Tulikivi®

Annual Report 2015

Contents

The year 2015 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.

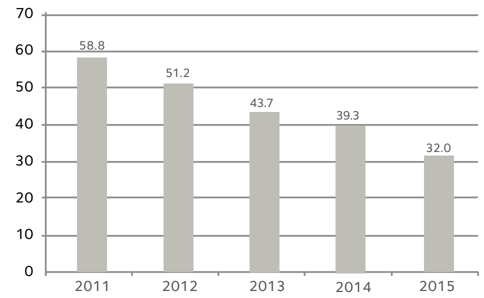
Tulikivi and its customers value wellbeing, interior design and the benefits of bioenergy. Tulikivi's net sales are approximately EUR 32.0 million (EUR 39.3 million in 2014), of which exports account for about half. Tulikivi employs approximately 250 people.

The companies included in the Tulikivi Group are the parent company Tulikivi Corporation, AWL-Marmori Oy, Tulikivi U.S. Inc., OOO Tulikivi and Tulikivi GmbH. The New Alberene Stone Company, Inc, which currently has no business operations, is also a Group company.

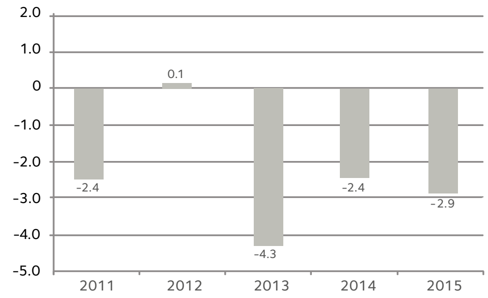
The formulae for calculating key figures are on page 86.

	2015	2014	Change, %
Net Sales, MEUR	32.0	39.3	-18.7
Operating result, MEUR	-2.9	-2.4	-20.2
Result before income tax, MEUR	-3.9	-3.3	-18.5
Return on investments, %	-7.7	-5.4	
Solvency ratio, %	36.9	39.0	
Earnings per share, EUR	-0.06	-0.04	
Equity per share, EUR	0.25	0.30	
Payment of dividend on:			
A share, EUR	-	-	
K share, EUR	-	-	

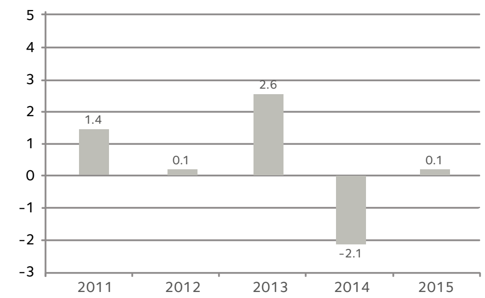
Development of Net Sales, MEUR



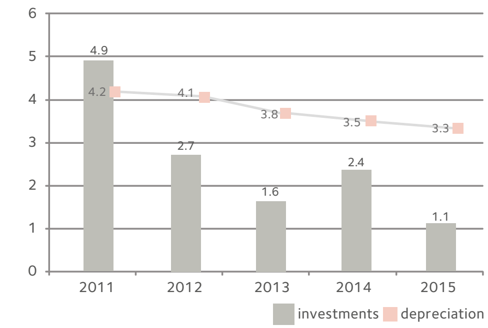
Operating Result, MEUR



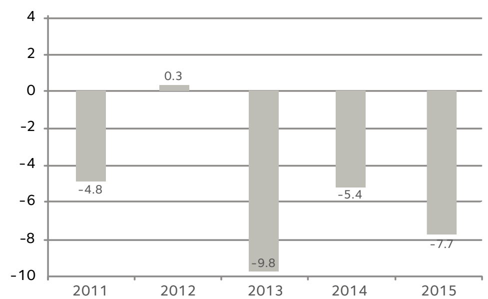
Net Cash Flow from Operating Activities, MEUR



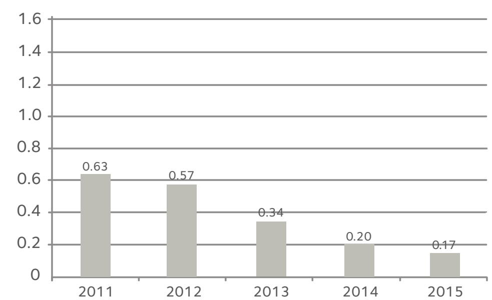
Investments and Depreciation, MEUR



Return on Investments, %



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



Tulikivi in the future

- The company's strategy will continue to be based on Finnish heating expertise, the company's strong brand and its own soapstone reserves.
- The key goal is to grow the turnover in near future. The efficiency- and centralization efforts undertaken in recent years together with growing turnover enable a clear improvement in profitability.
- 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

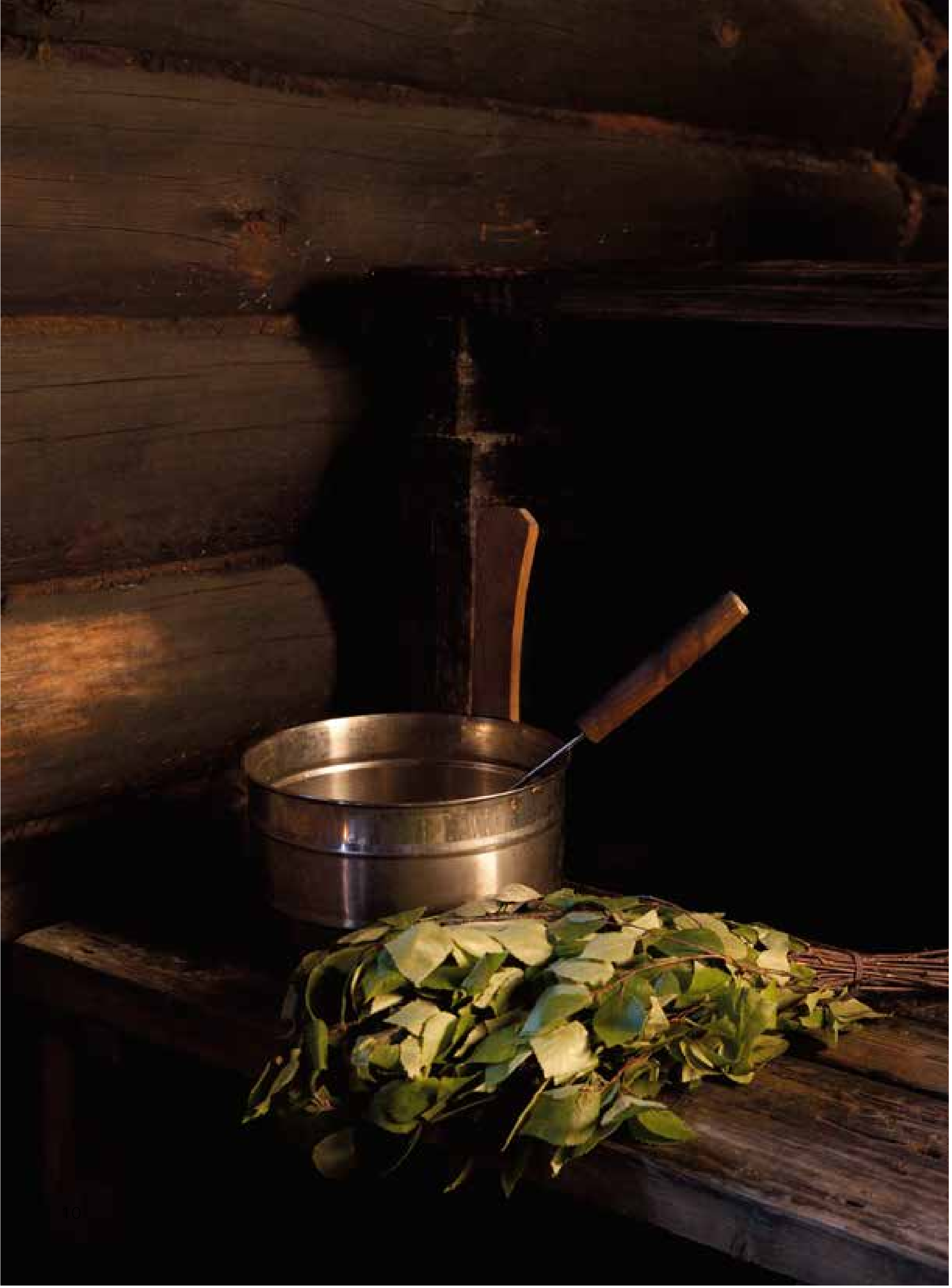
The Fireplaces product group consists of an extensive range of soapstone and ceramic products: heat-retaining fireplaces, fireplaces with bakeoven, bakeovens, stoves, convection fireplaces, prefabricated fireplaces, Green products, fireplace accessories and stone cladding for fireplaces.

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 the world's largest manufacturer 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, Russia and Asia. 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.

Soapstone tiles are Tulikivi's specialty. They are very handy especially for bathroom floors as they are not slippery even when wet. In spaces with floor-heating the heat-retaining capability of soapstone comes to its full potential.

Managing Director's review

Net sales down but cost-saving measures take effect

Challenging year for sales

The net sales of the Tulikivi Group came to EUR 32.0 million in 2015 (EUR 39.3 million in Jan-Dec 2014). Net sales in Finland were EUR 15.1 (17.9) million, or 47.2% (45.6%) of total net sales. Exports amounted to EUR 16.9 (21.4) million in net sales.

Market conditions were challenging, caused by the modest level of low-rise housing construction, low heating energy prices and consumer uncertainty in purchasing decisions

Market balance improved towards end of the year

Demand for Tulikivi products was very low in the first half of the year. The fact that the market slowed down rapidly and simultaneously in France, Germany and Russia made the market exceptionally challenging for the company.

In Germany and France, the main markets in Central Europe, market conditions improved during the second half of the year in comparison to the first half. According to estimates by manufacturers' associations, the number of fireplaces sold declined by 16 per cent in France and 5 per cent in Germany overall, with the decline exceeding 20 per cent in the first six months.

Tulikivi's own sales office in Moscow performed well and reduced the shortfall in net sales in Russia. The Russian fireplace market is estimated to have shrunk by some 40 per cent.

To boost export operations, Tulikivi signed an import agreement for distribution on the Swedish, Norwegian and Danish markets. The agreement will improve the cost efficiency of Swedish sales operations and make it easier to build a distribution channel in Norway.

The principal export countries in 2015 were Sweden, France, Germany, Russia and Denmark. Most of the sales in Sweden and Denmark consisted of lining stone products.

New export markets in the works

To increase net sales in the long term, Tulikivi and its partners opened 15 new sales offices last year in Poland, Belarus and South Korea. Each year, some 90,000 new detached houses are built in Poland. Consumers also want to save on heating costs and reduce dependence on imported oil.

The South Korean market is Tulikivi's point of entry to Asia at large. There are now six sales offices in the country. The Tulikivi brand appeals to Koreans and they value soapstone as a natural material.

Market share grew in new construction in Finland

Action taken to improve cooperation with the home-building industry has led to increased deliveries of fireplaces to the new construction market despite challenging market conditions. Tulikivi has concluded several cooperation agreements regarding fireplace deliveries to the home-building industry. The renewed ceramic fireplace collection has been positively received. According to a study conducted by RTS Oy, Tulikivi's market share has grown from 21 per cent to 25 per cent.

Tulikivi's clientele now includes nearly all major home-building companies. Market share can be further increased with closer cooperation with new-home sellers.

Industry estimates indicate that low-rise housing construction has returned to a growth track in Finland, but there is no certainty of a more permanent change in volume yet.

Because of low confidence, consumers have been unusually hesitant to invest in renovation. During the year, Tulikivi further developed its renovation service concept. The comprehensive service includes the removal of old fireplaces and has increased consumers' interest in replacing their fireplaces.

Net sales of the new design sauna heaters performed well in Finland on the annual level. To support sales, Tulikivi invested in online services and marketing.

Cost savings took effect in 2015

With net sales declining, the company continued to focus on improving its operational efficiency. It managed to reduce its fixed costs by EUR 2.3 million, or around 20%, in 2015 compared to the previous year's level.

In accordance with its performance improvement programme, the total reduction in the company's fixed costs in 2014 and 2015 came to EUR 5 million. In addition, it implemented production rationalisation measures, including the centralisation of its soapstone fireplace production and the renewal of its ceramic fireplace collection.

Reorganising production in line with the performance improvement programme did not bring the expected benefits as a result of the decline in net sales. Due to the weak market situation, the company did not achieve the sales growth targets of its performance improvement programme.

The company decreased its working capital by EUR 1.8 million, as a result of which cash flow from operating activities was EUR 0.8 million in the black. With the positive cash flow, the company was able to repay EUR 2.2 million in debts in the financial year. To restructure its operations, the company agreed with its finance providers on changes to its repayment programme for 2016-2018. The cost of financing remained stable.

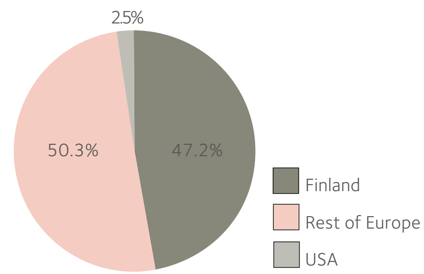
Investments and product development

The Group's investments for the financial year totalled EUR 1.1 (2.4) million.

Research and development expenditure was EUR 1.0 (1.4) million, or 3.1% (3.5%) of net sales. EUR 0.3 (0.3) million of this was capitalised on the balance sheet. In product development the focus is on developing the

soapstone fireplace collection and on making good use of the advantages of soapstone as a fireplace and interior design material. A new collection will be introduced in late 2016.
In 2015, Tulikivi commercialised several products for the home-building industry and also new sauna heater products. The company also commercialised new campaign models of popular heaters for Central European exports.

Net Sales
per Geographical Area, %



Profitability to improve in 2016

To increase profitability the company will continue to improve its operational efficiency with targeted savings of EUR 1.0 million in fixed costs in 2016. The company also aims to free up EUR 1.0 million in working capital by reducing its inventory in 2016.
Even though the operating environment is likely to remain challenging in 2016, the company believes that net sales will no longer decrease thanks to its successful sales efficiency measures. The company expects its profitability to improve in 2016 as a result of structural savings and production efficiency measures.

Thank you!

2015 required significant adjustment in all of the company's operating areas. I wish to thank all of Tulikivi's partners and everyone at Tulikivi for their hard work and great attitude during this very challenging year.

Helsinki, February 15, 2016
Heikki Vauhkonen, Managing Director

Future outlook

End of steep downturn in low-rise construction in Europe
Low-rise construction starts began to increase in Europe in 2015. This means that the strong decline that started in 2008 is behind us. According to a Euroconstruct study, low-rise construction is expected to increase by about 5 per cent annually within the EU during the next three years. In Finland the Confederation of Finnish Construction Industries RT (CFCI) estimates that low-rise construction will remain at the 2015 level in 2016, whereas according to RTS Oy, housing suppliers expect a slight increase to take place. Increase in construction activity will benefit all of Tulikivi's product groups.

Renewable energy could replace a substantial share of the fossil fuels used in Europe to heat low-rise houses
The EU has set goals for replacing fossil fuels with renewable energy by 2020. They include EU-level goals for the use of wood and pellets. In Finland wood is the main source of renewable energy.

Market pressure or taxation will increase consumer energy prices
The cost of energy is a major reason for buying a fireplace in Finland and abroad. The prices of oil, gas and electricity have been unusually low due to the recession. This has affected the development of the fireplace market. In addition to economic trends, tax policies also affect the price of energy. Additional taxes such as electricity tax and tighter taxation of oil heating could increase the price of energy. Real time pricing and electricity transmission charges could also increase the price consumers have to pay.

