members of the Board during the period 1 January 2 April 2014 were Harri Suutari, Olli Pohjanvirta, Markku Rönkkö, Pasi Saarinen, Nella Ginman-Tjeder, Anu Vauhkonen and 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 2014, the company's Board of Directors convened 14 times. The average attendance at Board meetings was 96.9 per cent. The attendance 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 8 October 2013, it was decided in accordance with the proposal of the Board to discontinue the Nomination Board established on 12 April 2012. Its tasks are with the Nomination Committee of the Board, the members of which the Board selects from among its members.

The Nomination Committee was composed of Harri Suutari (Chairman) and Markku Rönkkö

(member) and Heikki Vauhkonen (member). The duties of the Nomination Committee include preparation of proposals for the election of directors to be presented to the General Meeting, the preparation of matters relating to the compensation of members of the Board of Directors and succession planning for members of the Board of Directors. The Nomination Committee met once in 2014.

The personal information of the members of Nomination Committee:

- Harri Suutari, born 1959. Chairman. B.Sc. (Eng.) Chairman of the Board of Directors of Tulikivi Corporation since 23 August 2013. Board membership in several companies.
- Markku Rönkkö, born 1951. M.Sc. (Econ. & Bus. Admin.). Board membership in several companies.
- Heikki Vauhkonen, born 1970. LL.B. and B.B.A. Chairman of the Board of Directors of Tulikivi Corporation until 23 August 2013. Managing Director of Tulikivi Corporation until 16 April 2013 and as of 23 August 2013.

The members of the Audit Committee are Markku Rönkkö (Chairman), Pasi Saarinen, Nella Ginman-Tjeder and Heikki Vauhkonen. The Audit Committee's duties are 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 four times in 2014. The average attendance at committee meetings was 100.0 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 is responsible for ensuring 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 of Directors 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, Anu Vauhkonen, Director of Sales and Marketing, and Jouko Toivanen, Director of Finance and Administration. The Management Group met 43 times in 2014.

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

Tulikivi's environmental strategy is geared towards systematic progress in environmental efforts in specified sub-areas. The aim of environmental work is to improve the company's ability to use natural resources sparingly, as well as to manage processes and products in a way that minimizes their environmental impacts. 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 Group plans its operations and ensures the efficiency of the operations during its annual strategy planning and budgeting process. The implementation of the plans and changes in the operating 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 provisions 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

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

Jan.1-Dec. 31, 2014	Board meetings	Audit Committee	Nomination Board
Harri Suutari	14/14		1/1
Olli Pohjanvirta	12/14		
Markku Rönkkö	14/14	4/4	1/1
Pasi Saarinen	14/14	4/4	
Nella Ginman Tjeder	13/14	4/4	
Anu Vauhkonen (8.10. alkaen)	14/14		
Heikki Vauhkonen	14/14	4/4	1/1

regulations is ensured through the operational handbook and other internal guidelines.

In 2014 the operating focus will be on optimising the use of systems and improving the quality of reporting. The enterprise resources planning system contains the necessary internal control mechanisms.

In addition to various parties within the organisation, auditors also engage in internal control by conducting expanded audits on separately agreed targets. In 2014, auditing focused on the organisation and reporting of internal control, controls of sales functions, controls of the purchasing process and payment transactions, and controls of the monitoring of working capital and inventories. 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 company's control system. The purpose of risk management is to ensure that business risks are identified and constantly monitored and evaluated as part of normal business operations.

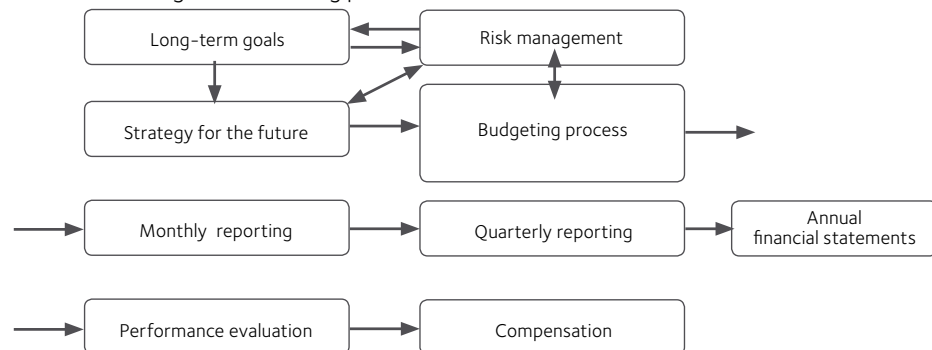
2. Risk evaluation

The purpose of risk management is to ensure that the Tulikivi Group's business risks are identified and managed as effectively as possible. This allows the Group to achieve its strategic and financial goals. All goals have been assigned risk limits. If these risk limits are exceeded, or if other divergences from operating plans so require, the responsible person will initiate enhanced risk management procedures. Regular reporting indicates when financial risk limits have been exceeded.

3. Reporting system, internal control and risk management

In accordance with the reporting system, the Managing Director reports monthly to the Board of Directors on the operations and performance of the Group and its various business units and on any divergence from the budget and adjusted projections. The Managing Director also reports quarterly to the Board of Directors on operating profit based on the

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	<ul style="list-style-type: none"> - establishes guidelines for internal control - ensures effective monitoring - approves risk management principles - reviews auditors' reports - establishes incentive systems
Audit Committee	<ul style="list-style-type: none"> - evaluates the efficiency of internal control - attends to issues related to reporting - maintains contact with auditors
Managing Director, assisted by the Management Group	<ul style="list-style-type: none"> - 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 (approval principles, reconciliation 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - internal accounting: monitoring and analysis of results - external accounting and reporting
Auditor	<ul style="list-style-type: none"> - statutory audits - expanded audits assigned by the Board of Directors or the Audit Committee - reports to the Board of Directors and the Audit Committee

interim reports or annual financial statements. The Managing Director must also report immediately on fundamental changes in the operating environment. The responsible persons report according to the internal reporting system.

The parent company's Director of Finance and Administration is responsible for 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 the

accounts and reporting of 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 Administration and the auditors monitor the accuracy of financial reporting. Periodic information system evaluations also serve this purpose. The Group seeks to ensure operational compliance with laws and regulations by using outside experts and services.

To ensure the effectiveness of financial reporting, the Tulikivi Group has guidelines that all units must comply with. Organizational competence is ensured 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

expanded audit. Members of the Management Group monitor the accuracy of result reporting on a monthly basis and evaluate the reasons for any deviation in their respective areas of responsibility.

4. Communications

The guidelines for reporting and accounting policies 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 internal control, including the accuracy of reporting, to the Audit Committee. The Audit Committee processes the audit reports and expanded 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 Managing Director is responsible for communications at the Tulikivi Group. The Group

has communications guidelines which cover both internal and external communications. They also specify the persons with the right to speak on behalf of the company.

5. Monitoring

The efficiency of internal control is evaluated regularly in conjunction with management and governance and specifically on the basis of 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.

FIGURE: Risk identification and management

Risk analysis and prioritization	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - responsible persons report to the Managing Director on risk materialization, implemented measures and their effectiveness - risk evaluations related to controls
Risk management process continuity	<ul style="list-style-type: none"> - 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



Salary and Remuneration Report 2014

Board Members

The Annual General Meeting of Tulikivi Corporation decides the remuneration of the members of the Board of Directors.

The annual remuneration of Board members was EUR 18 000 as of April 2, 2014 (the annual remuneration prior to that date was also EUR 18 000), of which 60 per cent was paid in cash and 40 per cent in the form of Series A shares in Tulikivi Corporation. Consequently, each Board member received 32 727 Series A shares. The shares were acquired on the stock exchange. Unless the Board of Directors grants express permission in advance for a specific case, members of the Board are not allowed to surrender any shares received in this manner until they leave the Board. In addition, the part-time Chairman of the Board of Directors was paid a monthly fee of EUR 4 500 (the monthly fee of a full-time Chairman was EUR 14 500 in the period 17 April–23 August 2013 and that of a part-time Chairman was EUR 4 500 in the period 24 August–31 December 2013), and the member of the Board responsible for secretarial duties received EUR 1 400 (1 400) a month. The members of the Board's Audit Committee and Nomination Committee were paid a meeting attendance allowance of EUR 330 (330) per meeting. Board members were not paid any other fees in 2014 than those related to their duties on the Board and the committees.

Salaries of the Managing Director and other management and the principles of the incentive system

The remuneration of the Managing Director and

of the other members of the Management Group is composed of a fixed basic salary and, as determined by the incentive plan, annual incentive pay (variable) and a share-based incentive.

The Board of Directors decides the Managing Director's salary, fees and other terms of his contract.

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 together with the Board Chairman.

The fixed salary of the Managing Director (Managing Directors in 2013) was EUR 183 562 (231 432) in 2014. The Managing Director received no fee on the basis of the incentive plan in 2014. The Managing Director's period of notice is three months. If the company terminates his service contract, the period of notice is 12 months. A separate severance payment will not be paid at the termination of the contract.

The fixed salaries of the other members of the Management Group and of the managing directors of foreign subsidiaries were EUR 436 054 (672 412) in 2014, while the variable part of salary based on sales growth paid in 2014 was EUR 45 000 (36 000).

The Managing Directors had a supplementary pension plan in force until February 28, 2014, in addition to the statutory pension. The supplementary pension was based on a defined contribution plan. The pension contributions accrued for the insured persons have been

converted to vested pension rights, which the insured person is entitled to claim after turning 60 years of age. In 2014, the annual cost of the pension plan to the company was EUR 4 056, of which EUR 1 426 concerned the Managing Director.

Stock options for management and key personnel

To support 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 Tulikivi Corporation, on the basis of the 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. The plan's target group includes roughly 13 key persons, including the members of the Management Group.

A maximum total of 1 800 000 stock options will be issued, giving entitlement to subscribe a maximum total of 1 800 000 new Series A shares or Series A shares held by the company. The stock options are divided into A, B and C options and the subscription period of the shares subscribed under these options is 1 May 2016 – 31 May 2018 for stock option 2013A; 1 May 2017 – 31 May 2019 for stock option 2013B; and 1 May 2018 – 31 May 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. The number of 2013A stock options is 580 000. The EBITDA target set for their subscription was not met in the 2014 reporting period. The Board decided to extend the monitoring period to the 2015 reporting period.

Incentive pay scheme

The Tulikivi Corporation has an incentive pay scheme for all personnel. The Board of Directors decides the earnings criteria and amount of the incentive pay and the incentive scheme is in force for one year at a time. 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 concerns all personnel and is based on the consolidated result. The result for 2014 (2013) did not justify the payment of incentive pay.

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 2014, the auditing firm were paid a total of EUR 75 682 (138 680), of which the portion of statutory audit amounted to EUR 57 280 (62 879).