Heat-retaining fireplaces are best for low-energy houses
Heat-retaining fireplaces are known for their practicality and great heating capacity in conventional houses. A study carried out by VTT Technical Research Centre of Finland in 2014 concluded that, in addition to conventional houses, a heat-retaining fireplace is the best choice for modern low-energy houses. In both house types a single heat-retaining fireplace can supply more than 50 per cent of the annual heating energy need. This is because the fireplace releases heat evenly at relatively low output. In low-energy houses room-heating stoves and fireplace inserts generate high momentary heat. Rooms quickly become too hot and ventilation is needed to remove the excess heat. Heat-retaining fireplaces are especially well suited for modern buildings when combined with water heating. With Tulikivi's W10 system, the energy generated by a fireplace can be easily transferred to other rooms and used to heat household water. Combined with solar panels and a heat pump, they provide sufficient capacity to supply a modern home's needs.

EU defines allowable emission levels for wood burning
In 2014 the EU determined the allowable emission levels for fireplaces, to be implemented in 2022. Tulikivi's export models already meet these levels. Finland's allowable emission levels are already low and will be substantially lower when the new regulations take force.

Small-scale combustion of wood is the only form of energy independent of other energy forms
Fireplaces are an important part of the Finland's security of supply, which means the country's ability to maintain its basic functions amid disruptions or emergencies. The same applies to Europe's security of supply. Fireplaces are the only way to create energy that is independent of other energy sources. They are an important part of society's crisis readiness when the availability and distribution of energy is affected.

Tulikivi's performance improvement programme

Rationalisation of production:

Measures in 2015:
- The measurement and capacity loading of the production were improved
- The production was adjusted by temporary lay-offs in order to respond decreased demand
- The subcontracting of the modularised products was rationalized with new cooperation agreements.
- The reduction of the value of stock with 1, 5 Million euros

The objectives in 2016
- Improving the profitability with more efficient capacity loading of the production
- Continuing with the development of product lines
- More savings in subcontracting
- Additional reductions of the value of stock with 1 Million euros

Cost reduction:

Measures in 2015:
- Fixed costs were reduced by approximately 20 per cent reduction in personnel, reorganizing export operations, digitalizing the functions and concentrating on core business.

The objectives in 2016
- Fixed costs will be reduced by reorganizing and digitalizing functions with approximately 1 Million euros

Increased sales:

Measures in 2015:
- The market share of Tulikivi in new buildings was increased from 21 per cent to 25 per cent by deepening the co-operation with home-building industry.
- Reorganizing sales in Sweden and Norway in order to increase sales and improve cost-effectiveness.
- Reorganizing sales in Germany
- Investment on sales functions in Eastern Europe by increasing resources

The objectives in 2016
- Increase the market share in domestic markets of home building industry.
- Increase the sales of domestic building renewal business
- Increase of the sales and the enlargement of distribution channels in Moscow area
- The expansion of distribution channels in Germany by new resale points.
- Increase the market share in Central Europe by new product launchings.

Shareholders and Management Ownership December 31, 2015

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	1 123 090	11.58
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. Varma Mutual Pension Insurance Company		2 813 948	4.70
6. Finnish Cultural Foundation	100 000	2 158 181	3.77
7. Toivanen Jouko	100 000	1 912 558	3.36
8. Mutanen Susanna	797 500	846 300	2.75
9. Fennia Mutual Insurance Company		1 515 151	2.53
10.Vauhkonen Mikko	397 500	363 810	1.27

10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	Votes/K shares	Votes/A shares	Proportion, %
1. Vauhkonen Heikki	58 095 000	1 123 090	45.90
2. Mutanen Susanna	7 975 000	846 300	6.84
3. Elo Eliisa	4 775 000	2 631 036	5.74
4. Elo Mutual Pension Insurance Company		4 545 454	3.52
5.Vauhkonen Mikko	3 975 000	363 810	3.36
6. Ilmarinen Mutual Pension Insurance Company		3 720 562	2.88
7. Finnish Cultural Foundation	1 000 000	2 158 181	2.45
8. Toivanen Jouko	1 000 000	1 912 558	2.26
9. Varma Mutual Pension Insurance Company		2 813 948	2.18
10. Fennia Mutual Insurance Company		1 515 151	1.17

The members of the Board and Managing Director control 5 810 000 K shares and 1 813 179 A shares representing 46.51 % 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 examining soapstone reserves for over 30 years, for example by using the expert services of the Geological Survey of Finland. The aim of examination has been to evaluate current soapstone reserves in greater detail as well as to seek new soapstone reserves.

Tulikivi Corporation's stone supplies and reserves total over 8 million m³. Examined and evaluated deposits are located at Nunnanlahti, Kuhmo, Paltamo and Suomussalmi. The company has in total eight valid mining patents: two at Suomussalmi, one at Kuhmo, one at Paltamo and four at Juuka. The total area of the mining patents is 340 ha. Soapstone is currently quarried and products are manufactured at Nunnanlahti and Suomussalmi. In 2015, the examination of deposits focused on Nunnanlahti. Examination of potential deposits and further work on current deposits will continue in 2016.

Stone supplies used sparingly

In geographic terms quarrying is limited to small areas in comparison with, for example, clear cutting of forest resources. A total of approximately 100,000 cubic metres of soapstone is annually quarried from the company's quarries. Approximately 20,000 cubic metres of quarried soapstone is delivered to three soapstone factories. Adjoining rock, which is not part of the deposits, is quarried annually just under 70 000 cubic metres. Soil needs also to be moved when excavating quarries in order to access the deposits, from time to time. When a quarry is closed, the area will be made safe and the quarry's stacking area will be landscaped. In accordance with Tulikivi's environmental strategy, sparing use of natural resources is considered important. The overall yield of raw material is improved through development of the production technologies and product development as well as taking account of the properties of raw material. Tulikivi's strategic objective 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 rapeseed oil is used for lubricating the blades. The rainwater entering the quarry is pumped into sedimentation pools through measurement pits. Water samples are taken three times a year in order to monitor the environmental impact of the quarrying operation. Watering is used to prevent the dust from spreading. The noise from the extraction is mainly sawing and machine noise. The noise levels emitted from quarrying are within the permitted limits. In the quarrying work, the explosion breaking of adjoining rock takes place once a week, on average.

Quarrying process accords with environmental and mining permits

The principal goals of Tulikivi's operations are as follows: a safe and healthy working environment, the sparing use of natural resources and the management of quarrying and production processes that minimizes adverse environmental effects. Tulikivi takes environmental considerations into account in its procurement of raw materials, in production and in the end products. Tulikivi monitors the environmental effects of its operations in accordance with officially approved monitoring programmes. Tulikivi has permits for its entire production and for the storage and use of blasting materials, granted by the environmental and mining authorities.

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 responsi-bilities 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

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 2015.

Customers generated a total of EUR 32.0 million (39.3) 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 7.3 million (5.5) to suppliers of goods and semi-finished products and EUR 12.7 million (15.9) to service providers. In addition, the company paid EUR 0.3 million (1.1) for machinery and equipment.

Employees' salaries and bonuses totalled EUR 9.4 million (11.2), and the related pension and other insurance contributions were EUR 2.2 million (2.6). The effect of the restructuring provision has been accounted for in the figures for the period.

Finance providers were paid EUR 0.9 million (0.9) net in interest and other financial expenses. Shareholders were paid no dividends for 2015 or for 2014.

Social responsibility

Tulikivi initiated a performance improvement programme in the end of 2013. It included, among other measures, cost reductions.

The significant part of cost reductions has been materialized in a decrease in personnel costs.

In 2015, these reductions were mainly fulfilled as lay-offs. However, less than 10 person were laid off for the time being.

In addition, the reduction in the size of the management board and the renewal of the composition of the management, decreased personnel costs. Personnel cost will be decreased in full as of 2016.

Development projects focused on the further improvment of the fire place and sauna collections.

Projects related to sales and online shopping were proceeded as planned. In addition, server and workstation architecture were updated. These development projects had influence on the job descriptions of the personnel. E-mail system of the group was also renewed in the beginning of the year.

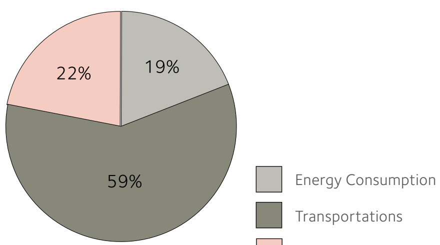
Educational actions concentrated mainly on the control of current situation. This included obtaining knowledge about relevant legislation and rules as well as education related to safety at work.

Learning at work is the most significant way of obtaining knowledge in the company.

The adoption of apprenticeship training is increasing.

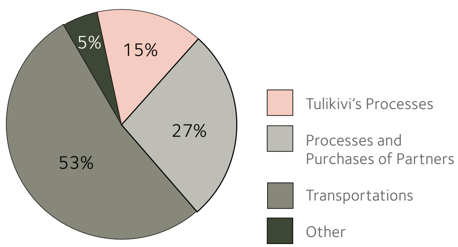
During the accounting period, two persons

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.

finalized their educational program. In the end of accounting period, six persons participated in educational program. Two of them were white-collar workers and six of them were blue-collar workers.

During the accounting period, the personnel of the group was 219 on average (281 in 2014) and 276 in December 31, 2015 (292). The average of the personnel is based on the period of employment, which means that temporary dismissals have been reduced from this amount.

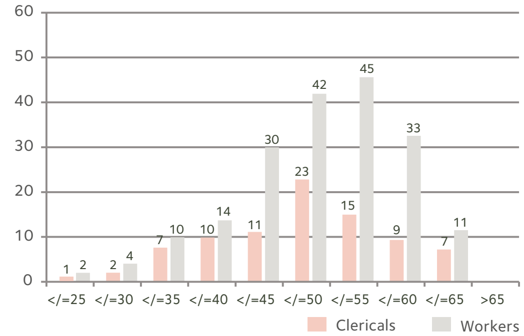
The focus of the occupational health service is on preventative actions, but basic medical care is also a part of occupational healthcare. Under the early intervention model used, discussions on a person's ability to work are conducted after each 40 hours of sickness absence over a 12 month monitoring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

In the scheme to promote initiatives by personnel, a total of 62 (98) new initiatives were submitted during 2015. The frequency of accidents was 24 (25) accidents per one million working hours.

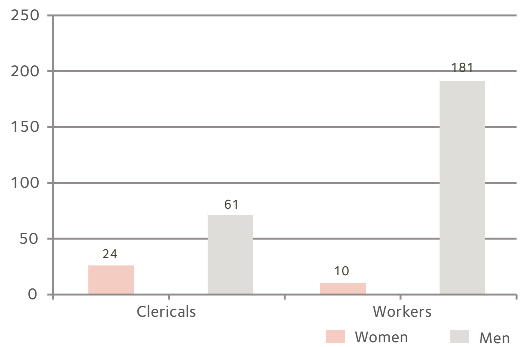
Community spirit

Tulikivi Corporation is a member of numerous organisations and forums, including the Confederation of Finnish Construction Industries, the Federation of Finnish Enterprises, the 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, 2015



Gender Distribution of Personnel, Dec. 31, 2015




Tulikivi
Fireplaces
Tulikivi

Fireplace For Air-Heated Floors

New Tulikivi Green fireplace for air-heated floors, developed by Tulikivi in collaboration with Legalett.

With a Tulikivi fireplace and Legalett's underfloor air-circulation ducts, a major share of the heat from the Tulikivi fireplace can be directed to the air-heated floor system. The fireplaces suitable for air-heated floors are Tulikivi's modern power heater collection, such as the Valkia and Sarmi models and the Norva, which also features a slow cook oven. In these modern power heater fireplaces, the air is circulated and heated within a double-walled structure.

The air is not in contact with the hot combustion gases or the flames, but instead the heat is slowly and safely transmitted from the fireplace stone to the circulating air.

This heat is transferred to the Legalett air ducts over the course of several hours after the fireplace has been in use. The heated air circulates within the closed Legalett ducts in the floor system, transferring the heat around the home. The heat is retained in the floor. Room temperatures can be regulated automatically with thermostats.

Air-heated floors eliminate the risk of damage from moisture. The Legalett floor is of a greater mass than a conventional floor. This large heat-retaining mass releases its heat evenly into the home.

Tanka Room Heaters For Compact Spaces

New Tanka room heaters are compact units designed to provide heat quickly.

Tulikivi expanded its fireplace collections to include various basic heaters. The new Tanka room heaters are convenient quick heaters that are especially suitable for holiday homes and second homes, where the aim is often to provide heat quickly. These are convection heaters, providing warmth in a room by generating warm air that rises and causes the air in the room to circulate.

The Tanka room heaters come in six different sizes and design variations, each based on the same firebox. Depending on the model, the heater can be clad in black steel or in soapstone, which comes as natural grey or with a black or white finish added. The Tanka heaters do not retain heat, unlike the Tulikivi heat-retaining fireplaces, which give out a gentle radiant heat over a long period. The Tanka heaters that are clad in soapstone nevertheless store heat in the stone for a short while, in contrast to the steel-clad options.

New Store in Seinäjoki

Tulikivi part of the House2 store.

Fireplaces and other products can be viewed on both floors of this store. The selection of almost 20 Tulikivi fireplaces includes both soapstone and ceramic models. The store also features a working Tulikivi Jalanti fireplace with bakeoven for the delight of customers, who can also test it. There are also five Tulikivi electric and two wood-burning sauna heaters on display.

Tulikivi Fireplace With Bakeoven Voted Best

Tulikivi's TLU2637/11 heat-retaining fireplace with bakeoven was voted the best in a competition run in late 2014 on the websites of K-Rauta and Rautia.

The TLU2637/11, an ever-popular choice among Tulikivi's soapstone bakeovens, perfectly meets users' needs for both heating and baking. Thanks to the heating technology developed by Tulikivi, the entire fireplace heats evenly from top to bottom, maximising the heat retention. Its spectacular 83% efficiency saves wood and improves convenience.

Locally Produced Energy Campaign

Tulikivi was present at the Locally Produced Energy campaign event organised by the Finnish Clean Energy Association at Kamppi in Helsinki in May. Tulikivi also took part in a panel discussion that focused on new energy solutions. The event featured almost 50 exhibitors.
The main goal of the event was to focus the spotlight on renewable, locally produced energy and to offer people a convenient opportunity to put questions to the experts present.

Key Partner at Housing Fair Finland

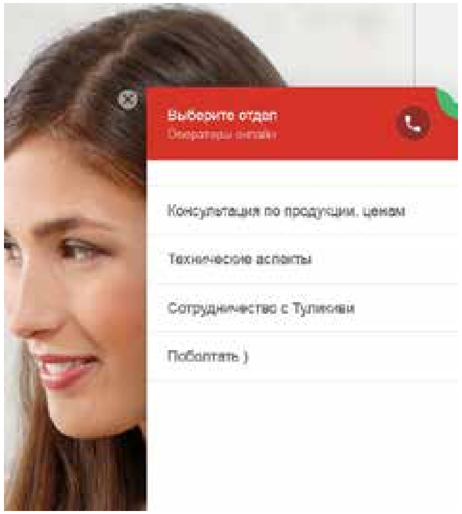
Tulikivi was one of the key partners at the 2015 Housing Fair. The Housing Fair took place over the period 10 July – 9 August at Kivistö in Vantaa, near the Ring Rail Line and Helsinki Airport. The themes of the 2015 Housing Fair were everyday convenience and diversity in housing. The housing designs paid special attention to adaptability and the full housing life cycle. The Housing Fair site featured 28 newly constructed low-rise housing designs, with a total of 41 homes to visit.
Tulikivi's Kuura, Huurre and Naava electric sauna heaters were among the products on show in the Housing Fair homes.
At Tulikivi's stand, Ua13, we presented the products on display in the show homes as well as our very latest fireplace and sauna heater products. We also made sure there was a lot going on at the stand over the course of the Housing Fair. The smell of fresh bread from the bakeoven tempted visitors on a number of days.

Tuisku XL Suitable for Larger Saunas too

Tulikivi launched an XL-sized electric sauna heater.

This can take up to 120 kilos of sauna stones in its stone compartment. The soapstone clad Tuisku XL heater provides a very impressive and enjoyable sauna experience even in larger sauna rooms. It is suitable for shared saunas in apartment blocks and elsewhere, and also for larger home saunas. A bigger sauna heater is also useful if the sauna room has a glass wall or a large area of tiling, as these cause heat loss. The Tuisku XL is clad in ribbed soapstone, which stores heat efficiently and releases it slowly. This ensures that the sauna room is properly dried after use. The ribbed finish also enhances the visual appeal of the sauna heater.

Chat with us



In Russia and Finland a chat service was implemented as a new customer service channel.

Board of Directors

Jyrki Tähtinen (b.1961)
LL.M, MBA, Attorney at Law. Member of the Board of Directors of Tulikivi Corporation since 2015. Chairman of the Board since April 13, 2015.

Other key positions of trust: Chairman of the Board of Directors of Borenius Attorneys Ltd., Member of the Boards of Directors of JSH Capital Oy, PKC Group Oy.

Primary work experience: Borenius Attorneys Ltd. : President and CEO 1997-2008, Partner since 1991, and prior to this, has worked as a lawyer for other law firms and for the City of Helsinki since 1983.

Tulikivi Corporation share ownership:
Series A shares: 42 553 pieces

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

Other key positions of trust: Member of the Boards of Directors of Digital Foodie Ltd., Goodwiller Ltd., Mikrobioni Ltd., Orthodox Chruch Museum Foundation of Finland, Potwell Ltd. Chairman of the Board of Directors of Saimaan Juomatehdas Ltd. and Chairman of the business department of the Finnish Forest Center, Shareholder/partner at Boardman Ltd.

Primary work experience: Järvi-Suomen Portti Ltd: Managing Director 2008-2011, Karelia-Upofloor Ltd: Managing Director 2006-2007, Savon Voima Plc: Managing Director 2004-2006, Olvi Plc: Managing Director 1985 -2004, CFO 1983-1985 , IS-Yhtymä Ltd: CFO 1977-1982, part-time authorized public accountant in a number of companies 1984-2003.

Tulikivi Corporation share ownership:
Series A shares: 159 453 pieces

Reijo Svanborg (b. 1943)
Engineer. Member of the Board of Directors of Tulikivi Corporation since 2015,Member of the Audit Committee since 2015.

Other key positions of trust: Member of the Boards of Directors of Enero Ltd, Finndomo Ltd, Fiskarhedenvillan AB, Hakaniemen Metalli Oy/ High Metal Production Ltd. Chairman of the Board of Directors of Talokaivo Ltd.

Primary work experience: Finndomo Ltd: Managing Director 2001-2007, Tulikivi Corporation: Managing Director 1997-2001, Tebelmkt/Tetra Pak Tebel N.B.V: Managing Director 1990-1996, Oy Hackman Ab: Strategy Director 1989-1990, Hackman Catertec Oy: Managing Director 1983-1989.

Tulikivi Corporation share ownership:
Series A share 42 553 pieces

Heikki Vauhkonen (b.1970)
LLB, BBA, Member of the Board of Directors of Tulikivi Corporation since 2001, Managing Director April 2007 – April 2013, Chairman of the Board April 16, 2013- August 22, 2013, Managing Director 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, Member of the Superivisory Board of Fennia since 2011, Member of the Board of Directors of Suomen Lähienergialiitto ry since 2015, Member of the Board of Directors of Rakennusteollisuus RTT ry since 2012, Chairman of the Board of Directors of the Finnish Stone Research Foundation since 2015.

Primary work experience: Tulikivi Corporation: Managing Director August since 2013, Chairman of the Tulikivi Board of Directors April 2013- August 2013, Managing Director 2007-April 2013, Marketing Director 2002-2007, Tulikivi U.S., Inc.: Vice President 1997-2001.

Tulikivi Corporation share ownership:
Series A shares 1 123 090 pieces
Series K shares 5 809 500 pieces

Reijo Vauhkonen b. 1939)
M.Sc. (Civil Eng.) Founder of the company, Member of the Board of Directors of Tulikivi Corporation 1980-2009, since 2015.

Primary work experience: Tulikivi Corporation: Member of the Board of Directors 2002-2009, Full-time Chairman of the Board of Directors 1990-2002, Managing Director 1980-1989, founder.

Tulikivi Corporation share ownership:
Series A-shares 438 030 pieces

Tulikivi's Board of Directors from left to right:

Jyrki Tähtinen, Markku Rönkkö, Reijo Svanborg, Heikki Vauhkonen and Reijo Vauhkonen

Management Group

Heikki Vauhkonen (b. 1970)
LLB, BBA, Member of the Board of Directors of Tulikivi Corporation since 2001, Managing Director April 2007 – April 2013, Chairman of the Board April 16, 2013- August 22, 2013, Managing Director 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, Member of the Supervisory Board of Fennia since 2011, Member of the Board of Directors of Suomen Lähienergialiitto ry since 2015, Member of the Board of Directors of Rakennusteollisuus RTT ry since 2012, Chairman of the Board of Directors of the Finnish Stone Research Foundation since 2015.

Primary work experience: Tulikivi Corporation: Managing Director August since 2013, Chairman of the Tulikivi Board of Directors April 2013- August 2013, Managing Director 2007- April 2013, Marketing Director 2002-2007, Tulikivi U.S., Inc.: Vice President 1997-2001.

Tulikivi Corporation share ownership:
Series A shares 1 123 090 pieces
Series K shares 5 809 500 pieces

Saskia Kerkkanen (b. 1975)
BBa & Ba (Hons.) Marketing Manager. Member of the Management Group since 2015. Has worked for Tulikivi since 2012.

Primary work experience: Tulikivi Corporation: Marketing Manager since 2013, Digital Marketing Planner 2012-2013, Aplicom Oy: Marketing communications coordinator 2005-2012, Iittala Group: Project Manager 2004, Communications Assistant 2003-2004, Personal Assistant to CEO 2002-2003.

Tulikivi Corporation share ownership:
No shareholding

Simo Kortelainen (b. 1980)
M.Sc. (Econ.) Manager of Soapstone Production and Quarrying. Member of the Management Group since 2015. Has worked for Tulikivi since 2008.

Primary work experience: Manager of Soapstone Production and Quarrying since 2015, Production Control Specialist 2014-2015, Accounting and Information System Specialist 2011-2013, Accounting Consultant (entrepreneur)

Tulikivi Corporation share ownership:
No shareholding

Markku Prättälä (b. 1967)
Automation technician. Sales Director, Finland. Member of the Management Group since 2015. Has worked for Tulikivi since 2006.

Primary work experience: Tulikivi Corporation: Sales Director, Finland since 2015, Sales Manager 2013-2015, Factory and Product Manager 2009-2013, Sales Manager/Kermansavi-fireplaces 2006-2008, Kermansavi Oy: Sales Manager 2004-2006, Varkauden Educa: Managing Director 2003
Tulikivi Corporation share ownership:
Series A shares 15 525 pieces

Martti Purtola (b. 1966)
M.Sc (Eng.) Sales Director, Germany and lining stones. Member of the Management Group since 2015. Has worked for Tulikivi 1999-2005 and since 2008.

Primary work experience: Tulikivi Corporation: Sales Director, Germany and lining stones since 2015, Director, saunas and design fireplaces 2011-2014, Business Development Manager 2009-2011, Product Manager 2008-2009, Kesla Oyj: Sales Manager 2006-2008, Tulikivi Corporation: Product Manager 2003-2006, Kiantastone Oy: Marketing Manager 1999-2002, Halton Oy: product development engineer 1996-1999, Enerpac Oy: Sales Engineer 1992-1996.

Tulikivi Corporation share ownership:
Series A shares 15 000 pieces

Jari Sutinen (b. 1962)
D.Sc.(Tech.) M.Sc. (Eng.). Product Development Manager. Member of the Management Group since 2015. Has worked for Tulikivi since 2005.

Positions of trust: Member of the Varparanta water cooperative since 2007.

Primary work experience: Tulikivi Corporation: Product Development Manager since 2009, Laboratory Manager 2005-2009, IVO Consulting/Fortum Engineering /Enprima Engineering Ltd, research engineer, product manager, Engineering Consultant 1998-2005, Tampere University of Technology: researcher 1990-1998.

Tulikivi Corporation share ownership:
Series A shares 15 000 pieces

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

Positions of trust: Member of the Board of Directors of the Finnish Natural Stone Association.

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

Tulikivi Corporation share ownership:
Series K shares 100 000 pieces
Series A shares 1 912 558 pieces







The Management Group from left to right:

Heikki Vauhkonen, Saskia Kerkkänan, Simo Kortelainen, Markku Prättälä, Martti Purtola, Jari Sutinen and Jouko Toivanen

Corporate Governance Statement 2015

The administration of Tulikivi Corporation and its subsidiaries is based on the law, the Articles of Associ-ation and the Finnish Corporate Governance Code, which entered into force on 1 October 2010.The company complies with the NASDAQ OMX Helsinki Guidelines for Insiders. 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 is 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 publicly available on the Securities Market Association website at www.cgfinland.fi/en/.

Tulikivi Corporation prepares its consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU. In communications, the Group complies with the Securities Markets Act, the 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 Group are the parent company Tulikivi Corporation, AWL-Marmori Oy, Tulikivi U.S. Inc., OOO Tulikivi and Tulikivi GmbH. Group companies also include The New Alberene Stone Company Inc., which no longer has any business operations.

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 administra-tion 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 fewer than five and no more than seven members. The Annual General Meeting elects the members of the Board for one year at a time. 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 13 April 2015 decided that the Board shall have five members.

The personal information of the Board members:

- Jyrki Tähtinen, b.1961.Chairman of the Board. LL.M., MBA, attorney-at-law. Board membership in several companies.
- Markku Rönkkö, b.1951.M.Sc. (Econ. & Bus. Adm.). Board membership in several companies.
- Reijo Svanborg, b .1943.B.Sc. (Eng.). Board membership in several companies.
- Heikki Vauhkonen, b.1970.Managing Director of Tulikivi Corporation. LL.B., B.Sc. (Econ. & Bus. Adm.).
- Reijo Vauhkonen, b.1939.M.Sc. (Civil Eng.). Industrial Counsellor. Founder of Tulikivi..

Markku Rönkkö, Reijo Svanborg and Jyrki

Tähtinen are Board members who are independent of the company.

The current composition of the Board deviates from the recommendations of the Finnish Corporate Governance Code. The reasons for this include sector-specific expertise and the small size of the Board.

From 1 January to 13 April 2015, the members of the Board 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 reward 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; and 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 of its shareholders.

In 2015, the company's Board of Directors convened 16 times. The average participation rate of the Board members in these meetings was 95.6 per cent. The attendance of each member at the meetings is shown in the table on the right.

Board Committees

The Board of Directors has two committees: the Nomination Committee and the Audit Committee. The Board of Directors appoints the members and chairmen of the committees.

The Nomination Committee was composed of Jyrki Tähtinen (Chairman), Markku Rönkkö (member) and Heikki Vauhkonen (member). The duties of the Nomination Committee include the preparatory work for 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 twice in 2015.

The members of the Nomination Committee:

- Jyrki Tähtinen, b.1961. LL.M., MBA, attorney-at-law. Chairman. B.Sc. (Eng.). Board membership in several companies.
- Markku Rönkkö, b.1951.M.Sc. (Econ. & Bus. Admin.). Board membership in several companies.
- Heikki Vauhkonen, b.1970. LL.B., B.Sc. (Econ. & Bus. Adm.). Managing Director of Tulikivi Corporation.

The Audit Committee was composed of Markku Rönkkö (Chairman), Reijo Svanborg (member) and Heikki Vauhkonen (member)The Audit Committee's task is to assist and expedite the work of the Board by dealing with issues associated with the company's financial reporting and control and ensuring communication with the auditors. The Audit Committee met four times in 2015.The average participation rate of the committee members in these meetings was 100 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 provided by the Board of Directors. The Managing Director must ensure 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 performance of the Board's 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 operational management, the implementation of the budget, the Tulikivi Group's financial result and the activities of his or her subordinates.

Management Group

In operational management and planning, the Management Director has been assisted by the Management Group, the members of which are as follows, in addition to the Managing Director himself: Jouko Toivanen, Director of Finance and Administration, Markku Prättälä, Sales Director, Finland, Saskia Kerkkänen, Marketing Manager, Martti Purtola, Sales Director, Germany and Sales Manager, Lining Stones, Jari Sutinen, Product Development Manager and Simo Kortelainen, Production Manager, Soap-stone Business and Quarrying, Juuka. The Management Group met 46 times in 2015.

Description of the main characteristics of the internal control and risk management systems associated with the financial reporting process

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

Jan.1-Dec. 31, 2015	Board meetings	Audit Committee	Nomination Board
Jyrki Tähtinen	11/11		
Markku Rönkkö	16/16	4/4	2/2
Reijo Svanborg	11/11	3/3	
Heikki Vauhkonen	16/16	3/3	2/2
Reijo Vauhkonen	8/11		
Harri Suutari (until 13 April)	5/5		2/2
Olli Pohjanvirta (until 13 April)	5/5		
Pasi Saarinen (until 13 April)	5/5	1/1	
Nella Ginman Tjeder (until 13 April)	5/5	1/1	
Anu Vauhkonen (until 13 April)	4/5		

1. Description of the control environment

Tulikivi’s business idea and values

The Tulikivi Group specialises in fireplaces, sauna heaters and interior stone products that are of a high quality and made from natural materials. Our customers appreciate the environmentally friendly and aesthetically pleasing nature of our products, the comfort created by these products and the benefits of wood heating. Tulikivi is a versatile company that appreciates its customers, entrepreneurship and fair play.

Environmental Policy

Engaging in mining activities requires the forming of a mining concession and an environmental permit. Mining operations are regulated by the Mining Act and environmental legislation. The director in charge of quarrying is responsible for ensuring 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 and to manage processes and products in a way that minimises their environmental loading. The Group complies with the environmental legislation and norms that concern its operations, and, through the continuous improvement of Tulikivi’s operations, it engages in preventive 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.

In the Tulikivi Group, risk analysis and risk management form part of the regular strategic planning process performed each year and also part of the operational management. 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.

Responsibilities

Based on organisational structure and job descriptions, powers and responsibilities are delegated to persons with budgetary responsibility and to those in charge within in the line organisation. Compliance with laws and regulations is ensured through the operational handbook and other internal guidelines.

In 2015, the focus of operations was on optimising the use of information systems and improving the quality of reporting. The enterprise resources planning system contains the necessary internal control mechanisms.

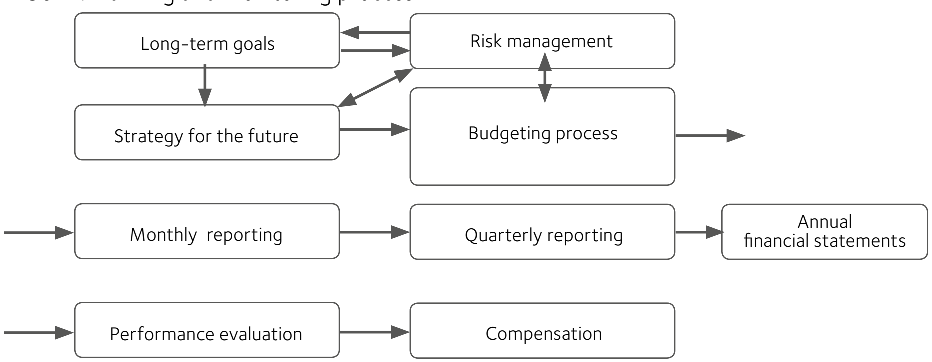
Internal control is performed by the parties listed above, using external experts as necessary. In 2015, auditing focused on the organisation and reporting of internal control, sales functions, controls regarding the purchasing process and payment transactions, and inventories and assets. In view of the Group’s size 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.