Annual fees paid to members of the Board of Directors in 2014 for their Board and committee work (EUR):

	Annual remunerations	Audit Committee	Nomination Committee 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	1 320		36 120
Saarinen Pasi, Member of the Board	18 000	1 320		19 320
Suutari Harri, jäsen. Part-time Chairman of the Board	72 000			72 000
Vauhkonen Anu, Member of the Board	18 000			18 000
Vauhkonen Heikki, Member of the Board	18 000			18 000
Total	196 800	3 960		200 760



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 13 2015, starting at 12:00. Financial statement documents will be available for inspection at the company's Internet site and head office in Nunnanlahti as from March 23, 2015. Copies of these documents will be sent to shareholders upon request. The right to participate in the Annual General Meeting rests with a shareholder who by March 30, 2015 at the latest has been registered in the company's shareholder list that is maintained by Euroclear Finland Ltd. Shareholders who wish to attend the Annual General Meeting must notify the company thereof by April 2, 2015, 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 participants in the general meeting in address www.tulikivi.com> Investors>General Meeting>General Meeting 2015.

Payment of Dividends

The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid for year 2014.

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 2015:

Financial statement bulletin for 2014

February 6, 2015

Annual Report for 2014
week 12

Interim Report for January-March

April 29, 2015

Interim Report for January-June

August 7, 2015

Interim Report for January-September
October 22, 2015

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

The Annual Report will be published on the company's website in week 12. Financial reports are posted on the company's website, www.tulikivi.com, on their day of publication.

If you have questions concerning investor relations, please contact the company's 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 2014

- 09.12.2014 Court of Appeal dismisses breach of obligation to cooperate
- 01.12.2014 General Meeting and financial reporting 2015
- 24.10.2014 Interim report, 1 January - 30 September 2014
- 23.09.2014 Tulikivi Corporation lowers its full-year net sales and operating result forecast
- 07.08.2014 Interim report, 1 January - 30 June 2014
- 29.04.2014 Interim report, 1 January - 31 March 2014
- 02.04.2014 Decisions of Annual General Meeting and organisation of Board of Directors
- 12.03.2014 Annual Report 2013 published
- 11.03.2014 Notice of Meeting
- 10.02.2014 Financial statements release, 1 January – 31 December 2013
- 10.02.2014 Corporate Governance Statement

Board of Directors' Report and Financial Statements of Tulikivi Corporation for year 2014

Board of Directors' Report	43
Consolidated Financial Statements, IFRS	46
Consolidated Statement of Comprehensive Income	46
Consolidated Statement of Financial Position	47
Consolidated Statement of Cash Flows	48
Consolidated Statement of Changes in Equity	49
Notes to the Consolidated Financial Statements	50
Development of the Group by Quartal and Business Area	86
Calculations of Key Ratios	88
Parent Company Financial Statements, FAS	89
Parent Company Income Statement	89
Parent Company Balance Sheet	90
Parent Company Cash Flow Statement	93
Shares and Shareholders of Tulikivi Corporation	94
Signatures to Report of the Board and Financial Statements	102
Auditors' Report	103

These are the financial statements of Accounting Act and regulations issued by Tulikivi Corporation, that have been virtue to it and endorsed in the EU in accordance prepared in accordance with International with the procedure defined in the EU Regulation Financial Reporting Standards (IFRS) and in (EY) No 1606/2002. The notes to the compliance with the IAS and IFRS standards consolidated financial statements also conform as well as the SIC and IFRIC interpretations with Finnish Accounting and Corporate upon force as at December 31, 2014. The Legislation.

term IFRS refers to the standards and The consolidated financial statements are interpretations upon these in the Finnish presented in thousands of Euros.

Board of Directors' Report

Operating environment

The demand for fireplaces in Finland was weakened by the reduced level of low-rise housing construction and renovation projects and by low consumer confidence. The slow pace of economic recovery has not yet boosted the fireplace market in Central Europe, following the prolonged economic recession. The French government started to grant a 30 per cent tax rebate on residential energy efficiency investments, which is expected to have a positive effect on the demand for fireplaces. Demand for fireplaces was good in Russia in late 2014 but the outlook for 2015 is uncertain. Tulikivi's order books at the end of the reporting period amounted to EUR 4.2 (4.4) million.

The Tulikivi Group's net sales in 2014 totalled EUR 39.3 million (EUR 43.7 million in Jan-Dec 2013), the operating result was EUR -2.4 million (-4.3) and the result before taxes was EUR -3.3 million (-5.3). As a result of adjustments to production and a reduction in fixed costs, profitability improved in 2014, and the operating result before non-recurring expenses was EUR -1.0 (-1.4) million in 2014. Earnings per share were EUR -0.04 (-0.11) for the financial year. Net sales in Finland were EUR 17.9 (20.8) million in 2014, or 45.6 per cent (47.7 per cent) of total net sales. Exports amounted to EUR 21.4 (22.9) million in net sales. The principal export countries were Sweden, Russia, France, Germany and Belgium.

Net sales and result

The Tulikivi Group's fourth-quarter net sales totalled EUR 10.7 million (EUR 11.8 million Q4/2013), the operating result was EUR -0.2 (-1.8) million and the profit before taxes was EUR -0.6 (-2.0) million. The operating result before non-recurring items was EUR 0.0 (0.5) million. These adjustments resulted in non-recurring expenses of EUR 0.1 (2.3) million for the fourth quarter.

Cash flow and financing

Cash flow from operating activities before investments was EUR -2.1 (2.6) million. The non-recurring costs of the performance improvement programme affecting cash flow were roughly EUR 3 million in 2014. Committed working capital increased by EUR 2.1 (-3.9) million during the reporting period. The increase in working capital was due to an increase of EUR 0.7 million in trade receivables and a decrease of

EUR 1.2 million in short-term provisions. At the end of 2014, working capital stood at EUR 7.6 (5.5) million. Interest-bearing debt was EUR 20.0 (23.0) million, and net financial expenses were EUR 0.9 (1.0) million. The equity ratio was 39.0 (38.1) per cent. The ratio of interest-bearing net debt to equity, or gearing, was 89.8 (59.3) per cent. The current ratio was 1.6 (1.8). Equity per share was EUR 0.30 (0.35). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 3.7 (10.7) million.

The company has several finance providers 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 meets the covenants associated with the equity ratio according to the situation on 31 December 2014. In addition, the company has negotiated a waiver from the covenants on the ratio of interest-bearing debt and on the ratio of net debt and EBITDA as of 31 December 2014. An agreement has been reached with finance providers to postpone the repayment of debt totalling EUR 10.9 million from 2015 to 2016–2018. The covenants will be examined

again on June 30, 2015.

If the performance improvement programme progresses as planned, the company will meet these covenants as of June 30, 2015.

Investments and product development

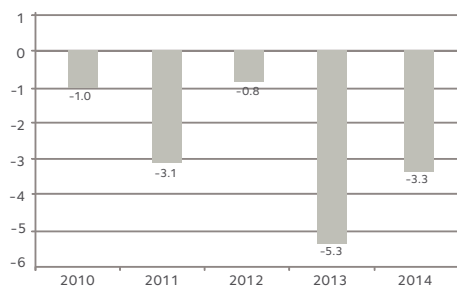
The Group's investments in the reporting period came to EUR 2.4 (1.6) million, and investments in the performance improvement programme accounted for EUR 1.4 million of this figure.

Research and development expenditure was EUR 1.4 (1.6) million, or 3.5 per cent (3.6 per cent) of net sales. EUR 0.2 (0.2) million of this was capitalised in the balance sheet. In accordance with the performance improvement programme, product development focused on the commercialisation of the new ceramic fireplace collection.

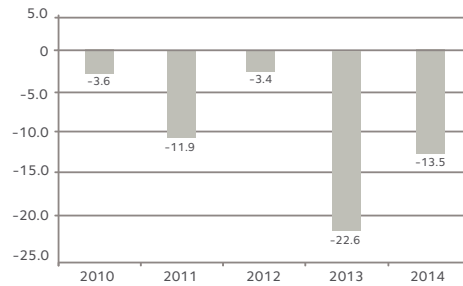
Personnel

The Group employed an average of 281 (293) people during the financial year. Salaries and bonuses during the review period totalled EUR 11.2 (13.4) million. The salaries during the financial year included EUR 0.4 (1.6) million of non-recurring expenses. The Tulikivi Group has an incentive pay scheme for all personnel. It also

Result Before Income Tax, MEUR



Return on Equity, %



Development of the Sales, MEUR



operates a stock option scheme for management and key personnel. As the EBITDA goal set for 2014 was not achieved, no incentive pay was paid and no options were distributed for 2014.

Board of Directors, Managing Director and Auditors

At Tulikivi Corporation's Annual General Meeting held on April 2, 2014 the number of Board members was set at seven. Mrs. Nella Ginman-Tjeder, Mr. Olli Pohjanvirta, Mr. Markku Rönkkö, Mr. Pasi Saarinen, Mr. Harri Suutari, Mr. Heikki Vauhkonen and Anu Vauhkonen were elected as the members of the Board of Directors.

The Managing Director of Tulikivi Corporation is Heikki Vauhkonen. The auditor appointed was KPMG Oy Ab, Authorised Public Accountants, with Kirsi Jantunen, APA, as chief auditor.

Share capital, shares and Board authorizations

Tulivi Corporation's share capital entered in the Trade Register, amounted to EUR 6 314 474.90 on December 31, 2014. The number of Tulikivi Series A shares is 52,188,743 and the number of Series K shares is 7,682,500, in total 59.871,243 series. 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.

The Annual General Meeting authorised the Board of Directors to decide on issuing new shares and on the transfer of Tulikivi Corporation shares held by the company in accordance with the proposals of the Board. Tulikivi can issue new shares or transfer treasury shares held by the company as follows: a maximum of 10 358 248 Series A shares and 1 616 000 Series K shares.

The authorisation includes the right to decide on a directed rights issue, deviating from the shareholders' right of pre-emption, provided that there is compelling financial reason for the company. The authorisation also includes the right to decide on a bonus issue to the company itself, where the number of shares issued to the company is no more than one tenth of the total number of the company's shares.

The authorisation also includes the right to issue special rights referred to in Chapter 10, section 1, of the Limited Liability Companies Act, which would give entitlement to Tulikivi shares against payment or by setting off the receivable. The authorisation includes the right to pay the company's share rewards. The Board is authorised to decide on other matters concerning share issues. The authorisation is valid until the 2015 Annual General Meeting.

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 Series A shares, corresponding to 0.2 per cent of the company's share capital and 0.1 per cent of all voting rights.

During 2014 at NASDAQ OMX Helsinki Ltd. 7.9 million shares were traded. The highest rating for the share was EUR 0.36 and the lowest EUR 0.19. The closing rate for the financial year was EUR 0.20.

Major business risks

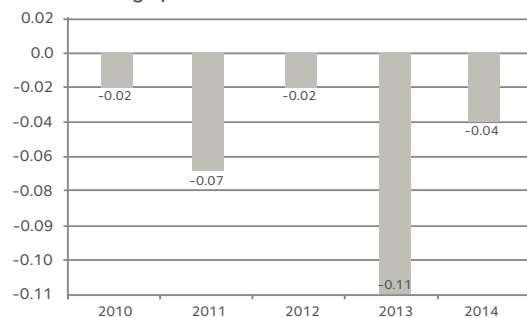
The Group's business risks are categorized as strategic and operational risks, damage, casualty and financial risks and loss risks. Strategic risks are related to the nature of business operations, and they concern, but are not limited to, changes in the Group's operating environment, financial markets, 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.