FIGURE: Division of responsibilities in internal control and risk management

Responsible person/group	Responsibilities
Board of Directors	- establishes guidelines for internal control - ensures effective monitoring - approves risk management principles - reviews auditors’ reports - establishes incentive systems
Audit Committee	- evaluates the efficiency of internal control - attends to issues related to reporting - maintains contact with auditors
Managing Director, assisted by the Management Group	- oversees the different areas of internal control and ensures their efficiency - ensures operational compliance with company values - adjusts operating principles and policies - ensures efficient and appropriate use of resources - establishes control mechanisms (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	- delegate specific control tasks in their respective areas of responsibility to people responsible for different operations - ensure the efficiency of internal control in their respective areas of responsibility - oversee risk management in their areas of responsibility
Director of Finance and Administration	- internal accounting: monitoring and analysis of results - external accounting and reporting
Auditor	- statutory audits - expanded audits assigned by the Board of Directors or the Audit Committee - reports to the Board of Directors and the Audit Committee

FIGURE: Planning and monitoring process



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

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 person in charge 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 the operating profit based on the interim reports or annual financial state-ments. The Managing Director must also report immediately on fundamental changes in the operating environment. The relevant persons in charge 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. The accounts and reporting of foreign subsidiaries are handled locally, using qualified ac-counting firms or external experts. The parent company's auditors compare the contents of the Russian subsidiary's Russian reporting with 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 reported divergences from the budget and operating plans call for closer analysis to find the underlying causes.

FIGURE: Risk identification and management

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

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 external experts and services.

To ensure the effectiveness of financial reporting, the Tulikivi Group has guidelines that all units must comply with. Organisational competence is ensured through briefings and training. Accounting schedules and any changes to accounting policies and laws are reviewed in preparatory meetings related to 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 assessment of the reporting accuracy. The evalua-tion also includes studying the risks associated with malpractice and illegal activity. The auditors audit the contents of the deviation reporting during the extended audit. The Management Group members monitor the accuracy of result reporting on a monthly basis and, within their respective areas of responsibility evaluate the reasons for any deviation.

4. Communications

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

The Managing Director is responsible for com-munications at the Tulikivi Group. The Group's communications guidelines 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 separately on the basis of audit reports. In financial reporting, continuous monitoring measures include comparing goals with actual results, implementing reconcilia-tions 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-estab-lished, and external 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 was KPMG Oy Ab, Authorised Public Accountants.

Salary and Remuneration Report 2015

Board Members

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

The annual remuneration of the members of the Board of Directors was EUR 18 000 as of 13th April 2015 (the annual remuneration prior to date was EUR 18 000 respectively), of which 60 per cent was paid in cash and 40 per cent in the form of Series A shares of Tulikivi Corporation.

Consequently, each member of the Board of Directors received 42 553 Series A shares.

The shares were acquired on the stock exchange. Members of the Board are not allowed to assign any shares received in this manner until their membership expires, unless the Board of Directors grants express permission in advance for a specific case.

In addition, the part-time Chairman of the Board of Directors was paid a monthly fee of EUR 4 500 and the member of the Board responsible for secretarial duties received a monthly fee of EUR 1 400 (1 400).

The members of the Board's Audit Committee and Nomination Committee were paid a meeting attendance allowance of EUR 330 (330) per meeting.

In 2015, no other fees than those related to their duties on the Board and the committees, were paid to the members of the Board of Directors.

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

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 in the incentive plan, annual incentive payment (variable) and a share-based payment. The Board of Directors decides the Managing Director's salary, fees and other terms of his service contract.

The incentive plan for the other members of the Management Group and for the managing directors of foreign subsidiaries is determined 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 was EUR 175 951 (183 562) in 2015. The Managing Director received no fee on the basis of the incentive plan in 2015. The Managing Director's period of dismissal is three months. If the company terminates his service contract, the period of dismissal is 12 months. A separate severance payment will not be paid at the termination of the service contract.

The fixed salaries of the other members of the Management Group and of the managing directors of foreign subsidiaries were EUR 671 852 (436 054) in 2015, while the variable part of salary based on sales growth paid in 2015 was EUR 12 000 (45 000).

In addition to the statutory pension, the Managing Directors had a supplementary pension plan in force until February 28, 2014. 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 2015, the pension

plan did not incur any costs (in 2014, the cost was EUR 4 056).

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 authorization 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 approximately 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 to 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. The EBITDA target was not met in the 2015 reporting period, and hence stock options were not issued in 2015.

Incentive pay scheme

The Tulikivi Corporation has an incentive pay scheme for the whole personnel. The Board of Directors determines the earnings criteria and the amount of the incentive pay. 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 prepared.

The incentive pay scheme covers the whole personnel and is based on the consolidated result. The result for 2015 (2014) did not justify the incentive payment.

Audit

The auditor is appointed 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 2015, the auditing company was paid a total of EUR 74 163 (75 682), of which the portion of statutory audit amounted to EUR 62 675 (57 280).

Annual fees paid to members of the Board of Directors in 2015 for their Board and committee work (EUR):

	Annual remunerations	Audit Committee	Nomination Committee	Total
Rönkkö Markku, Member of the Board, Secretary of the Board	34 800	1 320	660	36 780
Svanborg Reijo, Member of the Board	18 000	990		18 990
Tähtinen Jyrki, Member of the Board, Part-time Chairman of the Board	57 150			57 150
Vauhkonen Heikki, Member of the Board	18 000	990	660	19 650
Vauhkonen Reijo, Member of the Board	18 000			18 000
Ginman-Tjeder Nella, Member of the Board (until 13th April 2015)		330		330
Saarinen Pasi, Member of the Board (until 13th April 2015)		330		330
Suutari Harri, Member of the Board, Part-time Chairman of the Board (until 13th April 2015)	15 075		660	15 735
Total	161 025	3 960	1 980	166 965

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 20, 2016, 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 29, 2016. Copies of these documents will be sent to shareholders upon request. The right to participate in the Annual General Meeting rests with a shareholder who by April 8, 2016 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 10, 2016, either by telephoning at +351 207 636 251 or +358 207 636 322 (Monday to Friday 8.00 a.m. to 4 p.m., excluding Good Friday on 25 March and Easter Monday on 28 March) by emailing: kaisa.toivanen@tulikivi.fi; by faxing: +358 20 605 0701 or by writing: Tulikivi Corporation / Annual General Meeting, FI-83900 Juuka. Holders of nominee registered shares: instructions for the partisipants in the general meeting in address www.tulikivi.com> Investors>General Meeting> General Meeting 2015.

Payment of Dividends
The Board of Directors proposes to the Annual General Meeting that the dividend will not be paid for year 2015.

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 2016:

Financial Statement Release for 2015
February 5, 2016
Annual Report for 2015
week 12
Interim Report for January –March
April 28, 2016
Interim Report for April-June
August 4, 2016
Interim Report for July-September
October 27, 2016

The Annual Report, Interim Reports and the company's stock exchange releases 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 2015

11.12.2015	Tulikivi Corporation has concluded an agreement with its finance providers on the 2016–2018 repayment programme and its terms
26.11.2015	Tulikivi Corportion´s General Meeting and financial releases in 2016
22.10.2015	Interim report, 1 January – 30 September 2015
07.08.2015	Interim report, 1 January – 30 June 2015
11.05.2015	Outcome of codetermination negotations: savings of EUR 0.5 millions
29.04.2015	Tulikivi Corporation´s Management Group
29.04.2015	Interim report, 1 January – 31 March 2015
13.04.2015	Resolutions of the Annual General Meeting of Tulikivi Corporation and organization of the Board
13.04.2015	Proposal regarding Election of Members of Board of Directors at General Meeting
31.03.2015	Changes to Tulikivi Corporation's Management Group
20.03.2015	Annual Report 2014
20.03.2015	Notice to the General Meeting of Tulikivi Corporation
06.02.2015	Corporate Governance Statement 2014
06.02.2015	Financial statements release Jan-Dec 2014
26.01.2015	Tulikivi Corporation lowers its full-year net sales and operating result forecast
15.01.2015	Vesting criterion of Tulikivi Corporation stock options 2013A and 2013B market value of stock options 2013 B

Board of Directors' Report and Financial Statements of Tulikivi Corporation for year 2015

These are the financial statements of Tulikivi Corporation, that have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards as well as the SIC and IFRIC interpretations upon force as at December 31, 2015. The term IFRS refers to the standards and interpretations upon these in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also conform with Finnish Accounting and Corporate Legislation.

The consolidated financial statements are presented in thousands of Euros.

Board of Directors' Report

Operating environment

The demand for fireplaces in Finland was weakened by the low level of low-rise housing construction and renovation projects and by weak consumer confidence. Low-rise housing construction has begun to increase in the EU, which will boost the performance of the fireplace market in the near future. In Russia, the demand for Tulikivi products is low as a result of economic uncertainty.

Net sales and result

The Tulikivi Group's fourth-quarter net sales totalled EUR 9.0 million (EUR 10.7 million for Q4/2014). The operating result was EUR 0.1 (-0.2) million, and the profit before taxes was EUR -0.3 (-0.5) million. The operating result before non-recurring expenses was EUR 0.1 (0.0) million.

Tulikivi Corporation's net sales for the fourth quarter were low as a result of a challenging market.

The Tulikivi Group's net sales in 2015 totalled EUR 32.0 million (EUR 39.3 million in 2014). The operating result was EUR -2.9 (-2.4) million, and the profit before taxes was EUR -3.9 (-3.3) million. The operating result before non-recurring items in 2015 was EUR -2.2 (-1.0) million. Earnings per share were EUR -0.06 (-0.04) for the financial year.

The company's order books at the end of the year amounted to EUR 3.9 (4.2) million. In the fourth quarter, the company's order intake was EUR 8.2 (9.3) million.

Net sales in Finland were EUR 15.1 (17.9) million in 2015, or 47.2% (45.6%) of total net sales. Exports amounted to EUR 16.9 (21.4) million in net sales. The principal export countries were Sweden, France, Germany, Russia and Denmark. Tulikivi entered into several cooperation agreements on fireplace deliveries to the home-building industry. The renewed ceramic fireplace collection has been positively received. Net sales of the new design sauna heaters performed well in Finland at the annual level.

Performance improvement programme

On 8 August 2013, Tulikivi issued a stock exchange release announcing a performance improvement programme to improve 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.

As part of the programme, the company cut its fixed costs by EUR 5 million in total in 2014 and 2015. In addition, it implemented production rationalisation measures, including the centralisation of its soapstone fireplace production and the renewal of its ceramic fireplace collection. Due to a decrease in net sales, the company did not gain the expected benefits from reorganising its production in line with the performance improvement programme. Due to the weak market situation, the company did not achieve its sales growth targets as part of the performance improvement programme.

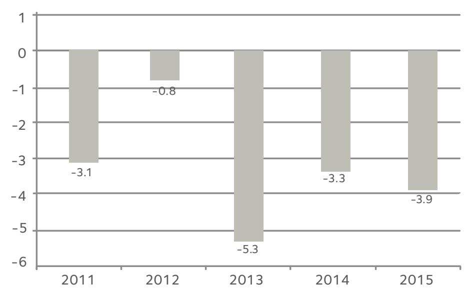
The performance improvement programme generated non-recurring expenses of EUR 2.9 million in 2013 and EUR 1.4 million in 2014. The programme resulted in non-recurring expenses of around EUR 0.7 million in 2015. No more non-recurring expenses are expected for 2016. To increase profitability the company will continue to improve its operational efficiency by aiming to implement savings of EUR 1.0 million in fixed costs in 2016. The company also aims to free up EUR 1.0 million in working capital by reducing its inventory in 2016.

Financing

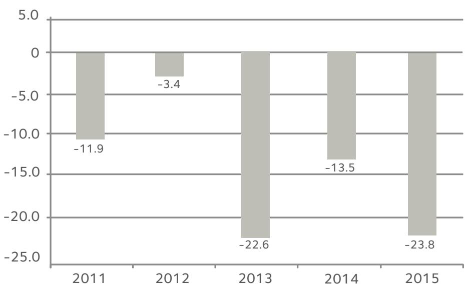
Net cash flow from operating activities during the financial year was EUR 0.8 (-2.1) million. Working capital increased by EUR 1.8 (-2.1) million during the financial year. The decrease in inventory achieved through operational efficiency measures totalled EUR 1.4 million in the financial year. At the end of 2015, working capital stood at EUR 5.5 (7.3) million.

Loan repayments totalled EUR 2.2 million in the financial year. Interest-bearing debt stood at EUR 17.8 (20.0) million at the end of the financial year, and net financial expenses for the financial year were EUR 1.0 (0.9) million. The Group's equity ratio at the end of the financial year was 36.9% (39.0%). The ratio of inter-est-bearing net debt to equity, or gearing, was 113.4% (89.8%). The current ratio was 1.7 (1.6). Equity per share was EUR 0.24 (0.30). At the end of the financial year, the Group's cash and other liquid assets totalled EUR 1.4 (3.7) million.

Result Before Income Tax, MEUR



Return on Equity, %



Development of the Sales, MEUR

On 11 December 2015, Tulikivi Corporation signed a financing agreement with its finance providers concerning the 2016–2018 repayment programme in relation to the respon-sibilities of the finance providers and the additional collateral and loan covenants to finance providers. The adjustment measures resulted in non-recurring expenses of around EUR 0.15 million for the last quarter of 2015. On account of this, the finance providers also granted Tulikivi Corporation a waiver from compliance with the covenant conditions at 31 December 2015. The financing agreement includes covenants concerning EBITDA, the equity ratio and the ratio of debt to EBITDA. The company's management estimates that the company will fulfil the cove-nants in 2016. The average interest rate on the company's loans remained at the previous year's level.

Investments and product development

The Group's investments for the financial year totalled EUR 1.1 (2.4) million.

Its research and development expenditure was EUR 1.0 (1.4) million, or 3.1% (3.5%) of net sales. EUR 0.3 (0.3) million of this was capitalised on the balance sheet. In product development, the focus is on developing the soapstone fireplace collection, making good use of the advantages of soapstone as a fireplace and interior design material.

Personnel

The Group employed an average of 219 (249) people during the financial year. Salaries and bonuses during the financial year totalled EUR 9.4 (11.2) million. The number of personnel will be adjusted through lay-offs in accordance with the level of demand. In addition to temporary lay-offs, six members of the office staff have been laid off for the time being. Salaries during the financial year included EUR 0.3 (0.4) million in non-recurring expenses. The Tulikivi Group has an incentive pay scheme for all personnel. The company also has a stock option scheme for its management. The scheme was launched in 2013. As the EBITDA target set for 2015 was not achieved, no incentive pay was paid and no options were distributed for 2015.

Annual General Meeting

Tulikivi Corporation's Annual General Meeting, held on 13 April 2015, resolved not to distribute a dividend on the 2014 financial year. Markku Rönkkö, Heikki Vauhkonen, Reijo Vauhkonen, Jyrki Tähtinen and Reijo Svanborg were elected as members of the Board of Directors The Board elected Jyrki Tähtinen as its Chair-man. The auditor appointed was KPMG Oy Ab, Authorised Public Accountants, with Kirsi Jantunen, APA, as chief auditor.

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 10 437 748 Series A shares and a maximum of 1 536 500 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 to do so. 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 2016 Annual General Meeting.

Treasury shares

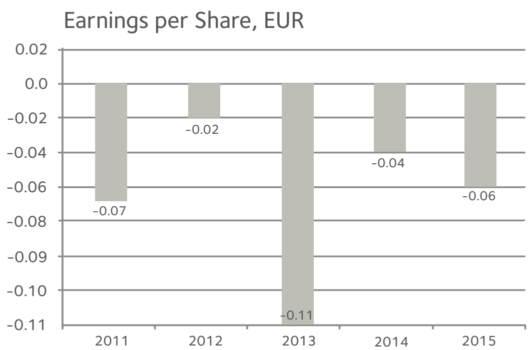
The company did not purchase or assign any treasury shares during the reporting period. At the end of the period, the total number of Tulikivi shares held by the company was 124,200 Series A shares, corresponding to 0.2% of the company's share capital and 0.1% of all voting rights.