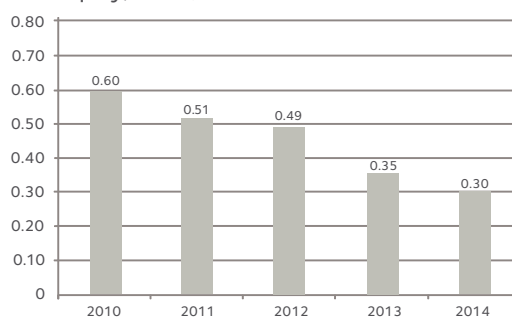
Risk evaluation is carried out in connection with the drawing up of the strategic planning process and the annual action plan. Following analysis of the risks, the means of preventing and controlling them have been examined on the basis of impact and probability. If risk management methods prove ineffective 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

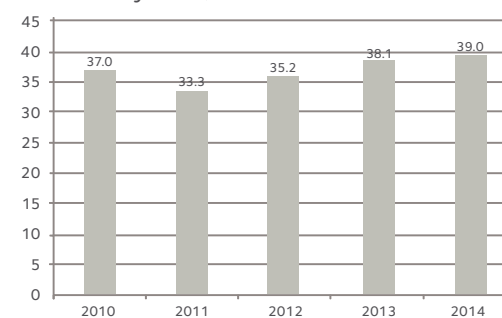
Earnings per Share, EUR



Equity/Share, EUR



Solvency Ratio, %



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 33 and 25 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.

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 begin to show in 2014 - 2016. Due to an uncertain market outlook, the company will not issue a net sales or profit outlook for the 2015 financial year. Tulikivi's order books at the end of the reporting period amounted to EUR 4.2 (4.4) million.

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

three years. The target for return on equity is that 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

In connection with the performance improvement programme, the organisation has been streamlined and the Fireplace and Interior Stone businesses have been integrated. Therefore, as of the beginning of 2014, the company is no longer reporting these segments separately.

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

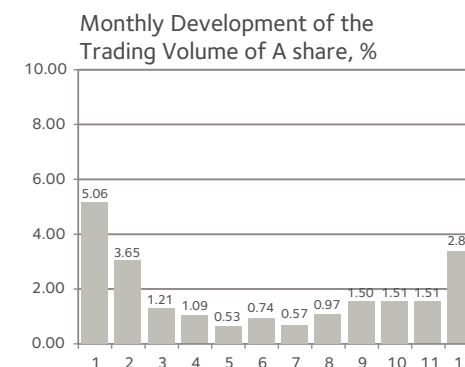
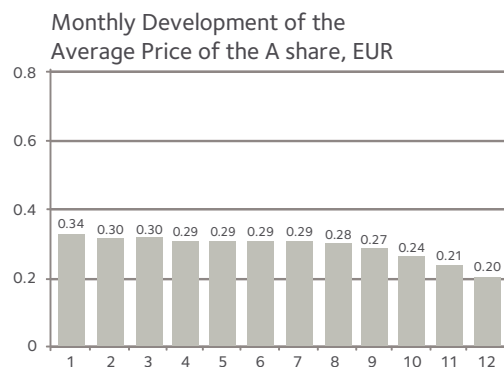
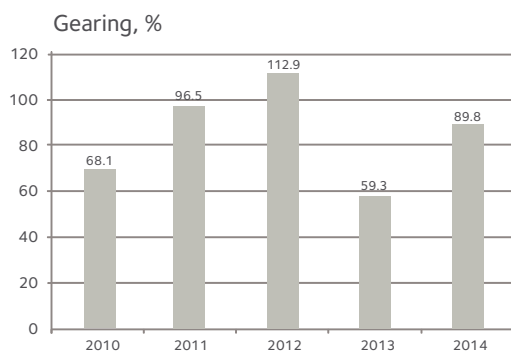
during the financial year. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company. The parent company has a permanent office in Germany, Tulikivi Oyj Niederlassung Deutschland. The Group has interests in associated company Rakentamisen MALL Oy. The former associated company Stone Pole Oy was liquidated in 2014.

Corporate Governance Statement

Tulikivi Corporation will issue its Corporate Governance Statement for 2014 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

The parent company has no distributable equity. The Board will propose to the Annual General Meeting that no dividend be paid out for 2014.



Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 - Dec. 31, 2014	Jan. 1 - Dec. 31, 2013
Sales	3	39 293	43 724
Other operating income	4	1 016	433
Increase/decrease in inventories of finished goods and in work in progress		-90	-559
Production for own use		316	171
Raw materials and consumables		-8 761	-9 079
External services		-5 482	-5 959
Personnel expenses	5	-14 009	-16 975
Depreciation and amortisation	6	-3 524	-3 790
Other operating expenses	7	-11 198	-12 225
Operating result		-2 439	-4 259
Financial income	8	186	61
Financial expenses	9	-1 053	-1 046
Share of result of associates		29	-15
Result before income tax		-3 277	-5 259
Income taxes expense	11	644	854
Result for the year		-2 633	-4 405
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	10	-116	-29
Translation differences	10	82	-26
Income tax on other comprehensive income	10	24	3
Other comprehensive income, net of tax		-10	-52
Total comprehensive result for the year		-2 643	-4 457
Calculated from result attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	-0.04	-0.11

Consolidated Statement of Financial Position

EUR 1 000	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Non-current assets			
Property, plant and equipment	13	11 178	11 592
Goodwill	14, 15	4 174	4 174
Other intangible assets	14	10 356	11 301
Investment properties	16	176	205
Investments in associates	17	0	0
Other financial assets	18	34	26
Deferred tax assets	19	3 336	2 792
Other receivables		28	41
Total non-current assets		29 282	30 131
Current assets			
Inventories	20	10 119	10 257
Trade and other receivables	21	4 121	3 559
Cash and cash equivalents	22	3 665	10 704
Total current assets		17 905	24 520
Total assets		47 187	54 651
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	14 407	14 407
Translation differences	23	34	-48
Revaluation reserve	23	-170	-77
Retained earnings		-2 317	292
Total equity		18 160	20 779
Non-current liabilities			
Deferred income tax liabilities	19	887	994
Provisions	26	1 122	1 570
Interest-bearing liabilities	27	15 809	17 981
Total non-current liabilities		17 818	20 545
Current liabilities			
Trade and other payables	28	7 024	6 996
Provisions	26	13	1 279
Short-term interest-bearing liabilities	27	4 172	5 052
Total current liabilities		11 209	13 327
Total liabilities		29 027	33 872
Total equity and liabilities		47 187	54 651

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 - Dec. 31, 2014	Jan. 1 - Dec. 31, 2013
Cash flows from operating activities			
Result for the year		-2 633	-4 405
Adjustments:			
Non-cash transactions	30	3 173	3 750
Interest expense and finance costs		1 053	1 046
Interest income		-184	-56
Dividend income		-2	-5
Income taxes	11	-644	-854
Changes in working capital:			
Change in trade and other receivables		-582	1 600
Change in inventories		138	1 108
Change in trade and other payables		64	-355
Change in provisions		-1 714	1 604
Interest paid		-908	-894
Interest received		153	31
Dividends received		2	5
Income tax paid		2	25
Net cash flow from operating activities		-2 082	2 600
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-1 589	-968
Grants received for PPE		6	0
Purchases of intangible assets		-792	-703
Grants received for intangible assets		124	1
Proceeds from sale of tangible assets		586	168
Proceeds from sale of PPE		4	0
Disposals of other financial assets		14	0
Net cash flow from investing activities		-1 647	-1 502
Cash flows from financing activities			
Proceeds from share issue		-125	7 059
Proceeds from current borrowings		0	2 000
Repayments of current borrowings		-1 500	-500
Proceeds from non-current borrowings		2 000	6 800
Repayments of borrowings		-3 552	-9 072
Net cash flow from financing activities		-3 177	6 287
Net decrease (-) / increase (+) in cash and cash equivalents		-6 906	7 385
Cash and cash equivalents at the beginning of the year		10 704	3 357
Exchange gains (+) / losses (-)		-133	-38
Cash and cash equivalents at the end of the year	22	3 665	10 704

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, 2013	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		6 314	14 407	-77	-108	-48	292	20 779
Total comprehensive result for the year				-93		82	-2 633	-2 643
Transactions with owners								
Share option scheme							24	24
Total transactions with owners				-93		34	-2609	-2668
Equity at December 31, 2014		6 314	14 407	-170	-108	34	-2 317	18 160

Notes to the Consolidated Financial Statements

Basic Information of the Group

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

Tulikivi Corporation's Board of Directors has approved these financial statements for publication at its meeting held on February 5, 2015. 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, 2014. 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 consoli-

dated 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 new and amended standards as from January 1, 2014:

- 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 expanded the notes the Group provides for its interests in other entities.

Other standards had no impact on Tulikivi Group's consolidated financial statements.

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.

Adoption of new and amended standards and interpretations applicable in future financial years.

- Amendment to IAS 1 Presentation of Financial Statements: Disclosure Initiative* (effective for financial years beginning on or after January 1, 2016). The amendments are designed to encourage companies to apply judgement in

determining what information to disclose in the financial statements. For example, the amendments clarify the application of the materiality concept and judgement when determining where and in what order information is presented in the financial disclosures.

- Annual Improvements to IFRSs, 2012-2014 cycle* (effective for financial years beginning on or after January 1, 2016): 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 four standards. Their impacts vary standard by standard but are not significant.

- New IFRS 15 Revenue from Contracts with Customers* (effective for financial years beginning on or after January 1, 2017): IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. Under IFRS 15 an entity shall recognise revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group is currently assessing the impact of IFRS 15.

- New IFRS 9 Financial Instruments* (effective for financial years beginning on or after January 1, 2018): IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new

expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the impact of IFRS 9.

* = not yet endorsed for use by the European Union as of December 31, 2014.

The amendments are not assessed to have an impact on Tulikivi Group's consolidated financial statements.

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 at 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 2013 or 2014.

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:

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 2013 and 2014.

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 reliably 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 the Group.

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 Kermansavi Fireplaces 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. The Group has no leases classified as finance leases.

- 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 Tulikivi Group operates a stock option scheme for management and key personnel. As the EBITDA goal set for 2014 was not achieved,

no incentive pay was paid and no options were distributed for 2014.

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 2014 and 2013.

- 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 2014 or 2013.

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 2014 or 2013.

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 2014 or 2013.

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 2014 or 2013.

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 recognised in profit or loss.

The group recognises an impairment loss when there is objective evidence that the trade receivables are not collectible in full. Significant financial difficulties of a debtor, probability of bankruptcy or delay of payments exceeding 90 days are considered as evidence of 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 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 2014 or 2013.

- 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 shown in note 10. Other comprehensive income.

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 Tulkivi 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

In connection with the performance improvement programme, the organisation has been streamlined and the Fireplace and Interior Stone businesses have been integrated. Therefore, as of the beginning of 2014, the company is no longer reporting these segments separately.

2.1. Geographical information

	Finland	Rest of Europe	USA	Group Total
2014				
Sales	17 904	20 739	650	39 293
Assets	25 718	228	0	25 946
2013				
Sales	20 858	22 039	827	43 724
Assets	27 207	121	0	27 328

Non-current assets exclude financials instruments and deferred tax assets.

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.

2.2. 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 2014 (2013).

3. Net sales per goods and services

	2014	2013
Sales of goods	36 465	40 081
Rendering of services	2 828	3 643
Sales, total	39 293	43 724

4. Other operating income

Proceeds from sale of PPE	502	119
Rental income from investment properties	18	34
Public grants	122	55
Other income	374	225
Other operating income, total	1 016	433

5. Employee benefit expense

Wages and salaries	-11 176	-13 385
Pension costs - defined contribution plans	-1 964	-2 603
Other social security expenses	-845	-985
Share-based compensation	-24	-2
Employee benefit expense, total	-14 009	-16 975

In 2013 employee benefits included expenses arisen from restructuring and dismissals, amounting to EUR 2,165 thousand (of which wages and salaries EUR 1,515 thousand).

The restructuring provision, note 26, includes unpaid personnel costs amounting to EUR 535 (1 423) thousand.

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

5.1. Group's average number of personnel for the financial period

Group's average number of personnel for the financial period, total	281	293
Group's personnel at 31 December.	292	351

1 000 euro	2014	2013
6. Depreciation, amortisation and impairment		
Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	-20	-22
Capitalised development costs	-498	-561
Other intangible assets	-1 027	-1 012
Amortisation on quarries based on the unit of production method *)	-79	-100
Amortisation of intangible assets, total	-1 624	-1 695
Tangible assets		
Buildings	-508	-500
Machinery and equipment	-1 081	-1 155
Motor vehicles	-81	-130
Depreciation on land areas based on the unit of production method *)	-37	-25
Other tangible assets	-192	-281
Depreciation of tangible assets, total	-1 899	-2 091
Investment property		
Buildings	-1	-4
Total depreciation, amortisation and impairment	-3 524	-3 790
*) 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.		
7. Other operating expenses		
Losses on sales of tangible assets	-1	-84
Operating expenses of investment properties	-8	-2
Rental expenses	-1 661	-1 940
Real estates costs	-579	-526
Marketing expenses	-3 361	-3 496
Other variable production costs	-2 626	-2 939
Other expenses	-2 962	-3 786
Other operating expenses, total	-11 198	-12 773
7.1. Research expenditure		
Research costs expensed totalled EUR 1 148 thousand (1 341 thousand in 2013).		
7.2. Auditors' fees		
Audit fees	57	62
Tax advice	0	52
Assignments referred to under the Auditing Act (section 1, subsection 1, paragraph 2)	1	3
Other fees	18	21
Audit fees, total	76	138

EUR 1 000	2013	2012
8. Finance income		
Dividend income on available for sale financial assets	2	5
Changes in fair values of derivative contracts	7	26
Foreign exchange transaction gains	163	14
Interest income on trade receivables	9	14
Other interest income	5	2
Finance income, total	186	61
9. Finance expense		
9.1. Items recognised in profit or loss		
Interest expenses on financial liabilities at amortised cost and other liabilities	661	784
Foreign exchange transactions losses	277	76
Other finance expense	115	186
Finance expense, total	1 053	1 046

Exchange rate differences recognised in sales and purchases totalled EUR 114 thousand (loss) in 2014 (2013: gain of EUR 60 thousand).

10. Other comprehensive income

Financial items recognised in other comprehensive income:

	2014			2013		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	-116	24	-92	-29	3	-26
Translation differences	82	0	82	-26	0	-26
Other comprehensive income, total	-34	24	-10	-55	3	-52

11. Income taxes

	2014	2013
Current tax	4	6
Transfer of income taxes to the revaluation reserve	23	3
Tax related to invested unrestricted equity fund	0	139
Deferred tax	-671	-1 002
Income taxes, total	-644	-854

The reconciliation between the tax expense in the income statement and the tax calculated based on the Group's domestic tax rate (20 per cent in 2014).

	2014	2013
Profit before tax	-3 276	-5 259
Tax calculated at domestic tax rates 20 per cent (24.5 per cent year 2013)	-655	-1 289
Change in domestic tax rate 24.5 per to 20 per cent (year 2013)	0	395
Effect of foreign subsidiaries different tax bases	-14	10
Income not subject to tax	2	-1
Expenses not deductible for tax purposes	29	29
Other	-6	2
Income statement tax expense	-644	-854

EUR 1 000		2014	2013
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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)		-2 633	-4 405
Weighted average number of shares for the financial period		59 747 043	41 378 425
Basic/diluted earnings per share (EUR)		-0.04	-0.11

13. Property, plant and equipment 2014

	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 288	15 091	42 321	2 215	2 892	10	63 817
Additions	0	300	1 051	63	130	2	1 546
Disposals	0	-89	-1 571	-92	-34	0	-1 786
Exchange rate differences and other adjustments	0	0	0	-13	0	0	-13
Cost December 31	1 288	15 302	41 801	2 173	2 988	12	63 564
Accumulated depreciation and impairment January 1	-364	-9 593	-38 513	-2 075	-1 681	0	-52 226
Depreciation	-36	-508	-1 081	-81	-192	0	-1 898
Depreciation related to the disposals	0	80	1 544	80	34	0	1 738
Accumulated depreciation and impairment December 31	-400	-10 021	-38 050	-2 076	-1 839	0	-52 386
Property, plant and equipment, Net book amount January 1, 2014	924	5 498	3 808	140	1 211	10	11 591
Property, plant and equipment, Net book amount December 31, 2014	888	5 281	3 751	97	1 149	12	11 178

The Group's production machinery within property, plant and equipment has carrying amount of EUR 3 314 (3 414) thousand.

Disposals of machinery and equipment and accumulated depreciation on disposals exclude the scrapped assets (EUR 525 thousand in 2013).

The Group obtained government grants amounting to EUR 43 thousand to acquisitions of plant and equipment. Government grants are deducted in arriving at the carrying amount of the related assets.

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

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2014

	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	3 795	3 751	6 287	388	4 062	7 728	30 185
Additions	0	1	0	0	0	92	424	517
Capitalised development costs	0	0	164	0	0	0	0	164
Disposals	0	0	0	0	0	0	-10	-10
Cost December 31	4 174	3 796	3 915	6 287	388	4 154	8 142	30 856
Accumulated amortisation and impairment January 1	0	-992	-2 429	-4 173	-287	-1 815	-5 014	-14 710
Amortisation related to the disposals	0	-20	-498	-83	-32	-63	-928	-1 624
Depreciation related to the disposals	0	0	0	0	0	0	8	8
Accumulated amortisation and impairment December 31	0	-1 012	-2 927	-4 256	-319	-1 878	-5 934	-16 326
Goodwill and other intangible assets, Net book amount January 1, 2014	4 174	2 803	1 322	2 114	101	2 247	2 714	15 475
Goodwill and other intangible assets, Net book amount December 31, 2014	4 174	2 784	988	2 031	69	2 276	2 208	14 530

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 4 475 (4 3508) thousand in total. Costs from opening quarries are a few €/m³ for the total stone reserves of the quarry in question. All stone reserves do not have carrying amount. Other intangible assets consist of licences, software, connection fees as well as of expenditures arisen from gates and asphalt works.

The group received EUR 112 (28) thousand public grants in 2014 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.

In 2014 deductions of intangible assets / accumulated amortisations on deductions amounted to EUR 10 thousand (EUR 0 thousand).

At the end of the current financial year, there were no (EUR 12 thousand in 2013) under construction under 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

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 and EUR 0.6 million to Interior stones, 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. 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. Because 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
2014		
Goodwill	632	3 542
Trademark		2 712
Total	632	6 254
2013		
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

For impairment testing purposes the recoverable amounts of the business operations are determined based on value-in-use calculations. The cash flow projections are based on the forecasts approved by management covering a five-year period. The pre-tax discount rate applied was 10.9 per cent (12.1 per cent in 2013) for Kermansavi fireplaces, and 10.9 per cent (12.2 per cent in 2013) for Interior Stone unit, which equal the weighted average cost of capital, including the risk premium. The growth rate of net sales applied in the forecast period is 5.0 per cent for Kermansavi fireplaces. This is based on the renewed product collection launched in the autumn 2014 that made the collection more competitive, as well as on agreements entered into in 2014 with manufacturers of pre-fabricated package houses. The reorganisation of operations and the performance improvement programme being carried out by the Group will significantly decrease variable and fixed costs of both Kermansavi fireplaces and Interior Stone unit. The growth rate of net sales applied to the Interior Stone unit in the forecast period is on average 1 per cent and is based on the actual long-term growth of the unit.

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

1. Sales margin

-Operating result of Kermansavi fireplaces is assumed to slightly improve resulting from the renewed product collection and efficiency measures under the performance improvement programme being carried out. Operating result of Interior Stone unit is assumed to improve resulting from the optimization of operations through restructuring.

2. 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		
		2014	2013	2014	2013	
Discount rate		10.9	12.2	10.9	12.1	
Growth rate (average for the forecast period)		5.0	5.0	5.0	5.0	
With the assumptions, the recoverable amount exceeded the carrying amount as follows:				2014	2013	
Interior stone				960	432	
Kermansavi fireplaces				2 552	301	
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		
		2014	2013	2014	2013	
Interior stone		18.2	15.9	-37%	-24 %	
Kermansavi fireplaces		13.6	12.5	-16%	-3 %	
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		
		2014	2013	2014	2013	
Interior stone		-	-	-	-	
Kermansavi fireplaces		-	-734	-1 700	-1 700	

15.4. 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 69 (101) thousand. Impairment tests are performed always when the classification of assets in question changes and if there is an indication of impairment. Change in classification is dealt with more thoroughly in the accounting principles, section Mineral resource exploration and evaluation assets.

EUR 1 000			
		2014	2013
16. Investment property		Buildings	Buildings
Acquisition cost January 1		114	114
Disposals		-70	0
Cost December 31		44	114
Accumulated depreciation and impairment January 1		-97	93
Depreciation		-1	-4
Depreciation related to the disposals		64	0
Accumulated depreciation and impairment December 31		-34	0
Net book amount January 1		17	21
Net book amount December 31		10	17
Land		Land	Land
Acquisition cost January 1		188	188
Disposals		-22	0
Cost December 31		166	188
Investment property, total		176	205
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		2014	2013		
Shares and interest in associates					
Acquisition cost January 1		0	7		
Disposals		0	7		
Balance sheet value December 31		0	0		
Share of the (loss)/profit of associates		29	-15		
Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000). 2014					
	Domicile	Assets	Liabilities	Profit/Loss	% of shares
Stone Pole Oy (was liquidated in 2014)	Juuka	0	0	0	0
Rakentamisen MALL Oy	Helsinki	117	99	14	25.0
Associate financials are unaudited.					
2013	Domicile	Assets	Liabilities	Profit/Loss	% of shares
Stone Pole Oy	Juuka	18	101	0	27.3
Rakentamisen MALL Oy	Helsinki	95	141	-60	25.0

The purpose of Rakentamisen MALL Oy is to develop its holding companies' operation in markets.