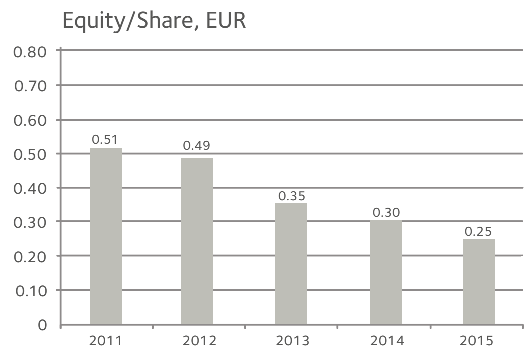
Board of Directors' proposal on use of distributable equity

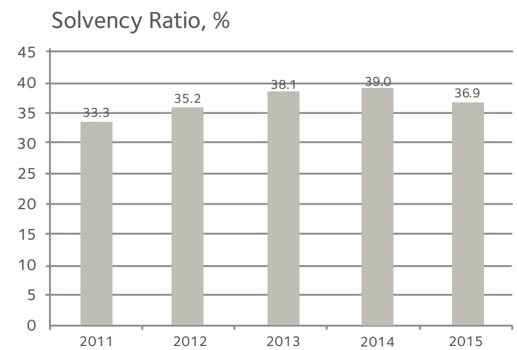
The parent company has no distributable equity. The Board will propose to the Annual General Meeting that no dividend be paid out for 2015.

Near-term risks and uncertainties

The Group's most significant risk is the potential continuation of the decline in net sales in the principal market areas. Delayed growth in new construction and renovation projects will have an effect on the demand for Tulikivi products in







Finland. The slower-than-predicted recovery of the markets in Central Europe and the uncertain economic situation in Russia will also have an impact on the demand for Tulikivi products.

Maintaining the Group's financing position at the present level and securing the continuation of financing will depend on an improvement in profitability in the future. If the company's business operations and result do not develop as planned, the repayment of its debts may create a greater burden on the company's cash flow than anticipated.

With regard to the company's foreign currency risk, the most significant currencies are the US dollar and the Russian rouble. About 90% of the company's cash flow is in euros, which means that the company's exposure to foreign currency risks is very low. A decline in currencies may have an adverse effect on the sales margin. The risks are described in more detail on page 82 of the Tulikivi Annual Report for 2015.

Future outlook

Net sales in 2016 are expected to be at the previous year's level, and the operating profit is expected to improve year-on-year.

Monitoring of strategy implementation

The Group strategy covers all key operating and financial targets to the end of 2018. Under the strategy, the company is targeting annual organic growth of over 10 per cent in the next few years. The aim is also to achieve an operating profit of 10 per cent within the next three years. The target for return on equity is that is it should exceed 20 per cent. Corporate acquisitions in support of the strategy are also possible. Due to unstable environment, the Group did not meet its strategic goals. The Group has prepared to improve profit-ability 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.

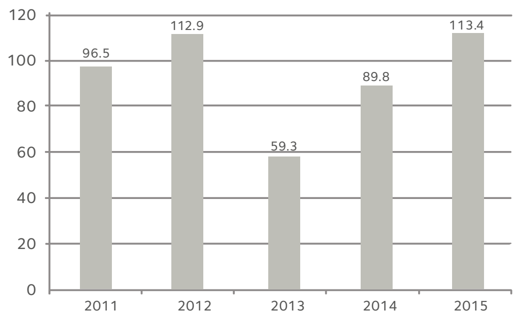
Corporate Governance Statement

Tulikivi Corporation will issue its Corporate Governance Statement for 2015 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

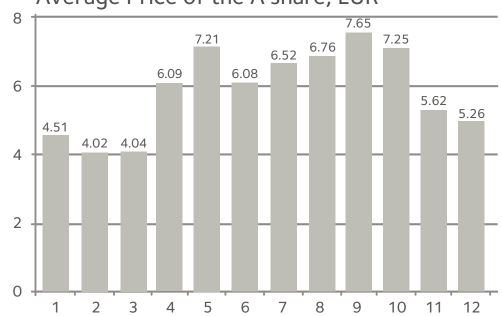
Group structure

The companies in the Group are the parent company Tulikivi Corporation, AWL-Marmori Oy, Tulikivi U.S. Inc., OOO Tulikivi and Tulikivi GmbH. Group companies also include The New Alberene Stone Company Inc., which no longer has any business operations.

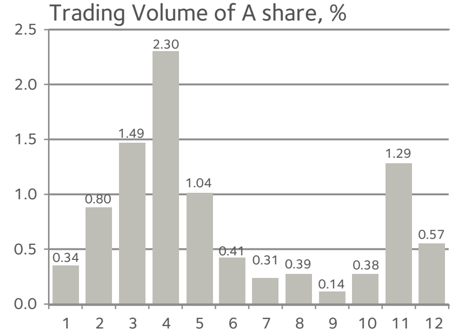
Gearing, %



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



Monthly Development of the Trading Volume of A share, %



Consolidated Financial Statements, IFRS
Consolidated Statement of Comprehensive Income

EUR 1 000	Note	Jan. 1 - Dec. 31, 2015	Jan. 1 - Dec. 31, 2014
Sales	3	**31 951**	39 293
Other operating income	4	585	1 016
Increase/decrease in inventories of finished goods and in work in progress		-730	-90
Production for own use		533	316
Raw materials and consumables		-7 101	-8 761
External services		-4 579	-5 482
Personnel expenses	5	-11 806	-14 009
Depreciation and amortisation	6	-3 271	-3 524
Other operating expenses	7	-8 513	-11 198
Operating result		**-2 931**	-2 439
Financial income	8	240	186
Financial expenses	9	-1 183	-1 053
Share of result of associates		-7	29
Result before income tax		**-3 881**	-3 277
Income taxes expense	11	0	644
Result for the year		**-3 881**	-2 633
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	10	39	-116
Translation differences	10	67	82
Income tax on other comprehensive income	10	-8	24
Other comprehensive income, net of tax		98	-10
Total comprehensive result for the year		**-3 783**	-2 643
Calculated from result attributable to the equity holders of the parent company			
earnings per share, EUR			
basic/diluted	12	**-0.06**	-0.04

Consolidated Statement of Financial Position

EUR 1 000	Note	Dec. 31, 2015	Dec. 31, 2014
Assets			
Non-current assets			
Property, plant and equipment	13	9 732	11 178
Goodwill	14, 15	4 174	4 174
Other intangible assets	14	9 592	10 356
Investment properties	16	92	176
Other financial assets	18	26	34
Deferred tax assets	19	3 244	3 336
Other receivables		15	28
Total non-current assets		**26 875**	29 282
Current assets			
Inventories	20	8 666	10 119
Trade and other receivables	21	2 426	4 121
Cash and cash equivalents	22	1 429	3 665
Total current assets		**12 521**	17 905
Total assets		**39 396**	47 187
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	101	34
Revaluation reserve	23	-139	-170
Retained earnings		-6 166	-2 317
Total equity		**14 409**	18 160
Non-current liabilities			
Deferred income tax liabilities	19	795	887
Provisions	25	839	1 122
Interest-bearing liabilities	26	15 766	15 809
Total non-current liabilities		**17 400**	17 818
Current liabilities			
Trade and other payables	27	5 522	7 024
Current tax liabilities		7	0
Provisions	25	58	13
Short-term interest-bearing liabilities	26	2 000	4 172
Total current liabilities		**7 587**	11 209
Total liabilities		**24 987**	29 027
Total equity and liabilities		**39 396**	47 187

Consolidated Statement of Cash Flows

EUR 1 000	Note	Jan. 1 - Dec. 31, 2015	Jan. 1 - Dec. 31, 2014
Cash flows from operating activities			
Result for the year		-3 881	-2 633
Adjustments:			
Non-cash transactions	30	2 908	1 459
Interest expense and finance costs		1 183	1 053
Interest income		-235	-184
Dividend income		-5	-2
Income taxes	11	0	-644
Changes in working capital:			
Change in trade and other receivables		1 670	-582
Change in inventories		1 453	138
Change in trade and other payables		-1 374	64
Interest paid		-970	-767
Interest received		6	12
Dividends received		5	2
Income tax paid		0	2
Net cash flow from operating activities		**760**	-2 082
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		-389	-1 589
Grants received for PPE		37	6
Purchases of intangible assets		-835	-792
Grants received for intangible assets		14	124
Proceeds from sale of tangible assets		390	586
Proceeds from sale of PPE		0	4
Disposals of other financial assets		0	14
Net cash flow from investing activities		**-783**	-1 647
Cash flows from financing activities			
Proceeds from share issue		0	-125
Repayments of current borrowings		0	-1 500
Proceeds from non-current borrowings		2 000	2 000
Repayments of borrowings		-4 216	-3 552
Net cash flow from financing activities		**-2 216**	-3 177
Net decrease (-) / increase (+) in cash and cash equivalents		-2 239	-6 906
Cash and cash equivalents at the beginning of the year		3 665	10 704
Exchange gains (+) / losses (-)		3	-133
Cash and cash equivalents at the end of the year	22	**1 429**	3 665

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, 2014	23, 28.5	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
Equity at December 31, 2014		6 314	14 407	-170	-108	34	-2 317	18 160
Equity at January 1, 2015		6 314	14 407	-170	-108	34	-2 317	18 160
Total comprehensive result for the year				31		67	-3 881	-3 783
Transactions with owners								
Share option scheme							32	32
Equity at December 31, 2015		**6 314**	**14 407**	**-139**	**-108**	**101**	**-6 166**	**14 409**

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 4, 2016. 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, 2015. The term IFRS refers to the standards and interpretations that are approved for adoption in the Finnish Accounting Act and regulations issued by virtue to it and endorsed in the EU in accordance with the procedure defined in the EU Regulation (EY) No 1606/2002. The notes to the consolidated financial statements also comply with the additional requirements under the Finnish accounting and company legislation.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities (including derivatives) carried at fair value through profit or loss. The consolidated financial statements are presented in thousands of euros.

Tulikivi Group has applied the following 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 January1, 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, 2015.

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 to zero value and further losses are not recognized unless the Group has committed to fulfil the associates' obligations.

The investment in an associate includes goodwill identified on acquisition. Unrealized gains between the Group and an associate are eliminated according to the ownership interest of the Group. The Group's share of the associate's profit or loss for the year is separately disclosed below operating profit. Respectively, the Group's share in the changes recognized in other comprehensive income of an associate is recognized in other comprehensive income of the Group. Associated company Rakentamisen Mall was sold in 2015.

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,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 2014 and 2015.
Gains and losses on disposal of property, plant and equipment are recognised in profit or loss and presented in other operating income and expenses. Gain/loss on sale is determined based on the difference between the disposal price and the residual value.

Government Grants
Government grants, for example grants from the state, related to the purchase of property, plant and equipment or intangible assets are deducted from the carrying amount of the asset when there is a reasonable assurance that the grant will be received and the group will comply with attached conditions. The grants are recognised in profit or loss through the depreciation/amortisation made over the useful life of the asset. Grants received as compensation for expenses already incurred are recognised in profit or loss of the period in which they become receivable. Such government grants are presented within other operating income.

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

Intangible Assets
– Goodwill
Goodwill arising on business combinations taking place after January 1, 2010 is recognised as the excess of the aggregate of the consideration transferred, the recognised amount of non-controlling interests and previously held equity interest in the acquired company, over the Group's share of the fair value of the net identifiable assets acquired. No business combinations have taken place in the Group since January 1, 2010.
Business combinations taken place between January 1, 2004 and December 31, 2009 have been accounted for in accordance with the previous IFRS standard (IFRS 3(2004)). The goodwill arisen from the acquisitions occurred before January 1, 2004 represents the carrying amount of goodwill at the date of transition to IFRSs based on the previous accounting principles. The cost includes expenditure that is directly attributable to the acquisition, such as professional fees. Goodwill is not amortised but tested annually for impairment. For this purpose the goodwill has been allocated to cash-generating units or, if an associate is in question, goodwill is included in the cost of the associate. The goodwill is measured at historical cost less impairment.

– Research and development costs
Research costs are expensed in the income statement as incurred. Development costs arising from planning of new or improved products are capitalized as intangible assets in the balance sheet when costs arising from the development phase can be reliable measured, the entity can demonstrate the technological and commercial feasibility of the product and the Group has the intention and resources to complete the development work. Capitalised development costs comprise material, labour and test costs incurred in bringing the assets capable of operating in the manner intended by management. Development costs previously expensed cannot be capitalized later.
Amortisation of an asset begins as soon as the project commences. Assets not available for use are tested annually for impairment. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful life of the capitalized development costs is 5 years during which the capitalized costs are expensed using the straight-line method.

– Costs of exploration and evaluation of mineral resources
Costs of exploration and evaluation of soapstone are mainly capitalised. However, costs of exploration and evaluation of soapstone are expensed in statement of comprehensive income when there is significant uncertainty related to commercial viability. Elements of cost of exploration and evaluation are geographical studies, exploration drilling, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. After initial recognition Group applies the cost model and the assets are amortised over 5 to 10 years. The exploration and evaluation assets are classified as a separate intangible asset category until technical feasibility and commercial viability is demonstrable. Afterwards the exploration and evaluation assets are reclassified to other intangible assets. The exploration and evaluation activities start when the Ministry of Employment and the Economy has granted a right of appropriation.

– Other intangible assets
Intangible assets are recognized in the balance sheet only if the cost of the item can be measured reliably and it is probable that the future economic benefits associated with the asset will flow to 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 re-classification of the assets in question. For the purpose of assessing criteria for recognising an impairment loss assets are grouped at the lowest levels for which there are separately identifiable cash-generating units with separately identifiable cash flows. The Group's corporate assets, which contribute to several cash-generating units and which do not generate separate cash flows, have been allocated to cash-generating units in a reasonable and consistent manner and they are tested as a part of each cash-generating unit.

The recoverable amount of 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 2015 was not achieved, no incentive pay was paid and no options were distributed for 2015..

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 2015 and 2014.

- 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 2015 or 2014.

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 2015 or 2014.

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 2015 or 2014.

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 2015 or 2014.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments which are readily convertible to known amounts of cash and for which the risk of changes in value is insignificant. Cash and cash equivalents mature in three months or less.

- Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If the fair value of an equity investment is significantly lower compared to the cost and for a time period defined by the Group, this is indication of impairment. If there is indication of impairment, the loss accumulated in the revaluation reserve is transferred in profit or loss. Impairment losses on equity instruments classified as available for-sale financial assets are not reversed through profit or loss, whereas, subsequent reversal of impairment losses on interest instruments is rec ognised in profit or loss.

The group recognises an impairment loss when there is objective evidence that the trade receivables are not collectible in full. Significant financial difficulties of a debtor, probability of bankruptcy or delay of payments exceeding 90 days are considered as evidence of an impairment of trade receivables. An impairment loss to be recognised in the income statement is determined as the difference between the carrying amount of a receivable less the present value of the estimated future cash flows discounted with the effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is be reversed through the income statement.

Financial Liabilities

Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial carrying amount for those financial liabilities carried at amortised cost. Subsequently financial liabilities, except for derivative liabilities, are measured at amortized cost using the effective interest rate method. Financial liabilities may comprise of current and non-current items. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to postpone the settlement of the liability at least 12 months from the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset when it is probable that they will result in future economic benefits and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred. Fees related to the establishment of loan facilities are recognised as transaction costs to the extent that it is probable that some or all of the loan facility will be drawn down. In these cases, the fees are deferred (capitalised) until the draw-down occurs. As the loan is drawn down, any related transaction fees are recognised as part of transaction expenses. To the extent that it is probable that the loan facility will not be drawn down, the fees are capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. The principles applied in determination of fair values of all financial assets and financial liabilities are presented in note 29. Carrying amounts of financial assets and financial liabilities by categories and their fair values.