18. Other financial assets		2014	2013
Financial assets available for sale			
Balance sheet value January 1		26	26
Additional		8	0
Balance sheet value December 31		34	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						
19.1. Changes in deferred taxes during year 2014:						
	Jan. 1, 2014	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2014
Deferred tax assets:						
Provisions	544	-343	0	0	0	201
Unused tax losses	1 115	715	0	0	-20	1 810
Accumulated depreciation / amortisation not yet deducted in taxation	885	184	0	0	0	1 069
Change in the revaluation reserve	19	0	23	0	0	42
Measurement of derivatives at fair value	7	-7	0	0	0	0
Other items	223	-9	0	0	0	214
Deferred tax assets, total	2 792	540	23	0	-20	3 336
Deferred tax liabilities:						
Capitalisation of intangible assets	-109	48	0	0	0	-61
The effect of the business combinations	-776	59	0	0	0	-717
Other items	-109	0	0	0	0	-109
Deferred tax liabilities, total	-994	107	0	0	0	-887
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	624	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

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 2019–2024. Recognition of deferred tax assets is based on the Group's profit forecast and the operating plan. The losses expire as follows: 2019: EUR 57 thousand; 2020: EUR 45 thousand; 2021: EUR 494 thousand; 2022: EUR 27 thousand; 2023: EUR 474 thousand; and 2024: EUR 714 thousand. As the performance improvement programme initiated towards the end of 2013 progresses, the company's fixed costs will decrease and the centralization of the soapstone fireplace production and the reorganisation of ceramic fireplace production, implemented in 2014, will improve profitability. Measures under the performance improvement programme will continue in 2015 and 2016 and consequently the company will be profitable during the strategy period.

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

EUR 1 000	2014		2013
20. Inventories			
Raw materials and consumables	4 456		4 504
Work in progress	2 769		2 769
Finished goods	2 894		2 984
Inventories, total	10 119		10 257

In 2014 raw materials, consumables and changes in finished goods and in work in progress recognized as an expense amounted to EUR 22 502 (25 053) thousand. Furthermore, a write-down of inventories to net realisable value was made, amounting to EUR 205 (180) thousand.

21. Trade and other receivables			
21.1. Current trade and other receivables			
Trade receivables	3 250		2 553
Current tax assets based on the taxable income for the financial period	6		12
Accrued incomes			
Grant receivables	155		68
Prepayments	192		243
Other accrued income	185		441
Other receivables	333		242
Current receivables, total	4 121		3 559
21.2. Aging analysis of trade receivables and impairment losses at balance sheet date			
2014	Gross	Impairment	Net
Not past due	2 796		2 796
Past due 1-30 days	266		266
Past due 31-60 days	138		138
Past due 61-90 days	16		16
Past due over 90 days	117	83	34
Total	3 333	83	3 250
2013	Gross	Impairment	Net
Not past due	2 106		2 106
Past due 1-30 days	413		413
Past due 31-60 days	13		13
Past due 61-90 days	36	15	21
Past due over 90 days	49	49	0
Total	2 617	64	2 553

EUR 1000			
21.3. Trade receivables by risk categories			
2014	Gross	Impairment	Net
Largest customers by customer groups			
Stove producers	374	0	374
Distributors of fireplaces in foreign countries	1 212	57	1 155
Construction companies	95	0	95
Distributors in home country	1 303	25	1 278
End users	349	1	348
Trade receivables, total	3 333	83	3 250
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
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	2014	2013
Cash in hand and at bank	3 665	10 704

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	8 080 000			
Conversion of K-shares to A-shares	-397 500			
K shares total at December 31, 2014	7 682 500	12.8	59.5	810 255
A shares (1 vote)	51 791 243			
Conversion of K-shares to A-shares	397 500			
A-shares total at December 31, 2014	52 188 743	87.2	40.5	5 504 220
Shares total at December 31, 2014	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			
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			0
Shares total at December 31, 2013 and December 31, 2014	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. Maximum share capital was EUR 10 200 in 2014 and 2013.

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 transferred to the invested unrestricted 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 14 407 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 March 4, 2014 the company received a request to convert 397 500 Series (1 460 000 in 2013) K shares into Series A shares. This conversion was registered in the Trade Register on March 14, 2014, following which the number of Tulikivi Series A shares is 52 188 743 and the number of Series K shares 7 682 500.

Translation differences

Translation differences consist of translation differences related to translation of the financial statements of foreign entities into Group reporting currency.

Revaluation reserve

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

Treasury shares

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 2014 (2013). 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 2014 and 2013.

24. Share-based payments

Stock options for management and key personnel

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 1 May 2016—31 May 2018, for the stock option 2013B, 1 May 2017—31 May 2019, and the for stock option 2013C, 1 May 2018—31 May 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. Dividends and equity returns paid annually will be deducted from the 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 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.

As the EBITDA goal set for 2014 was not achieved and no options were distributed for 2014. The Board of Directors decided to continue the measurement period of the target for the 2015 financial year.

The share subscription period for stock options 2013B will begin only if the targets established for the 2015 financial year's EBITDA adjusted by non-recurring items are fulfilled.

The number of stock options 2013B is 610,000. The theoretical market value of one stock option 2013B is EUR 0.03 per stock option. The theoretical market value of the stock options 2013B is EUR 18,300 in total. The theoretical market value of one stock option has been calculated through the use of Black & Scholes stock option pricing model with the following input factors: share price EUR 0.21, share subscription price EUR 0.33, risk-free interest rate 0.13 per cent, validity of stock options approximately 4.5 years and volatility 33 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets established for the vesting criterion.

The Tulikivi Group didn't have any share-based payments in the year 2014 (2013).

EUR 1000						
25. Provisions	Environmental provision		Warranty provision		Restructuring provision	
	2014	2013	2014	2013	2014	2013
Provisions January 1	697	696	225	270	1927	278
Increase in provisions	0	3	76	86	7	2064
Effect of discounting, change	11	10	0	0	0	0
Used provisions	-6	-12	-106	-131	-1399	-415
Discharge on reserves	-298	0	0	0	0	0
Provisions December 31	404	697	195	225	535	1 927

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 742 (1 046) 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 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). These arise from the dismissals carried out in 2013. In the comparison year 2013, the provision also included the employee benefits for the period of notice, payable in 2014, together with the related social costs, as well as, 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.

	2014	2013
Non-current provisions	1 122	1 227
Current provisions	13	17
Provisions, total	1 135	1 244
26. Interest-bearing liabilities		
Balance sheet value	19 981	23 033
26.1. Non-current		
Bank borrowings	12 099	13 289
TyEL pension loans	3 710	4 692
Total	15 809	17 981

EUR 1000	2014	2013
Interest bearing loans expire as follows:		
2014		5 052
2015	4 172	13 069
2016	7 935	4 070
2017	7 660	663
2018	214	179
2019	0	
Total	19 981	23 033

26.2. Current

Current portion of non-current bank borrowings and of TyEL pension loans	4 172	5 052
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26.3. The terms of interest-bearing liabilities

Debt obligations are denominated in euro.

At December 31, 2014 interest-bearing non-current liabilities effective interest rate weighted average was 3.0 per cent (3.0 per cent) including the effect of interest rate swaps and 2.9 per cent (2.8 per cent) excluding the effect of the interest rate swaps.

The Group's debt financing, EUR 13.9 (15.9) 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 13.9 (15.9) million of debt financing. These terms in case of a breach may require negotiations with the financier and arranging additional collaterals to the borrowings.

The company meets the covenants associated with the equity ratio as of December 31, 2014. In addition, the company has negotiated a waiver from the covenants on the ratio of interest-bearing debt and on the ratio of net debt and EBITDA as of December 31, 2014. An agreement has been reached with finance providers to postpone the repayment of debt totalling EUR 10.9 million from 2015 to 2016–2018. The new finance agreement also includes provisions on asset disposals and pledges. The covenants will be tested again on June 30, 2015. Assuming the performance improvement programme progresses as planned the company will meet the covenant clauses as of June 30, 2015.

	2014	2013
27. Trade and other payables		
27.1. Non-current		
Trade payable	2 387	1 799
Advances received	565	160
Accrued expenses		
Wages and social security expenses	2 474	2 862
Discounts and marketing expenses	277	436
External services	356	510
Interest liabilities	401	305
Other accrued expenses	166	370
Accrued expenses, total	3 674	4 483
Amounts due to associates	1	18
Other liabilities	397	536
Current trade and other payables, total	7 024	6 996

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 minimize the unfavourable effects of the changes in the finance market to its profit for the period. The main financial risks to which the Group is exposed are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group finance has been centralised in parent company, and the financing of the subsidiaries is mainly taken care of by internal loans. The liquidity of the Group companies is centralised by consolidated accounts. The 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 did not have any open forward contracts at the year-end 2014 (the total nominal amount being EUR 259 thousand, or RUB 12.0 million, at the year-end 2013). 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:

	2014		2013	
	USD	RUB	USD	RUB
Nominal values, EUR 1 000				
Non-current assets	0	124	0	72
Current assets	443	557	445	934
Current liabilities	1	542	3	271
Position	442	139	442	735
Derivate contracts	0	0	0	265
Net position	442	139	442	470

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2014 and 2013. 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.

	2014		2013	
	Income	Share capital	Income	Share capital
+/- 10 per cent change in EUR/USD exchange rate, before income taxes	+/- 45	+/- 0	+/- 45	+/- 0
+/- 10 per cent change in EUR/RUB exchange rate, before income taxes	+/- 14	+/- 0	+/- 48	+/- 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 cash flow 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 against 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 exceed 50 per cent of the total loan portfolio. The share of the loans with floating rates amounted to EUR 15.9 (16.6) million representing 79.7 per cent (71.9 per cent) for the 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 7.0 (7.8) million. Based on these interest rate swaps the Group receives floating rate interest based on Euribor rates (EUR 7.0 million / 3 months) and pays fixed interest on average 3.36 (3.16) 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 116 (96) thousand at the balance sheet date, are recognized in consolidated comprehensive income and the revaluation reserve under equity.

The gains from the fair value changes of other interest rate swaps, amounting to EUR 7 thousand (26), are recognized in profit or loss. The cumulative interest rate risk of the borrowings is negative EUR 144 thousand (128 thousand), assuming 1 per cent point change in market interest rates, and the cumulative impact on equity is EUR 145 thousand (positive). Here the impact of the derivatives on the interest rate risk and equity has been taken into account.

Interest rate risk	2014	2013
	Balance sheet value	Balance sheet value
Fixed rate instruments		
Financial liabilities	4 063	6 465
Floating rate instruments		
Financial liabilities	15 918	16 568
Interest rate derivatives		
Accrued interest costs payable	214	104

28.3. Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single customer or a group of customers is not material for the Group. The aggregate amount of the credit losses and the impairment losses on trade receivables recognised in the income statement during the financial year totalled EUR 46 (reduction in impairment losses -11) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 61.0 (54.0) per cent of the outstanding accounts at balance sheet date. Business units are responsible for credit risk related to trade receivables. The aging analysis of trade receivables is presented in note 21.2. The group's maximum credit risk exposure for trade receivables is their carrying amount at the year-end less any compensation received from customer credit insurances.

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

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

EUR 1 000

28.4. Liquidity risk

The group strives to continuously assess and monitor the amount of capital needed for business operations in order to ensure that the group has adequate liquid funds for financing its operations and repayment for loans due. The Group aims at ensuring the availability and flexibility of financing is ensured, in addition to liquid funds, by using credit limits and different financial institutions for raising funds. There were no unused credit limits and undrawn credit facilities in 2014 (amounted to EUR 0.5 million in 2013) at the balance sheet date.

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

Maturiteettianalyysi							
31.12.2014							
Type of credit	Balance sheet value	Total cash flows	0-6 months	6-12 months	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	19 981	20 900	1 968	2 773	8 222	7 937	0
Cash flows from derivatives	214	199	38	35	70	56	0
Trade and other payables	3 349	3 349	3 349	0	0	0	0
Total	23 544	24 448	5 355	2 808	8 292	7 993	0
December 31, 2013							
Type of credit	Balance sheet value	Total cash flows	0-6 months	6-12 months	1-2 years	3-5 years	Later than 5 years
Loans from credit institution and TyEL pension loans	23 033	20 568	3 664	1 996	13 585	4 987	0
Cash flows from derivatives	104	192	35	31	59	102	0
Trade and other payables	2 514	0	2 514	0	0	0	0
Total	25 651	20 760	6 213	2 027	13 644	5 089	0

EUR 1 000			
Derivatives, nominal value		2014	2013
Interest rate swaps			
Arrive at maturity 2014			712
Arrive at maturity 2015		716	716
Arrive at maturity 2016		0	0
Arrive at maturity 2017		4 394	4 394
Arrive at maturity 2018		1 936	1 936
Arrive at maturity 2019		0	
Total Interest rate swaps		7 046	7 758

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 disclosed 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 development 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:

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

	2014	2013
Equity	18 160	20 779
Balance sheet total	47 187	54 561
Advances received	565	160
Solvency ratio, %	39.0	38.1

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, 2014	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	28	0	0	28	28	2
Other financial assets	0	0	26	0	26	26	2
Short-term assets							
Trade and other receivables	0	3 582	0	0	3 582	3 582	2
Cash and cash equivalents	0	3 665	0	0	3 665	3 665	2
Carrying amounts of financial assets by categories	0	7 275	26	0	7 301	7 301	
Long-term liabilities							
Interest bearing liabilities	0	0	0	15 809	15 809	15 941	2
Derivatives	214	*) 0	0	0	214	214	2
Short-term liabilities							
Interest bearing liabilities	0	0	0	4 172	4 172	4 323	2
Trade and other payables	0	0	0	2 784	2 784	2 784	2
Carrying amounts of financial liabilities by categories	214	0	0	22 765	22 979	23 262	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 170 (77) thousand.

EUR 1 000

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.

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.

	2014	2013
Derivatives		
Interest rate swaps, nominal value	7 046	7 758
Interest rate swaps, fair value	-214	-101
Forward contracts, nominal value	0	269
Forward contracts, fair value	0	-3

EUR 1 000						
30. Adjustments of cash generated from operations					2014	2013
Non-cash transactions:						
Depreciation and amortisation					3 524	3 790
Exchange differences					156	-22
Other					-507	-18
Non-cash transactions, total					3 173	3 750

31. Leases

Operating leases

31.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:						
Not later than 1 year					573	815
Later than 1 year and not later than 5 years					164	494
Later than 5 years					12	16
Total					749	1 325

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 2014 includes expensed lease rentals EUR 1 304 (1 450) thousand.

The future lease payments for machinery and equipment						
Due during the financial year 2014					375	332
Due later					246	508
Leasing commitments, total					621	840
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					64	39
Later than 1 year and not later than 5 years					15	24
Later than 5 years					27	26
Total					106	89

EUR 1 000	2013	2012
32. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	19 981	23 033
Real estate mortgages given	14 864	13 258
Company mortgages given	19 996	19 996
Total given mortgages and pledges	34 860	32 720
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	103	41

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	2014	2013	2012
Use of energy, electricity MWh	9 199	10 489	11 572
Use of oil, m ³	150	199	173
District and wood chips heating, MWh	1 041	814	1 017
Liquid gas, tonne	123	156	178
Fuel for vehicles, tonne.	179	185	245
Explosives, tonne	12	16	45
Stone material extracted in quarrying, 1 000 fixed-m ³	110	100	190
Quarrying of soap stone, 1 000 fixed-m ³ gross	90	69	107
Stacked soil material, 1 000 net-m ³	22	1	41
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 2014 53 tonne rapeseed and pine oil was spent.	53	45	58

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
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Leftover clippings from production are partly used as filling for earthwork sites, the rest is stacked in stacking areas or is transferred to a waste disposal site. The natural stone is purchased from external suppliers.

The ceramic fireplace production uses mainly recycled porcelain fracture, feldspar and various kinds of cements as raw material for concrete products. The amount of ceramic materials used annually is approximately 3 000 tonnes. The amount of surface tiles used in coating of ceramic fireplaces supplied annually is approximately 95 tonnes and waste from cutting of ceramic tile slabs is directed to the sedimentation basin. 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 2014, 5 608 cubic meter new process water was taken in Group's production processes. Soapstone manufacturing uses a closed process water cycle. In the Espoo plant part of process waters is recyclable, in the Heinävesi production plant process waters are treated in sedimentation basins. In Heinävesi process waters are led through sedimentation basins to the water system as overflow to drainage network or they absorb into ground. Quarry waters are led to the water system through sedimentation basins. Domestic waste water is led to the municipal waste water system or in absence of such a system, in filtered fields.

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, factory				
Tulikivi U.S. Inc., USA, marketing company	100			100
OOO Tulikivi, Russia, marketing company	100			100
Tulikivi GmbH, Germany, marketing company	100			100
AWL-Marmori Oy, Turku	100			100
The New Alberene Stone Company Inc., USA	100			100
35.1. Associated companies		2014		2013
Stone Pole Oy, Juuka *)		0		27
Rakentamisen MALL Oy, Helsinki		25		25
*) Stone Pole Oy was liquidated in 2014.				
35.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
2014				
Associated companies	0	96	0	1
2013				
Associated companies	0	87	0	14
Transactions with key management		2014		2013
Leases from related parties		9		101
Sales to related parties		18		10

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 190 (235) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 12 (9) thousand in 2014 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 3 (4) from Foundation at the reporting date.

EUR 1 000		
35.3. Key management compensation	2014	2013
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.	384	494
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	32	39
Contributions to voluntary supplementary pension plan	1	22
Termination benefits paid	0	306
Share-based benefits	4	0
Total	421	861
Managing Directors		
Salaries and fees		
Vauhkonen Heikki		
Salaries	184	131
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	32	22
Contributions to voluntary supplementary pension plan	1	12
Share-based benefits	2	0
Pitko Jouni		
Salaries	0	100
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	0	17
Contributions to voluntary supplementary pension plan	0	10
Termination benefits paid	0	306
Total	219	598

EUR 1 000
Members of the Board of Directors
Ginman-Tjeder Nella
Pohjanvirta Olli
Rönkkö Markku
Saarinen Pasi
Suutari Harri
Vauhkonen Anu
Vauhkonen Heikki
Virtaala Matti
Total

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
Post-employment benefits
Post-employment benefits (pension benefits)
Contributions to statutory pension plan
Contributions to voluntary supplementary pension plan
Share-based benefits
Total

2014	2013
19	19
18	18
36	36
19	20
72	37
18	18
18	76
0	24
200	248

665	940
0	593
116	161
1	31
9	2
791	1 727

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 financial risks and loss 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.

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.

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.

Development of the Group by Quartal and Business Area

MEUR								
	Q4/2014	Q3/2014	Q2/2014	Q1/2014	Q4/2013	Q3/2013	Q2/2013	Q1/2013
Sales	10.7	9.8	10.6	8.3	11.8	12.1	10.6	9.2
Operating result	-0.2	0.2	-0.8	-1.6	-1.8	0.0	-0.8	-1.7

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000								
				2010	2011	2012	2013	2014
Income statement								
Sales				55 895	58 771	51 191	43 724	39 293
Change, %				5.2	5.1	-12.9	-14.6	-10.1
Operating result				-272	-2 368	59	-4 259	-2 439
% of turnover				-0.5	-4.0	0.1	-9.7	-6.2
Finance incomes and expenses and share of loss of associated companies				-719	-754	-839	-1 000	-837
Result before income tax				-991	-3 122	-779	-5 259	-3 276
% of turnover				-1.8	-5.3	-1.5	-12	-8.3
Income taxes				173	692	155	854	671
Result for the year				-818	-2 430	-642	-4 405	-2 633
Balance sheet								
Assets								
Non current assets				32 736	33 554	31 857	30 131	29 282
Inventories				10 939	10 748	11 366	10 258	10 119
Cash and cash equivalents				10 210	6 769	3 357	10 704	3 665
Other current assets				5 960	5 507	5 154	3 558	4 121
Equity and liabilities								
Equity				22 131	18 804	18 162	20 779	18 160
Interest bearing liabilities				25 277	24 924	23 785	17 981	19 981
Non-interest bearing liabilities				12 437	11 539	8 559	14 321	5 060
Balance sheet total				59 845	56 578	51 733	54 651	47 187

Financial Ratios 2010 - 2014

	2010	2011	2012	2013	2014
Return on equity, %	-3.6	-11.9	-3.4	-22.6	-13.5
Return on investments, %	-0.1	-4.8	0.3	-9.8	-5.4
Solvency ratio, %	37.0	33.3	35.2	38.1	39.0
Net indebtness ratio, %	68.1	96.5	112.9	59.3	89.8
Current ratio	1.9	1.5	1.7	1.8	1.6
Gross investments, EUR 1 000	3 376	4 860	2 665	1 618	2 382
% of turnover	6.0	8.3	5.2	3.7	6.1
Research and development costs, EUR 1 000	2 180	2 091	1 648	1 574	1 380
% of turnover	3.9	3.6	3.1	3.6	3.5
Development costs (net), capitalised, EUR 1 000	504	634	613	233	232
Order book, EUR million	6.3	5.7	4.6	4.4	4.2
Average personnel	404	427	351	293	281
Key indicators per share					
Earnings per share, EUR	-0.02	-0.07	-0.02	-0.11	-0.04
Equity per share, EUR	0.60	0.51	0.49	0.35	0.30
Dividends					
Nominal dividend per share, EUR					
A share	0.0250	-	-	-	-
K share	0.0233	-	-	-	-
Dividend per earnings, %	-111.1	-	-	-	-
Effective dividend yield, %/A shares	2.2	-	-	-	-
Price/earnings ratio, EUR	-52.5	-9.6	-33.8	-4.6	-4.5
Highest share price, EUR	1.79	1.40	0.92	0.63	0.36
Lowest share price, EUR	1.07	0.61	0.47	0.31	0.19
Average share price, EUR	1.31	1.00	0.60	0.44	0.28
Closing price, December 31, EUR	1.16	0.63	0.57	0.34	0.20
Market capitalization, EUR 1 000	42 943	23 322	21 101	20 314	11 949
(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)	4 647	3 849	4 050	10 493	7 933
% of the total amount	16.9	14.0	14.7	33.5	15.3
The average issue-adjusted number of shares for the financial year (1 000 pcs)	37 020	37 020	37 020	41 378	59 747
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	37 020	37 020	37 020	59 871	59 747