Derivative contracts and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Gains and losses from the fair value measurement are recognized following the purpose of use of the underlying derivative. Changes in the fair value of derivatives that are designated and qualify as effective hedges are presented in the income statement, together with any changes in the hedged item. When the group enters into a derivative contract, it is accounted for either as a hedge of the fair value of receivables or liabilities or firm commitments (fair value hedge), or in respect of foreign currency risk, hedges of cash flows related to highly probable forecast transaction or as a derivative not qualifying for hedge accounting.
At the inception of hedge accounting the group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and at least each reporting date, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

- Fair value hedges

The fair value changes of derivatives satisfying the criteria of fair value hedges are recognised in profit or loss. The fair value changes of the hedged asset or liability are treated in a similar manner in respect of the hedged risk. The Group held no derivative contracts meeting the criteria of fair value hedges in 2015 or 2014.

- 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 Tulikivi the key assumptions about the future and major sources of estimation uncertainty as at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are related to, amongst others, deferred tax assets, measurement of inventories, property, plant and equipment related to quarries, fair value measurement and impairment testing of assets acquired in business combinations, that are described in detail below. The Group management believes that these are the key areas in the financial statements, since they include the most complex accounting policies and require most significant estimates and assumptions. In addition, changes in the estimates and assumptions used in these areas of financial statements are estimated to have the most extensive effects.

- Impairment testing

The Group tests goodwill, intangible assets not yet available for use and indefinite-lived intangible assets annually for potential impairment and assesses indications of impairment of property, plant and equipment and intangible assets at each reporting date. In addition, in respect of mineral resource exploration and evaluation assets, impairment tests are performed when the assets are reclassified. The recoverable amounts of the cash-generating units are assessed based on their value in use. The preparation of such calculations requires the use of estimates, especially in respect of future growth estimates of the cash-generating units and changes in profitability.

Further information on the sensitivity of the recoverable amount to the changes in the assumptions used is in Note 15.3 Impairment testing.

EUR 1 000

2. Segments

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 saparately.

2.1. Geographical information 2015	Finland	Rest of Europe	USA	Group Total
Sales	15 087	16 070	794	31 951
Assets	26 978	137	0	27 115
2014				
Sales	17 904	20 739	650	39 293
Assets	25 718	228	0	25 946

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 2015 (2014).

3. Net sales per goods and services	2015	2014
Sales of goods	29 717	36 465
Rendering of services	2 234	2 828
Sales, total	**31 951**	39 293

4. Other operating income

Proceeds from sale of PPE	234	502
Rental income from investment properties	13	18
Public grants	0	122
Other income	338	374
Other operating income, total	**585**	1 016

5. Employee benefit expense

Wages and salaries	-9 403	-11 176
Pension costs - defined contribution plans	-1 659	-1 964
Other social security expenses	-712	-845
Share-based compensation	-32	-24
Employee benefit expense, total	**-11 806**	-14 009

The restructuring provision, note 25, includes unpaid personnel costs amounting to EUR 572 (535) 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	**219**	281
Group's personnel at 31 December.	276	292

1 000 euro	2015	2014

6. Depreciation, amortisation and impairment

Depreciation and amortisation by class of assets		
Intangible assets		
Trademarks	-20	-20
Capitalised development costs	-457	-498
Other intangible assets	-1 009	-1 027
Amortisation on quarries based on the unit of production method *)	-112	-79
Amortisation of intangible assets, total	**-1 598**	-1 624
Tangible assets		
Buildings	-501	-508
Machinery and equipment	-950	-1 081
Motor vehicles	-44	-81
Depdeciation on land areas based on the unit of production method *)	-36	-37
Other tangible assets	-141	-192
Depreciation of tangible assets, total	**-1 672**	-1 899
Investment property		
Buildings	-1	-1
Total depreciation, amortisation and impairment	**-3 271**	-3 524

*) 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	-30	-1
Operating expenses of investment properties	-4	-8
Rental expenses	-1 496	-1 661
Real estates costs	-383	-579
Marketing expenses	-2 050	-3 361
Other variable production costs	-2 032	-2 626
Other expenses	-2 518	-2 962
Other operating expenses, total	**-8 513**	-11 198

7.1. Research expenditure

Research costs expensed totalled EUR 712 thousand (1 148 thousand in 2014).

7.2. Auditors' fees

Audit fees	63	57
Tax advice	3	1
Other fees	8	18
Audit fees, total	**74**	76

EUR 1 000	2015	2014
8. Finance income		
Dividend income on available for sale financial assets	5	2
Changes in fair values of derivative contracts	0	7
Foreign exchange transaction gains	219	163
Interest income on trade receivables	7	9
Other interest income	9	5
Finance income, total	**240**	186
9. Finance expense		
9.1. Items recognised in profit or loss		
Interest expenses on financial liabilities at amortised cost and other liabilities	-645	661
Foreign exchange transactions losses	-232	277
Other finance expense	-306	115
Finance expense, total	**-1 183**	1 053

Exchange rate differences recognised in sales and purchases totalled EUR 13 thousand (loss) in 2015 (2014: gain of EUR 114 thousand).

10. Other comprehensive income

Financial items recognised in other comprehensive income:

	2015			2014		
	Before taxes	Tax effects	After taxes	Before taxes	Tax effects	After taxes
Cash flow hedges	39	-8	31	-116	24	-92
Translation differences	68	0	68	82	0	82
Other comprehensive income, total	**107**	**-8**	**99**	-34	24	-10

11. Income taxes	2015	2014
Current tax	9	4
Transfer of income taxes to the revaluation reserve	-8	23
Deferred tax	-1	-671
Income taxes, total	**0**	-644

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 2015).

Profit before tax	-3 881	-3 276
Tax calculated at domestic tax rates 20 per cent	776	655
Effect of foreign subsidiaries different tax bases	2	14
Income not subject to tax	1	-2
Unrecognised taxes of previous losses	-750	0
Unrecognized deferred taxes on provisions	-10	0
Expenses not deductible for tax purposes	-60	-29
Other	41	6
Income statement tax expense	**0**	644

EUR 1 000	2015	2014
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)	-3 881	-2 633
Weighted average number of shares for the financial period	59 747 043	59 747 043
Basic/diluted earnings per share (EUR)	-0.06	-0.04

13. Property, plant and equipment 2015	Land	Buildings	Vehicles and machinery	Motor vehicles	Other tangible assets	Advances	Total
Cost January 1	1 288	15 302	41 801	2 173	2 988	12	63 564
Additions	0	0	272		34	0	306
Disposals	0	-30	-6 084	-293	-38	-12	-6 457
Exchange rate differences and other adjustments	1 288	15 272	35 989	1 880	2 984	0	57 413
Cost December 31	-400	-10 021	-38 050	-2 076	-1 839	0	-52 386
Accumulated depreciation and impairment January 1	-36	-501	-947	-43	-136	0	-1 663
Depreciation	0	0	-4	0	-5	0	-9
Depreciation related to the disposals	0	30	6 030	279	38	0	6 377
Accumulated depreciation and impairment December 31	-436	-10 492	-32 971	-1 840	-1 942	0	-47 681
Property, plant and equipment, Net book amount January 1, 2015	888	5 281	3 751	97	1 149	12	11 178
Property, plant and equipment, Net book amount December 31, 2015	**852**	**4 780**	**3 018**	**40**	**1 042**	**0**	**9 732**

The Group's production machinery within property, plant and equipment has carrying amount of EUR 2 740 (3 414) thousand.
Disposals of machinery and equipment and accumulated depreciation on disposals include EUR 13 thousand (any scrapped assets in 2014).
The Group did not obtain government grants (amounting to EUR 43 thousand in 2014) to acquisitions of plant and equipment. Government grants are deducted in arriving at the carrying amount of the related assets.

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

EUR 1 000

14. Intangible assets

14.1. Goodwill and other intangible assets 2015	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	3 796	3 915	6 287	388	4 154	8 142	30 856
Additions	0	1	0	260	0	99	221	581
Capitalised development costs	0	0	273	0	0	0	0	273
Disposals	0	-285	0	0	0	0	-809	-1 094
Cost December 31	4 174	3 512	4 188	6 547	388	4 253	7 554	30 616
Accumulated amortisation and impairment January 1	0	-1 012	-2 927	-4 256	-319	-1 878	-5 934	-16 326
Amortisation related to the disposals	0	-20	-457	-110	-29	-73	-909	-1 598
Depreciation related to the disposals	0	285	0	0	0	0	789	1 074
Accumulated amortisation and impairment December 31	0	-747	-3 384	-4 366	-348	-1 951	-6 054	-16 850
Goodwill and other intangible assets, Net book amount January 1, 2015	4 174	2 784	988	2 031	69	2 276	2 208	14 530
Goodwill and other intangible assets, Net book amount December 31, 2015	**4 174**	**2 765**	**804**	**2 181**	**40**	**2 302**	**1 500**	**13 766**

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 4 536 (4 475) 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 asphalting works.

The group did not receive public grants in 2015 (EUR 112 thousand 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 2015 deductions of intangible assets / accumulated amortisations on deductions amounted to EUR 20 thousand (EUR 10 thousand).

At the end of the current financial year, there were no under construction under 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

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. Beacause of its established brand, the management believes that the trademark will generate net cash inflows for the group for an undefined period of time.

The carrying amounts of goodwill and trade mark were allocated as follows:	Interior stone products	Kermansavi fireplaces
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 10.1 per cent (10.9 per cent in 2014) for Kermansavi fireplaces, and 9.9 per cent (10.9 per cent in 2014) for Interior Stone unit, which equal the weighted average cost of capital, including the risk premium. The estimated 5 per cent growth in revenue in Kermansavi stoves is based on agreements with prefabricated house companies and on the new collection. Sales margin is improved through switch to purchased ceramic tiles and through invitation to tender for fireplace doors and other parts. Initiated restructuring and performance improvement plan significantly will reduce variable and fixed costs both for Kermansavi stoves and Interior Stones. 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.

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.

EUR 1 000				
The discount rate and growth rate	Interior stone		Kermansavi fireplaces	
	2015	2014	2015	2014
Discount rate	9.9	10.9	10.1	10.9
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:	2015	2014
Interior stone	1642	960
Kermansavi fireplaces	849	2 552

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.

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	
	2015	2014	2015	2014
Interior stone	–	–	–	–
Kermansavi fireplaces	-354	–	-1 259	–

Increase of 0,64 per cent-point in the interest rate would result in recognition of impairment loss for Kermansavi stoves. Decrease of 1,06 per cent-point and of 3,96 per cent-point in operating margin would result in recognition of impairment loss for Kermansavi stoves and Interior Stones respectively.

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

EUR 1 000

	2015	2014
16. Investment property	Buildings	Buildings
Acquisition cost January 1	44	114
Disposals	-16	-70
Cost December 31	28	44
Accumulated depreciation and impairment January 1	-34	-97
Depreciation	-1	-1
Depreciation related to the disposals	7	64
Accumulated depreciation and impairment December 31	-28	-34
Net book amount January 1	10	17
Net book amount December 31	**0**	10
Land	Land	Land
Acquisition cost January 1	166	188
Disposals	-74	-22
Cost December 31	92	166
Investment property, total	**92**	176
Fair value *)	92	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	2015	2014
Shares and interest in associates		
Acquisition cost January 1	0	0
Balance sheet value December 31	0	0
Share of the loss/profit of associates	-8	29

Information of the Group's associates, including the aggregated amounts of assets, liabilities, revenues and profit or loss (EUR 1 000). 2015	Domicile	Assets	Liabilities	Profit/Loss	% of shares
Rakentamisen MALL Oy	Helsinki	0	0	0	0
The shares of accociate were sold in June 2015					
2014	**Domicile**	Assets	Liabilities	Profit/Loss	% of shares
Rakentamisen MALL Oy	Helsinki	117	99	14	25.0

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

18. Other financial assets	2015	2014
Financial assets available for sale		
Balance sheet value January 1	34	26
Additional/disposal	-8	8
Balance sheet value December 31	**26**	34

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 2015:	Jan. 1, 2015	Recognised through profit and loss	Recognised in other comprehensive income	Recognized in equity	Translation differences	Dec. 31, 2015
Deferred tax assets:						
Provisions	201	-58	0	0	0	143
Unused tax losses	1 810	-260	0	0	-1	1 548
Accumulated depreciation / amortisation not yet deducted in taxation	1 069	238	0	0		1 307
Change in the revaluation reserve	42	0	-7	0	0	35
Other items	214	-3	0	0	0	211
Deferred tax assets, total	3 336	-83	-7	0	-1	3 244
Deferred tax liabilities:						
Capitalisation of intangible assets	-61	33	0	0	0	-28
The effect of the business combinations	-717	59	0	0	0	-658
Other items	-109	0	0	0	0	-109
Deferred tax liabilities, total	**-887**	**92**	**0**	**0**	**0**	**-795**
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

The Group has recognized deferred tax assets for the part of deductible temporary differences. Deferred tax assets are recognized for some unused tax losses as well as depreciation and amortization charges not yet deducted in taxation to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The losses in question expire gradually over 2021-2025. Deferred tax assets have not been recognized in respect of losses for the financial period 2015. The valuation of deferred tax assets for previously recognized losses has been defined 0.2 million euros. Due to the completed performance improvement programme in 2013-2015, the cost structure of the company has been improved significantly. Consequently, it is considered that the financial performance of the company will be positive during the following strategy period 2016-2018.
The company has been reorganized significantly in all personnel groups during the last two years. The performance improvement programme caused non-recurring expenses for 2013-2015. However, this program increased the competitiveness of the company. Due to the changes that have been mainly structural, fixed expenses have been reduced from 15 million euros to 10 million euros.
During the performance improvement programme, the production has been centralized in Juuka, the office in Germany has been terminated, the distribution channels in Sweden have been changed, the Kermansavi-collection has been renewed and several new prefabricated house contracts have been signed. The difficult situation in the markets and big changes in the company reduced the sales in 2013-2015. However, when the situation in the markets improves and the sales will increase, the current cost structure are likely to better the result.

The losses expire as follows: EUR 494 thousand; 2022: EUR 27 thousand; 2023: EUR 474 thousand; 2024: EUR 714 thousand; and 2025: EUR 1 thousand.

EUR 1 000	2015		2014
20. Inventories			
Raw materials and consumables	3 733		4 456
Work in progress	2 519		2 769
Finished goods	2 414		2 894
Inventories, total	**8 666**		10 119

In 2015 raw materials, consumables and changes in finished goods and in work in progress recognized as an expense amounted to EUR 17 231 (22 502) thousand. Furthermore, a write-down of inventories to net realisable value was made, amounting to EUR 191 (205) thousand.

21. Trade and other receivables			
21.1. Current trade and other receivables			
Trade receivables	1 871		3 250
Current tax assets based on the taxable income for the financial period	4		6
Accrued incomes			
Grant receivables	0		155
Prepayments	166		192
Other accrued income	167		185
Other receivables	218		333
Current receivables, total	**2 426**		4 121
21.2. Aging analysis of trade receivables and impairment losses at balance sheet date			
2015	Gross	Impairment	Net
Not past due	1 405		1 405
Past due 1-30 days	238		238
Past due 31-60 days	65		65
Past due 61-90 days	62	26	36
Past due over 90 days	167	40	127
Total	**1 937**	**66**	**1 871**
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

EUR 1000

21.3. Trade receivables by risk categories			
2015	Gross	Impairment	Net
Largest customers by customer groups			
Stove producers	89		89
Distributors of fireplaces in foreign countries	688	44	644
Construction companies	114		114
Distributors in home country	813	8	805
End users	233	14	219
Trade receivables, total	**1 937**	**66**	**1 871**
2014			
Largest customers by customer groups	Gross	Impairment	Net
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
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		2015	2014
Cash in hand and at bank		1 429	3 665

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 December 31,2015	7 682 500	12.8	59.5	810 255
A-shares (1 vote) total at December 31, 2015	52 188 743	87.2	40.5	5 504 220
Shares total at December 31, 2015	59 871 243	100.00	100.00	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, 2015 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. Maxium share capital was EUR 10 200 in 2015 and 2014.

Share premium fund and invested unrestricted equity fund
Payments for share subscriptions under the old Companies Act (29.9.1978/734) have been recognised in share capital and share premium fund in accordance with the terms of the share issues. As decided by the Annual general meeting the funds of the share premium account, EUR 7 334 thousand, has been transfered to the invested unrsetricted equity fund in 2010.
The proceeds received from the share issued carried out in 2013, amounting to EUR 7 500 thousand, are recognised in the invested unrestricted equity fund. The related transaction costs, totalling EUR 427 thousand, are debited to the invested unrestricted equity fund. The invested unrestricted equity fund amounted to EUR 14 407 thousand at December 31, 2013.
Tulikivi Corporation's directed rights issue of up to approximately EUR 7.5 million was on 17 October 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 21 October 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 2015 (2014). 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 2015 and 2014.

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. Each year dividends and equity returns will be deducted from the share subscription price. 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 nfor the 2014 financial year's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-recurring items are fulfilled. The theoretical market value of one stock option 2013A is EUR 0.10 per stock option. The theoretical market value of the stock options 2013A is EUR 58,000 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model with the following inputs: share price EUR 0.32, share subscription price EUR 0.33, risk-free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria.
As the EBITDA goal set for 2014 was not achieved, no incentive pay was paid and no options were distributed for 2014.
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.

As the EBITDA goal set for 2015 was not achieved, no incentive pay was paid and no options were distributed for 2015.

EUR 1000

25. Provisions	Environmental provision		Warranty provision		Restructuring provision	
	2015	2014	2015	2014	2015	2014
Provisions January 1	404	697	195	225	535	1927
Increase in provisions	0	0	1	76	172	7
Effect of discounting, change	-24	11	0	0	0	0
Used provisions	-13	-6	-61	-106	-135	-1399
Discharge on recerves	-177	-298	0	0	0	0
Provisions December 31	**190**	404	**135**	195	**572**	535

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 348 (468) 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 for notices in 2011-2013, 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) 520 thousand euros (535 thousand euros) and the compensation for the dismissal of the management 52 thousand euros.

	2015	2014
Non-current provisions	839	1 122
Current provisions	58	13
Proviosions, total	**897**	1 135
26. Interest-bearing liabilities		
Balance sheet value	17 766	19 981
26.1. Non-current		
Bank borrowings	12 527	12 099
TyEL pension loans	3 239	3 710
Total	**15 766**	15 809

EUR 1000	2015	2014
Interest bearing loans expire as follows:		
2015		4 172
2016	2 000	7 935
2017	3 000	7 660
2018	3 000	214
2019	9 766	0
Total	**17 766**	19 981

26.2. Current

Current portion of non-current bank borrowings and of TyEL pension loans	2 000	4 172

26.3. The terms of interest-blearing liabilities

Debt obligations are denominated in euro.

The Company signed a finance agreement with the creditor in December 11, 2015. This agreement covers contracts for the proportional loan payments in 2016-2018 including additional collaterals and covenants. This arrangement caused a non-recurring expense of 0.15 million euros in the last quarter of 2015. At the same time, the creditor allowed an exemption of loan covenants at December 31, 2015. The finance agreement includes covenants related to EBITDA, equity ratio and the ratio between the interest-bearing debt and EBITDA. During 2016, the covenant related to EBITDA is reviewed in every quarter, the covenant related to solvency ratio in every half year and the covenant related to the ratio between the interest-bearing debt and EBITDA once a year. The company estimates that these covenant terms will be met in 2016. The finance agreement includes also a restriction concerning dividend distribution and the acquisition of own shares leading to breach of covenants. The weighted average of effective interest rates on long-term financial loans was 3.3% (3.2%) in December 31, 2015.

The total debt of the group include loans of 17.8 million euros (13.9 million euros) which comprise loan covenants related to Group's equity ratio, EBITDA or the ratio between the interest-bearing debt and EBITDA. Breaches in covenants may require negotiations with the creditor or the arrangement of additional collaterals for the loans.

27. Trade and other payables	2015	2014
27.1. Non-current		
Trade payable	1 720	2 387
Advances received	317	565
Accrued expenses		
Wages and social security expenses	2 161	2 474
Discounts and marketing expenses	266	277
External services	299	356
Interest liabilities	349	401
Other accrued expenses	96	166
Accrued expenses, total	3 171	3 674
Amounts due to associates	0	1
Other liabilities	315	397
Current trade and other payables, total	**5 523**	7 024

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

EUR 1 000

28. Financial risk management

The Group's activities expose it to various financial risks. The objective of the Group's financial risk management is to minimisize the unfavourable effects of the changes in the finance market to its profit for the period. The main financial risks to which the Group is exposed are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group finance has been centralised in parent company, and the financing of the subsidiaries is mainly taken care of by internal loans. The liquidity of the Group companies is centralised by consolidated accounts. The finance department is responsible for investing the liquidity surplus and for financial risk management in accordance with the policies approved by the Board of Directors.

28.1. Foreign exchange risk:

The group's currency risks arise from commercial transactions, monetary items in the statement of financial position and net investments in foreign subsidiaries. The most important currencies in respect of the Group's foreign currency risk are US Dollar (USD) and Russian Rouble (RUB). Over 90 per cent of the Group's cash flows are denominated in euro, thus, the Group's exposure to foreign currency risk is not significant. Foreign currency risk can be hedged with forward contracts. The Group did not have any open forward contracts at the year-end 2015. 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:

	2015		2014	
Nominal values, EUR 1 000	USD	RUB	USD	RUB
Non-current assets	0	100	0	124
Current assets	315	442	443	557
Current liabilities	9	277	1	542
Position	306	265	442	139
Net position	306	265	442	139

The equity-related foreign currency translation position, which mainly pertains to the foreign subsidiaries, was minor at the balance sheet date 2015 and 2014. 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.

	2015		2014	
	Income	Share capital	Income	Share capital
+/- 10 per cent change in EUR/USD				
exchange rate, before income taxes	+/- 31	+/- 0	+/- 45	+/- 0
+/- 10 per cent change in EUR/RUB				
exchange rate, before income taxes	+/- 27	+/- 0	+/- 14	+/- 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. The share of the loans with floating rates amounted to EUR 14.8 (15.9) million representing 83.8 per cent (79.7 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 6.3 (7.0) million. Due to these interest rate swaps the Group receives floating rate interest based on Euribor rates (EUR 6.3 million / 3 months) and pays fixed interest on average 2.98 (3.36) 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 175 (116) 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 swops, amounting to EUR 0 thousand (7), are recognized in profit or loss. The cumulative interest rate risk of the borrowings is negative EUR 355 thousand (144 thousand), assuming 1 per cent point change in market interest rates, and the cumulative impact on equity is EUR 61 thousand (positive). Here the impact of the derivatives on the interest rate risk and equity has been taken into account.

Interest rate risk		2015		2014
		Balance sheet value		Balance sheet value
Fixed rate instruments				
Financial liabilities		2 948		4 063
Floating rate instruments				
Financial liabilities		14 817		15 918
Interest rate derivatives				
Accrued interest costs payable		175		214

28.3.Credit risk

The Group has no significant concentration of credit risk since it has a large clientele and receivables of single costumer or a group of customers is not material for the Group. The aggregate amount of the credit losses and the impairment losses on trade receivables recognised in the income statement during the financial year totalled EUR 51 (gain in impairment losses 6) thousand. Credit risk related to commercial activities has been reduced by customer credit insurances. These covered 55.6 (61.0) 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 asses and monitor the amount of capital needed for business operations in order to ensure that the group has adequate liquid funds for financing its operations and repayment for loans due. The Group aims at ensuring the availability and flexibility of financing is ensured, in addition to liquid funds, by using credit limits and different financial institutions for raising funds. There were no unused credit limits and undrawn credit facilities in 2015 at the balance sheet date.

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

Maturiteettianalyysi

December 31, 2015

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	17 766	19 289	298	2 311	3 446	13 231	0
Cash flows from derivatives	175	149	41	41	67	0	0
Trade and other payables	2 351	2 351	2 351	0	0	0	0
Total	**20 292**	**21 789**	**2 690**	**2 352**	**3 513**	**13 231**	**0**

December 31, 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

EUR 1 000		
Derivatives, nominal value Interest rate swaps	2015	2014
Arrive at maturity 2015		716
Arrive at maturity 2016	0	0
Arrive at maturity 2017	4 395	4 394
Arrive at maturity 2018	1 936	1 936
Arrive at maturity 2019	0	0
Total Interest rate swaps	6 331	7 046

The fair values of interest rate swaps are determined using a method based on the present value of future cash flows, supported by market interest rates at the balance sheet date and other market information. Financial assets at fair value are discloded in Note 29.

28.6. Capital management

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

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

The group calculates equity ratio using the following formula:

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

	2015	2014
Equity	14 409	18 160
Balance sheet total	39 396	47 187
Advances received	317	565
Solvency ratio, %	36.9	39.0

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, 2015	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	15	0	0	15	15	2
Other financial assets	0	0	26	0	26	26	2
Short-term assets							
Trade and other receivables	0	2 089	0	0	2 089	2 089	2
Cash and cash equivalents	0	1 429	0	0	1 429	1 429	2
Carrying amounts of financial assets by categories	0	3 533	26	0	3 559	3 559	
Long-term liabilities							
Interest bearing liabilities	0	0	0	15 766	15 766	15 876	2
Derivatives	175 *)	0	0	0	175	175	2
Short-term liabilities							
Interest bearing liabilities	0	0	0	2 000	2 000	2 035	2
Trade and other payables	0	0	0	2 034	2 034	2 034	2
Carrying amounts of financial liabilities by categories	**175**	**0**	**0**	**19 800**	**19 975**	**20 120**	

*) Includes cash flow hedging instruments recognized in the revaluation reserve, amounting to EUR 139 (170) thousand.

EUR 1 000							
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.

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.

		2015	2014
Derivatives			
Interest rate swaps, nominal value		6 331	7 046
Interest rate swaps, fair value		-175	-214

EUR 1 000

30. Adjustments of cash generated from operations	2015	2014
Non-cash transactions:		
Depreciation and amortisation	3 271	3 524
Change in provisions	-238	-1 714
Exchange differences	44	156
Other	-169	-507
Non-cash transactions, total	**2 908**	1 459

31. Leases

Operating leases

31.1. Group as lessee

Future aggregate minimum lease payments under non-cancellable operating leases:		
Not later than 1 year	353	573
Later than 1 year and not later than 5 years	24	164
Later than 5 years	6	12
Total	**383**	749

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 2015 includes expensed lease rentals EUR 983 (1 304) thousand.

The future lease payments for machinery and equipment		
Due not later than 1 year	221	375
Due later	78	246
Leasing commitments, total	**299**	621

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	35	64
Later than 1 year and not later than 5 years	8	15
Later than 5 years	25	27
Total	**68**	106

EUR 1 000	2015	2014
32. Commitments		
Loans with related mortgages and pledges		
Loans from financial institutions and loan guarantees	17 766	19 981
Real estate mortgages given	15 780	14 864
Company mortgages given	19 996	19 996
Total given mortgages and pledges	35 776	34 860
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	89	103

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	**2015**	2014	2013
Use of energy, electricity MWh	8 220	9 199	10 489
Use of oil, m^3	150	150	199
District and wood chips heating, MWh	1 222	1 041	814
Liquid gas, tonne	84	123	156
Fuel for vehicles, tonne.	173	179	185
Exsplosives, tonne	34	12	16
Stone material extracted in quarrying, 1 000 fixed-m^3	150	110	100
Quarrying of soap stone, 1 000 fixed-m3 gross	82	90	69
Stacked soil material, 1 000 net-m^3	0	22	1
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 2015 71 tonne rapeseed and pine oil was spent.	71	53	45

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

Acquired natural stone, 1 000 tonne	1	1	1

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

The ceramic 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 1 900 tonnes. The amount of surface tiles used in coating of ceramic fireplaces supplied annually is approximately 55 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 2015, 5 024 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 filted fields.

EUR 1 000

35. Related-party transactions

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

The Group's parent company and subsidiaries have the following relation:	Ownership interest (%)			Share of voting right (%)
Tulikivi Corporation, Juuka, parent company, 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		2015		2014
Rakentamisen MALL Oy, Helsinki		0		25

The shares of accociate were sold in June 2015.

35.2. Related party transactions:	Sales	Purchases	Receivables	Liabilities
2015				
Associated companies	0	18	0	0
2014				
Associated companies	0	96	0	1

Transactions with key management		2015		2014
Leases from related parties		0		9
Sales to related parties		2		18

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 48 (190) thousand. The rent corresponds to the market level of rents. The service charges by Tulikivi Corporation where EUR 13 (12) thousand in 2015 and rent charges on land EUR 2 (2) thousand. The Foundation did not charge any services from Tulikivi Corporation. The Company did not have receivables (TEUR 3 in 2014) from Foundation at the reporting date.

EUR 1 000		
35.3. Key management compensation	**2015**	**2014**
Salaries and other short-term employee benefits of the Board of Directors and the Managing Director.	343	384
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	31	32
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	4	4
Total	**378**	421
Managing Director		
Salaries and fees		
Salaries	176	184
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	31	32
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	4	2
Total	**211**	219

EUR 1 000	**2015**	**2014**
Members of the Board of Directors		
Ginman-Tjeder Nella	0	19
Pohjanvirta Olli	0	18
Rönkkö Markku	37	36
Saarinen Pasi	0	19
Suutari Harri	16	72
Svanborg Reijo	19	0
Tähtinen Jyrki	57	0
Vauhkonen Anu	0	18
Vauhkonen Heikki	20	18
Vauhkonen Reijo	18	0
Total	**167**	200

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.

Salaries and fees	684	665
Termination benefit paid	211	0
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	157	116
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	16	9
Key management compensation total	**1068**	791

36. 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	Q4/2015	Q3/2015	Q2/2015	Q1/2015	Q4/2014	Q3/2014	Q2/2014	Q1/2014
Sales	9.0	8.3	8.5	6.2	10.7	9.8	10.6	8.3
Operating result	0.1	0.3	-0.8	-2.5	-0.2	0.2	-0.8	-1.6

Key Figures Describing Financial Development and Earnings per Share

EUR 1 000

Income statement	2011	2012	2013	2014	2015
Sales	58 771	51 191	43 724	39 293	31 951
Change, %	5.1	-12.9	-14.6	-10.1	-18,7
Operating result	-2 368	59	-4 259	-2 439	-2 931
% of turnover	-4.0	0.1	-9.7	-6.2	-9,2
Finance incomes and expenses and share of loss of associated companies	-754	-839	-1 000	-837	-950
Result before income tax	-3 122	-779	-5 259	-3 276	-3 881
% of turnover	-5.3	-1.5	-12	-8.3	-12,1
Income taxes	692	155	854	671	0
Result for the year	-2 430	-642	-4 405	-2 633	-3 783
Balance sheet					
Assets					
Non current assets	33 554	31 857	30 131	29 282	26 875
Inventories	10 748	11 366	10 258	10 119	8 666
Cash and cash equivalents	6 769	3 357	10 704	3 665	1 429
Other current assets	5 507	5 154	3 558	4 121	2 426
Equity and liabilities					
Equity	18 804	18 162	20 779	18 160	14 409
Interest bearing liabilities	24 924	23 785	17 981	19 981	17 766
Non-interest bearing liabilities	11 539	8 559	14 321	5 060	5 530
Balance sheet total	56 578	51 733	54 651	47 187	39 396