Calculations of Key Ratios

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

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 - Dec. 31, 2014	Jan. 1 - Dec. 31, 2013
Net Sales	1.1.	37 932	42 475
Increase (+) / decrease (-) in inventories in finished goods and in work in progress		-49	-641
Production for own use		274	157
Other operating income	1.2.	1 069	470
Materials and services			
Purchases during the fiscal year		-8 390	-8 323
Change in inventories, increase (-) / decrease (+)		-48	-549
External charges		-5 474	-5 958
Materials and services, total		-13 912	-14 830
Personnel expenses			
Salaries and wages		-10 833	-13 126
Pension expenses		-1 913	-2 567
Other social security expenses		-597	-691
Personnel expenses, total	1.3.	-13 343	-16 384
Depreciation, amortisation and value adjustments	1.4.	-3 732	-3 888
Other operating expenses	1.5.	-10 885	-11 921
Operating result		-2 646	-4 562
Financial income and expenses		-767	-1 549
Result before untaxed reserves and income taxes		-3 413	-6 111
Untaxed reserves			
Change in accelerated depreciation		-348	-45
Change in deferred tax liabilities / tax assets		-326	266
Transfer of income taxes to the revaluation reserve		-23	-3
Income taxes in total		-349	263
Result for the year		-4 110	-5 893

Balance Sheet

EUR 1 000	Note	Dec. 31, 2014	Dec. 31, 2013
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		684	779
Intangible rights		72	91
Goodwill		2 195	2 932
Other long term expenditures		7 809	8 211
Intangible assets, total	2.1.	10 760	12 013
Tangible assets			
Land		981	1 039
Buildings and constructions		5 281	5 505
Machinery and equipment		3 763	3 917
Other tangible assets		41	42
Advance payments		11	10
Tangible assets, total	2.2.	10 077	10 513
Investments			
Shares in group companies	2.3.	48	48
Group receivables	2.4.	194	74
Participating interests	2.3.	4	4
Other investments	2.5.	26	26
Investments, total		272	152
Fixed assets and other non-current investments, total		21 109	22 678

Balance Sheet

EUR 1 000	Note	Dec. 31, 2013	Dec. 31, 2012
Current assets			
Inventories			
Raw material and consumables		4 456	4 504
Work in progress		2 770	2 769
Finished products/goods		2 716	2 766
Inventories, total	2.6.	9 942	10 039
Non-current receivables			
Trade receivables	2.7.	28	41
Non-current receivables from group companies		43	41
Deferred tax assets	2.8.	243	569
Non-current receivables, total		314	651
Current receivables			
Trade receivables		3 014	2 257
Receivables from group companies		334	619
Other receivables		218	231
Prepayments and accrued income		453	667
Current receivables, total	2.9.	4 019	3 774
Cash in hand and at banks		3 181	10 176
Total current assets		17 456	24 640
Total assets		38 565	47 318

Balance Sheet

EUR 1 000	Note	Dec. 31, 2014	Dec. 31, 2013
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock		6 314	6 314
Reserve for invested unrestricted equity		14 834	14 834
Revaluation reserve		-170	-77
Treasury shares		-108	-108
Retained earnings		-7 284	-1 391
Result for the year		-4 110	-5 893
Total shareholders' equity	2.10.	9 476	13 679
Untaxed reserves			
Accelerated depreciation		1 181	833
Provisions	2.13.	1 135	2 848
Liabilities			
Non-current liabilities			
Bank borrowings		12 099	13 289
TyEL pension loans		3 710	4 692
Non-current liabilities, total	2.14.	15 809	17 981
Current liabilities			
Bank borrowings		3 190	2 428
Pension loans		982	2 624
Advances received		90	94
Trade payable		2 354	1 730
Liabilities to group companies		390	277
Liabilities to associates		1	18
Other liabilities		299	428
Accrued expenses		3 658	4 378
Current liabilities, total	2.15.	10 964	11 977
Total liabilities		26 773	29 958
Total liabilities and shareholders' equity		38 565	47 318

Cash Flow Statement

EUR 1 000	Jan. 1 - Dec. 31, 2014	Jan. 1 - Dec. 31, 2013
Cash flow from operating activities		
Result before extraordinary items	-3 416	-6 111
Adjustments for:		
Depreciation	3 732	3 888
Unrealised exchange rate gains and losses	41	-7
Other non-payment-related expenses	-1 714	1 604
Financial income and expenses	767	1 549
Other adjustments	-501	-32
Cash flow before working capital changes	-1 088	891
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	-253	1 597
Increase (-) / decrease (+) in inventories	98	1 190
Increase (+) / decrease (-) in current non-interest bearing liabilities	-104	-547
Cash generated from operations before financial items and income taxes	-1 347	3 131
Interest paid and payments on other financial expenses from operations	-906	-1 335
Dividends received	2	5
Interest received	31	22
Income taxes paid	0	21
Cash flow before extraordinary items	-2 220	1 844
Net cash flow from operating activities	-2 220	1 844
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-2 276	-1 605
Investment grants received	130	1
Proceeds from sale of tangible and intangible assets	590	158
Other investments	-120	-40
Proceeds from sale of other investments	0	-25
Interest received	14	0
Net cash used in investing activities	-1 662	-1 511
Cash flow from financing activities		
Proceeds from share issue	0	7 500
Proceeds from current borrowings	0	2 000
Repayments of current borrowings	-1 500	-500
Long-term borrowing	2 000	6 800
Repayment of long-term loans	-3 552	-9 072
Net cash flow from financing activities	-3 052	6 728
Net increase (+) / decrease (-) in cash and cash equivalents	-6 934	7 061
Cash and cash equivalents at the beginning of the financial year	10 176	3 143
Effect of changes in exchange rates	-61	-28
Cash and cash equivalents at the end of the financial year	3 181	10 176

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
Quarrying 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 related to Sauna products, the renewed ERP system and the commercialization of the new ceramic fireplace collection 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 asset. Deferred tax 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 the tax rate enacted at the balance sheet date for the following years. Deferred tax assets have been recognised to the extent they are probably recoverable.

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 2014 or 2013.

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	2014	2013
1.1. Net sales		
1.1.1. Net sales per geographical area		
Finland	17 895	20 889
Rest of Europe	19 570	21 024
USA	467	562
Total net sales per geographical area	37 932	42 475
1.1.2. Net sales per goods and services		
Sales of goods	35 024	38 776
Rendering of services	2 908	3 699
Total net sales per goods and services	37 932	42 475
1.2. Other operating income		
Rental income	109	49
Charges for intergroup services	81	56
Government grants	122	56
Proceeds from sale of fixed and other non-current investments	502	116
Other income	255	193
Total other operating income	1 069	470

EUR 1 000	2014	2013
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	384	494
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	32	39
Contributions to voluntary supplementary pension plan	1	22
Termination benefits paid	0	306
Share-based payments	4	0
Total	421	861
Managing Directors		
Salaries and fees		
Vauhkonen Heikki		
Salaries	184	131
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	32	22
Contributions to voluntary supplementary pension plan	1	12
Share-based payments	2	0
Pitko Jouni		
Salaries	0	100
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	0	17
Contributions to voluntary supplementary pension plan	0	10
Termination benefits paid	0	306
Total	219	598
Members of Board		
Ginman-Tjeder Nella	19	19
Pohjanvirta Olli	18	18
Rönkkö Markku	36	36
Saarinen Pasi	19	20
Suutari Harri	72	37
Vauhkonen Anu	18	18
Vauhkonen Heikki	18	76
Virtaala Matti	0	24
Total	200	248

EUR 1 000	2014	2013	EUR 1 000	2014	2013
Key management personnel comprises the members of the Management			1.5. Other operating expenses		
The Managing Director is a member of the Management Group.			Rental expenses	1 547	1 875
Key management personnel compensation			Maintenance of real estates	587	528
Salaries and fees	518	820	Marketing expenses	3 069	3 221
Termination benefits paid	0	593	Other variable costs	2 630	2 955
Post-employment benefits (pension benefits)			Other expenses	3 052	3 342
Contributions to statutory pension plan	90	141	Total	10 885	11 921
Contributions to voluntary supplementary pension plan	1	31	1.5.1. Auditors' fees		
Share-based benefits	9	2	Audit fees	57	63
Total	618	1 587	Assignments referred to under the Auditing Act (section 1, subsection 1, paragraph 2)	0	52
1.3.2. Average number of employees during the fiscal year			Tax advice	1	3
Clerical employees	88	103	Other fees	18	21
Workers	183	184	Audit fees, total	76	139
Total number of employees	271	287	1.6. Financial income and expenses		
1.4. Depreciation according to plan			Income from non-current investments		
Development expenditure	260	227	Didivends received from others	16	5
Intangible rights	20	22	Other financial income		
Other long-term expenditure	922	997	Interest income from group companies	8	2
Amortisation on quarries based on the unit of production method *)	78	100	Interest income from others	31	21
Buildings and constructions	509	504	Changes in fair value of derivatives	7	26
Machinery and equipment	1 170	1 275	Financial income, total	62	54
Other tangible assets	1	1	Reduction in value of investments held as non-current assets		
Depreciation on land areas based on unit of production method	35	25	Interest expenses and other financial expenses		
Goodwill	737	737	Interest expenses to others	-661	-784
Depreciation according to plan in total	3 732	3 888	Other financial expenses to others	-168	-819
			Interest expenses and other financial expenses, total	-829	-1 603
			Financial income and expenses, total	-767	-1 549

*) 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.

Notes to the Balance Sheet

EUR 1 000	2014	2013	EUR 1 000	2014	2013
2.1. Intangible assets			2.1.4. Other long term expenditures		
2.1.1. Capitalised development expenditure			Acquisition cost January 1	18 550	18 559
Capitalised development expenditure January 1	1 322	1 118	Additions	601	414
Additions	165	204	Disposals	-45	-423
Acquisition cost December 31	1 487	1 322	Acquisition cost December 31	19 106	18 550
Accumulated depreciation according to plan January 1	-543	-316	Accumulated depreciation according to plan January 1	-10 339	-9 614
Depreciation for the financial year	-260	-227	Accumulated depreciation on disposals	42	372
Accumulated depreciation December 31	-803	-543	Depreciation for the financial year	-1 000	-1 097
Balance sheet value of intangible rights, December 31	684	779	Accumulated depreciation December 31	-11 297	-10 339
2.1.2. Intangible rights			Balance sheet value of long term expenditure, December 31	7 809	8 211
Acquisition cost January 1	703	704			
Additions	2	0	The balance sheet value of other long term expenditure includes EUR 5 507 (5 874) million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.		
Acquisition cost December 31	705	704	Decreases in other non-current expenditures and accumulated amortization on decreases in other non-current expenditures include disposals amounting to EUR 2 (51) thousand.		
Accumulated depreciation according to plan January 1	-613	-591	At the end of the current financial year there were no items in progress under other intangible assets (EUR 22 thousand in 2013).		
Depreciation for the financial year	-20	-22			
Accumulated depreciation December 31	-633	-613			
Balance sheet value of intangible rights, December 31	72	91			
2.1.3. Goodwill			Total intangible assets	10 760	12 013
Acquisition cost January 1 and December 31	8 713	8 713			
Accumulated depreciation according to plan January 1	-5 781	-5 044			
Depreciation for the financial year	-737	-737			
Accumulated depreciation December 31	-6 518	-5 781			
Balance sheet value of goodwill, December 31	2 195	2 932			
The parent company's goodwill comprises merger losses.					

EUR 1 000	2014	2013
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 403	1 402
Additions	0	1
Disposals	-22	0
Acquisition cost December 31	1 381	1 403
Accumulated depreciation January 1	-365	-339
Depreciation based on the unit of production method for the financial year	-35	-25
Accumulated depreciation December 31	-400	-364
Balance sheet value of land, December 31	981	1 039
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 178	15 151
Additions	300	80
Disposals	-159	-53
Acquisition cost December 31	15 319	15 178
Accumulated depreciation according to plan January 1	-10 178	-9 708
Accumulated depreciation on disposals	144	34
Depreciation for the financial year	-509	-504
Accumulated depreciation December 31	-10 543	-10 178
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	5 281	5 505

EUR 1 000	2014	2013
2.2.3. Machinery and equipment		
Acquisition cost January 1	45 418	45 563
Additions	1 054	895
Disposals	-1 662	-1 040
Acquisition cost December 31	44 810	45 418
Accumulated depreciation according to plan January 1	-41 501	-41 220
Accumulated depreciation on disposals	1 624	994
Depreciation for the financial year	-1 170	-1 275
Accumulated depreciation December 31	-41 047	-41 501
Balance sheet value of machinery and equipment, December 31	3 763	3 917
Disposals of Machinery and equipment / Accumulated depreciation on disposals exclude scrapped items (EUR 364 thousand in 2013).		
Amount of machinery and equipment included in balance sheet value	3 314	3 441
2.2.4. Other tangible assets		
Acquisition cost January 1	289	285
Additions	0	4
Acquisition cost December 31	289	289
Accumulated depreciation according to plan January 1	-247	-246
Depreciation for the financial year	-1	-1
Accumulated depreciation December 31	-248	-247
Balance sheet value of other tangible assets, December 31	41	42
2.2.5. Advance payments		
Advance payments 1.1.	10	85
Additions	1	10
Disposals	0	85
Advance payments, total	11	10
Total tangible assets	10 077	10 513

EUR 1 000	2014	2013
2.3. Shares in Group Companies	%	%
Tulikivi U.S. Inc., USA	100	100
OOO Tulikivi, Russia	100	100
Tulikivi GmbH, Saksa	100	100
AWL-Marmorio Oy, Turku	100	100
The New Alberene Stone Company Inc., USA	100	100
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany, Tulikivi Oyj Niederlassung Deutschland.		
Associated companies		
Stone Pole Oy, Juuka *)	0	27
Rakentamisen MALL Oy, Helsinki	25	25
*) Stone Pole Oy was liquidated in 2014.		
2.4. Receivables from Group companies		
Capital loan, AWL-Marmorio Oy	34	34
Capital loan, Tulikivi GmbH	160	40
Receivables from Group companies, total	194	74
2.5. Other investments		
Stone Pole Oy		1
Other	26	25
Total other investments	26	26
2.6. Inventories		
Raw material and consumables	4 456	4 504
Work in progress	2 770	2 769
Finished products/goods	2 716	2 766
Total inventories	9 942	10 039
2.7. Non-current receivables		
Trade receivables		
From others	28	41
From Group companies		
Loan receivables	40	40
Accrued incomes	3	1
Receivables from Group companies, total	43	41
Total non-current receivables	71	82
2.8. Deferred tax assets		
Provisions and accrued expenses	243	569

EUR 1 000	2014	2013
2.9. Current receivables		
Receivables from group companies		
Trade receivables	194	538
Loan receivables	133	80
Accrued income	7	1
Receivables from group companies, total	334	619
Receivables from others		
Trade receivables	3 014	2 257
Other receivables	218	231
Accrued income		
Other accrued income	182	356
Receivables from grants	78	68
Prepayments	193	243
Accrued income, total	453	667
Receivables from other, total	3 685	3 155
Total current receivables	4 019	3 774
2.10. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
Revaluation reserve January 1	-77	-51
Change	-93	-26
Revaluation reserve December 31	-170	-77
Treasury shares	-108	-108
Restricted equity	6 036	6 129
The invested unrestricted equity fund January 1	14 834	7 334
Share issue	0	7 500
The invested unrestricted equity fund December 31	14 834	14 834
Retained earnings January 1	-7 284	-1 391
Retained earnings December 31	-7 284	-1 391
Result for the year	-4 110	-5 893
Equity	3 440	7 550
Total shareholders' equity	9 476	13 679
2.11. Statement of distributable earnings December 31		
Profit for the previous years	-7 284	-1 391
The invested unrestricted equity fund	14 834	14 834
Result for the year	-4 110	-5 893
Total distributable earnings	3 440	7 550

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

Share-based payments

Stock options for management and key personnel

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 to employer, 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 1 May 2016—31 May 2018, for the stock option 2013B, 1 May 2017—31 May 2019, and the for stock option 2013C, 1 May 2018—31 May 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 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.

As the EBITDA goal set for 2014 was not achieved and no options were distributed for 2014. The Board of Directors decided to continue the measurement period of the target for the 2015 financial year.

The share subscription period for stock options 2013B will begin only if the targets established for the 2015 financial year's EBITDA adjusted by non-recurring items are fulfilled

The number of stock options 2013B is 610,000. The theoretical market value of one stock option 2013B is EUR 0.03 per stock option. The theoretical market value of the stock options 2013B is EUR 18,300 in total. The theoretical market value of one stock option has been calculated through the use of Black & Scholes stock option pricing model with the following input factors: share price EUR 0.21, share subscription price EUR 0.33, risk free interest rate 0.13 per cent, validity of stock options approximately 4.5 years and volatility 33 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets established for the vesting criterion.

The Tulikivi Group didn't have any share-based payments in the year 2014 (2013).

2.12. Treasury shares

During the financial year 2014 (2013), 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 % of the share capital and 0.1 % of the voting rights. The acquisition price is EUR 0.87/share on average. The acquisition of own shares has not had any significant effect on the distribution of ownership or voting rights of the company.

EUR 1 000	2014	2013
2.13. Provisions		
Warranty provision	195	225
Environmental provision (Present value)	391	683
Environmental provision, current	13	13
Restructuring provision, non-current	536	662
Restructuring provision, current	0	1 265
Total	1 135	2 848

The undiscounted amount of environmental provision was EUR 742 (1 046) thousand. The discount rate used in determining the present value is 4.0 (4.0) per cent

2.14. Non-current liabilities		
Liabilities from others		
Loans from credit institutions	12 099	13 289
TyEL pension loans	3 710	4 692
Total non-current liabilities	15 809	17 981
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	390	277
Liabilities to associates		
Trade payables	1	18
Liabilities to others		
Loans from credit institutions	3 190	2 428
Pension loans	982	2 624
Advances received	90	94
Trade payables	2 354	1 730
Other current liabilities	299	428
Accrued liabilities		
Salaries, wages and social costs	2 462	2 837
Discounts and marketing expenses	277	361
External charges	353	510
Interest liabilities	401	305
Other accrued liabilities	165	365
Liabilities to others, total	10 573	11 682
Total current liabilities	10 964	11 977

EUR 1 000	2 014	2 013
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	19 981	23 033
Real estate mortgages given	13 258	13 258
Company mortgages given	19 996	19 996
Given mortgages and pledges, total	33 254	33 254
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	552	785
Rental obligations payable later	165	486
Rental commitments due, total	717	1271
Leasing commitments		
Due not later than 1 year	364	328
Due later	243	508
Leasing commitments, total	607	836
Leasing agreements are three to six years in duration and do not include redemption clauses.		
Derivatives		
Interest rate swaps , nominal value	7 046	7 758
Interest rate swaps , fair value	-214	-101
Forward contracts, nominal value	0	259
Forward contracts, fair value	0	-3
Obligation to repay VAT deductions made in earlier periods	103	41

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, 2014

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	1 080 537	11.51
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. Investment Fund Taaleritehdas Arvo Markka Osake			2 878 787	4.81
6. Varma Mutual Pension Insurance Company			2 813 948	4.70
7. Finnish Cultural Foundation		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. Fennia Mutual Insurance Company			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	45.87
2. Mutanen Susanna		797 500	846 300	6.84
3. Elo Eliisa		477 500	2 631 036	5.74
4. Elo Mutual Pension Insurance Company			4 545 454	3.52
5. Vauhkonen Mikko		397 500	363 810	3.36
6. Keskinäinen Eläkevakuutusyhtiö Ilmarinen			3 720 562	2.88
7. Finnish Cultural Foundation		100 000	2 158 181	2.45
8. Investment Fund Taaleritehdas Arvo Markka Osake			2 878 787	2.23
9. Varma Mutual Pension Insurance Company			2 813 948	2.18
10. Investment Fund Phoebus			1 797 811	1.39

The members of the Board and Managing Director control 5 810 000 K shares and 1 676 896 A shares representing 46.33 % of votes.

Breakdown of share ownership of December 31, 2014		Shareholders	Proportion	Shares	Proportion
Number of shares	pcs	%	pcs	%	
1 - 100	471	9.6	29 972	0.05	
101 - 1000	2 155	43.94	1 222 970	2.04	
1001 - 5000	1 516	30.91	3 932 916	6.57	
5001 - 10000	370	7.55	2 772 450	4.63	
10001 - 100000	349	7.12	9 217 960	15.40	
100001 -	43	0.88	42 694 975	71.31	
Total	4 904	100.00	59 871 243	100.00	

The Company's shareholders were broken down by sector as follows		Holding	Votes
Sector	%	%	
Enterprises	11.86	5.50	
Financial and insurance institutions	8.59	3.89	
Public organisations	18.51	8.59	
Non-profit organisations	4.52	2.79	
Households	54.40	78.14	
Foreign	2.12	1.09	
Total	100.00	100.00	

Nominee-registered shares, 1 146 627 in total (2.45 per cent of the capital stock, 1.14 per cent of votes), 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 5, 2015

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 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial

statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

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

Liability Companies Act or the articles of association of the company.

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

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

Opinion on the consolidated financial statements

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

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

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

Helsinki, 27 February 2015

KPMG OY AB
Kirsi Jantunen
Authorized Public Accountant

Contact Information

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It's such a cold, cold world.