Financial Ratios 2011 - 2015

	2011	2012	2013	2014	2015
Return on equity, %	-11.9	-3.4	-22.6	-13.5	-23.8
Return on investments, %	-4.8	0.3	-9.8	-5.4	-7.7
Solvency ratio, %	33.3	35.2	38.1	39.0	36.9
Net indebtness ratio, %	96,5	112.9	59.3	89.8	113.4
Current ratio	1.5	1.7	1.8	1.6	1.7
Gross investments, EUR 1 000	4 860	2 665	1 618	2 382	1 149
% of turnover	8.3	5.2	3.7	6.1	3.6
Research and development costs, EUR 1 000	2 091	1 648	1 574	1 380	985
% of turnover	3.6	3.1	3.6	3.5	3.1
Development costs (net), capitalised, EUR 1 000	634	613	233	232	272
Order book, EUR million	5.7	4.6	4.4	4.2	3.9
Average personnel	427	351	293	281	219
Key indicators per share					
Earnings per share, EUR	-0.07	-0.02	-0.11	-0.04	-0.06
Equity per share, EUR	0.51	0.49	0.35	0.30	0.25
Dividends					
Nominal dividend per share, EUR					
A share	-	-	-	-	-
K share	-	-	-	-	-
Dividend per earnings, %	-	-	-	-	-
Effective dividend yield, %/A shares	-	-	-	-	-
Price/earnings ratio, EUR	-9.6	-33.8	-4.6	-4.5	-2.7
Highest share price, EUR	1.40	0.92	0.63	0.36	0.30
Lowest share price, EUR	0.61	0.47	0.31	0.19	0.12
Average share price, EUR	1.00	0.60	0.44	0.28	0.18
Closing price, December 31, EUR	0.63	0.57	0.34	0.20	0.17
Market capitalization, EUR 1 000	23 322	21 101	20 314	11 949	10 157
(supposing that the market price of the K share is the same as that of the A share)					
Number of shares traded, (1 000 pcs)	3 849	4 050	10 493	7 933	27 900
% of the total amount	14.0	14.7	33.5	15.3	53.9
The average issue-adjusted number of shares for the financial year (1 000 pcs)	37 020	37 020	41 378	59 747	59 747
The issue-adjusted number of outstanding shares at December 31 (1 000 pcs)	37 020	37 020	59 871	59 747	59 747

Calculations of Key Ratios

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

Parent Company Financial Statements, FAS
Income Statement

EUR 1 000	Note	Jan. 1 – Dec. 31, 2015	Jan. 1 – Dec. 31, 2014
Net Sales	1.1.	**30 618**	37 932
Increase (+) / decrease (-) in inventories			
in finished goods and in work in progress		-732	-49
Production for own use		533	274
Other operating income	1.2.	402	1 069
Materials and services			
Purchases during the fiscal year		-6 140	-8 390
Change in inventories, increase (-) / decrease (+)		-723	-48
External charges		-4 536	-5 474
Materials and services, total		-11 399	-13 912
Personnel expenses			
Salaries and wages		-9 081	-10 833
Pension expenses		-1 610	-1 913
Other social security expenses		-545	-597
Personnel expenses, total	1.3.	-11 236	-13 343
Depreciation, amortisation and value adjustments	1.4.	-3 492	-3 732
Other operating expenses	1.5.	-8 213	-10 885
Operating result		**-3 519**	-2 646
Financial income and expenses		-1 161	-767
Result before extraordinary items		**-4 680**	-3 413
Extraordinary income	1.7.	218	0
Result before untaxed reserves and income taxes		**-4 462**	-3 413
Untaxed reserves			
Change in accelerated depreciation		306	-348
Change in deferred tax liabilities / tax assets		-66	-326
Transfer of income taxes to the revaluation reserve		8	-23
Income taxes in total		-58	-349
Result for the year		**-4 214**	-4 110

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2015**	Dec. 31, 2014
Assets			
Fixed asset and other non-current investments			
Intangible assets			
Capitalised development expenditure		665	684
Intangible rights		53	72
Goodwill		1 458	2 195
Other long term expenditures		7 440	7 809
Intangible assets, total	2.1.	**9 616**	10 760
Tangible assets			
Land		944	981
Buildings and constructions		4 780	5 281
Machinery and equipment		3 009	3 763
Other tangible assets		41	41
Advance payments		0	11
Tangible assets, total	2.2.	**8 774**	10 077
Investments			
Shares in group companies	2.3.	23	48
Group receivables	2.4.	0	194
Participating interests	2.3.	0	4
Other investments	2.5.	26	26
Investments, total		**49**	272
Fixed assets and other non-current investments, total		**18 439**	21 109

Balance Sheet

EUR 1 000	Note	**Dec. 31, 2015**	Dec. 31, 2014
Current assets			
Inventories			
Raw material and consumables		3 733	4 456
Work in progress		2 519	2 770
Finished products/goods		2 235	2 716
Inventories, total	2.6.	**8 487**	9 942
Non-current receivables			
Trade receivables	2.7.	15	28
Non-current receivables from group companies		0	43
Deferred tax assets	2.8.	178	243
Non-current receivables, total		**193**	314
Current receivables			
Trade receivables		1 639	3 014
Receivables form group companies		197	334
Other receivables		133	218
Prepayments and accrued income		274	453
Current receivables, total	2.9.	2 243	4 019
Cash in hand and at banks		1 188	3 181
Total current assets		**12 111**	17 456
Total assets		**30 550**	38 565

Balance Sheet

EUR 1 000	Note	Dec. 31, 2015	Dec. 31, 2014
Liabilities and shareholders' equity			
Shareholders' equity			
Capital stock		6 314	6 314
Reserve for invested unrestricted equity		14 834	14 834
Revaluation reserve		-139	-170
Treasury shares		-108	-108
Retained earnings		-11 394	-7 284
Result for the year		-4 214	-4 110
Total shareholders' equity	2.10.	**5 293**	9 476
Untaxed reserves			
Accelerated depreciation		874	1 181
Provisions	2.13.	897	1 135
Liabilities			
Non-current liabilities			
Bank borrowings		12 527	12 099
TyEL pension loans		3 239	3 710
Non-current liabilities, total	2.14.	**15 766**	15 809
Current liabilities			
Bank borrowings		1 529	3 190
Pension loans		471	982
Advances received		83	90
Trade payable		1 712	2 354
Liabilities to group companies		504	390
Liabilities to associates		0	1
Other liabilities		259	299
Accrued expenses		3 162	3 658
Current liabilities, total	2.15.	**7 720**	10 964
Total liabilities		**23 486**	26 773
Total liabilities and shareholders' equity		**30 550**	38 565

Cash Flow Statement

EUR 1 000	**Jan. 1 - Dec. 31, 2015**	Jan. 1 - Dec. 31, 2014
Cash flow from operating activities		
Reuslt before extraordinary items	-4 680	-3 413
Adjustments for:		
Depreciation	3 492	3 732
Unrealised exchange rate gains and losses	-25	41
Other non-payment-related expenses	-238	-1 714
Financial income and expenses	1 161	767
Other adjustments	29	-501
Cash flow before working capital changes	-261	-1 088
Change in net working capital:		
Increase (-) / decrease (+) in current non-interest bearing receivables	1 707	-253
Increase (-) / decrease (+) in inventories	1 455	98
Increase (+) / decrease (-) in current non-interest bearing liabilities	-945	-104
Cash generated from operations before financial items and income taxes	1 956	-1 347
Interest paid and payments on other financial expenses from operations	-974	-906
Dividends received	5	2
Interest received	10	31
Cash flow before extraordinary items	997	-2 220
Net cash flow from operating activities	**997**	-2 220
Cash flow used in investing activities		
Investments in tangible and intangible assets, gross	-1 175	-2 276
Investment grants received	50	130
Proceeds from sale of tangible and intangible assets	37	590
Loans granted to subsidiaries	0	-120
Repayments of loan receivables	74	0
Proceeds from sale of other investments	0	14
Interest received	5	0
Net cash used in investing activities	**-1 009**	-1 662
Cash flow from financing activities		
Repayments of current borrowings	0	-1 500
Long-term borrowing	2 000	2 000
Repayment of long-term loans	-4 216	-3 552
Received group contributions	218	0
Net cash flow from financing activities	**-1 998**	-3 052
Net increase (+) / decrease (-) in cash and cash equivalents	-2 010	-6 934
Cash and cash equivalents at the beginning of the financial year	3 181	10 176
Effect of changes in exchange rates	17	-61
Cash and cash equivalents at the end of the financial year	**1 188**	3 181

Notes to the Financial Statements of the Parent Company

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

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

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

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

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

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

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

Research and Development Cost
Research cost has been recorded as annual costs when incurred. 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.
Development costs related to sauna-product group, the renewal of enterprise resource planning system, the productisation of new ceramic collection and the design of new soapstone interiors have been activated.

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 2015 or 2014.

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	2015	2014
1.1. Net sales		
1.1.1. Net sales per geographical area		
Finland	15 082	17 895
Rest of Europe	14 936	19 570
USA	600	467
Total net sales per geographical area	**30 618**	37 932
1.1.2. Net sales per goods and services		
Sales of goods	28 317	35 024
Rendering of services	2 301	2 908
Total net sales per goods and services	**30 618**	37 932
1.2. Other operating income		
Rental income	91	109
Charges for intergroup services	74	81
Government grants	0	122
Proceeds from sale of fixed and other non-current investments	17	502
Other income	220	255
Total other operating income	**402**	1 069

EUR 1 000	2015	2014
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	343	384
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	31	32
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	4	4
Total	**378**	421
Managing Director		
Salaries and other short-term benefits		
Salaries	176	184
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	31	32
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	4	2
Total	**211**	219
Members of Board		
Ginman-Tjeder Nella	0	19
Pohjanvirta Olli	0	18
Rönkkö Markku	37	36
Saarinen Pasi	0	19
Suutari Harri	16	72
Svanborg Reijo	19	0
Tähtinen Jyrki	57	0
Vauhkonen Anu	0	18
Vauhkonen Heikki	20	18
Vauhkonen Reijo	18	0
Total	**167**	200

EUR 1 000	2015	2014
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	570	518
Termination benefit paid	211	0
Post-employment benefits (pension benefits)		
Contributions to statutory pension plan	137	90
Contributions to voluntary supplementary pension plan	0	1
Share-based payments	15	9
Total	**933**	618
1.3.2. Average number of empoyees durung the fiscal year		
Clerical employees	57	88
Workers	152	183
Total number of employees	**209**	271
1.4. Depreciation according to plan		
Development expenditure	292	260
Intangible rights	20	20
Other long-term expenditure	817	922
Amortisation on quarries based on the unit of production method *)	112	78
Buildings and constructions	501	509
Machinery and equipment	976	1 170
Other tangible assets	1	1
Depreciation on land areas based on unit of production method	36	35
Goodwill	737	737
Depreciation according to plan in total	**3 492**	3 732

*) 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.

EUR 1 000	2015	2014
1.5. Other operating expenses		
Rental expenses	1 430	1 547
Maintenance of real estates	386	587
Marketing expenses	1 876	3 069
Other variable costs	2 032	2 630
Other expenses	2 489	3 052
Total	**8 213**	10 885
1.5.1. Auditors' fees		
Audit fees	63	57
Tax advice	3	1
Other fees	8	18
Audit fees, total	**74**	76
1.6. Financial income and expenses		
Income from non-current investments		
Didivends received from others	5	16
Other financial income		
Interest income from Group companies	11	8
Interest income from others	19	31
Changes in fair value of derivatives	0	7
Financial income, total	35	62
Reduction in value of investments held as non-current assets		
Interest expenses and other financial expenses to Group companies	-231	0
Impairment of investments in fixed assets	-4	0
Interest expenses to others	-645	-661
Other finalcial expenses to others	-316	-168
Interest expenses and other financial expenses, total	-1 196	-829
Financial income and expenses, total	**-1 161**	-767
1.7. Extraordinary items		
AWL-Marmori, group contribution	218	0

EUR 1 000	2 015	2 014
2.1. Intangible assets		
2.1.1. Capitalised development expenditure		
Capitalised development expenditure January 1	1 488	1 322
Additions	272	165
Acquisition cost December 31	1 760	1 487
Accumulated depreciation according to plan January 1	-803	-543
Depreciation for the financial year	-292	-260
Accumulated depreciation December 31	-1 095	-803
Balance sheet value of capitalised development expenditure December 31	**665**	684
2.1.2. Intangible rights		
Acquisition cost January 1	705	703
Additions	1	2
Acquisition cost December 31	706	705
Accumulated depreciation according to plan January 1	-633	-613
Depreciation for the financial year	-20	-20
Accumulated depreciation December 31	-653	-633
Balance sheet value of intangible rights, December 31	**53**	72
2.1.3. Goodwill		
Acquisition cost January 1 and December 31	8 713	8 713
Accumulated depreciation according to plan January 1	-6 518	-5 781
Depreciation for the financial year	-737	-737
Accumulated depreciation December 31	-7 255	-6 518
Balance sheet value of goodwill, December 31	**1 458**	2 195

The parent company's goodwill comprises merger losses.

EUR 1 000	2 015	2 014
2.1.4. Other long term expenditures		
Acquisition cost January 1	19 106	18 550
Additions	580	601
Disposals	-809	-45
Acquisition cost December 31	18 877	19 106
Accumulated depreciation according to plan January 1	-11 297	-10 339
Accumulated depreciation on disposals	789	42
Depreciation for the financial year	-929	-1 000
Accumulated depreciation December 31	-11 437	-11 297
Balance sheet value of long term expenditure, December 31	**7 440**	7 809

The balance sheet value of other long term expenditure includes EUR 4 536 (4 388) million for stone research and costs relating to the opening of new soapstone quarries and of quarries not yet taken into production use.

Decreases in other non-current expenditures and accumulated amortization on decreases in other non-current expenditures include disposals amounting to EUR 20 (2) thousand.

At the end of the current financial year there were no items in progress under other intangible assets.

Total intangible assets	**9 616**	10 760

EUR 1 000	2015	2014
2.2. Tangible assets		
2.2.1. Land		
Acquisition cost January 1	1 381	1 403
Additions	0	-22
Acquisition cost December 31	1 381	1 381
Accumulated depreciation January 1	-400	-365
Depreciation based on the unit of production method for the financial year	-36	-35
Accumulated depreciation December 31	-436	-400
Balance sheet value of land, December 31	**945**	981
2.2.2. Buildings and constructions		
Acquisition cost January 1	15 319	15 178
Additions	0	300
Disposals	-30	-159
Acquisition cost December 31	15 289	15 319
Accumulated depreciation according to plan January 1	-10 543	-10 178
Accumulated depreciation on disposals	30	144
Depreciation for the financial year	-501	-509
Accumulated depreciation December 31	-11 014	-10 543
Revaluation	505	505
Balance sheet value of buildings and constructions, December 31	**4 780**	5 281

EUR 1 000	2015	2014
2.2.3. Machinery and equipment		
Acquisition cost January 1	44 810	45 418
Additions	258	1 054
Disposals	-6 352	-1 662
Acquisition cost December 31	38 716	44 810
Accumulated depreciation according to plan January 1	-41 047	-41 501
Accumulated depreciation on disposals	6 316	1 624
Depreciation for the financial year	-976	-1 170
Accumulated depreciation December 31	-35 707	-41 047
Balance sheet value of machinery and equipment, December 31	**3 009**	3 763

Disposals of Machinery and equipment / Accumulated depreciation on disposals include EUR 13 thoudsand scrapped items (EUR 0 thousand in 2014).

Amount of machinery and equipment included in balance sheet value	2 740	3 314
2.2.4.Other tangible assets		
Acquisition cost January 1	289	289
Acquisition cost December 31	289	289
Accumulated depreciation according to plan January 1	-248	-247
Depreciation for the financial year	-1	-1
Accumulated depreciation December 31	-249	-248
Balance sheet value of other tangible assets, December 31	**40**	41
2.2.5. Advance payments		
Advance payments 1.1.	11	10
Additions	0	1
Disposals	-11	0
Advance payments, total	**0**	11
Total tangible assets	**8 774**	10 077

EUR 1 000	2015	2014
2.3. Shares in Group Companies	%	%
Tulikivi U.S. Inc., USA	100	100
OOO Tulikivi, Russia	100	100
Tulikivi GmbH, Saksa	100	100
AWL-Marmori Oy, Turku	100	100
The New Alberene Stone Company Inc., USA	100	100
In addition to its subsidiaries, Tulikivi Corporation has a branch office in Germany, Tulikivi Oyj Niederlassung Deutschland.		
Associated companies		
Rakentamisen MALL Oy, Helsinki	0	25
The shares of accociate were sold in June 2015		
2.4. Receivables from Group companies		
Capital loan, AWL-Marmori Oy	0	34
Capital loan, Tulikivi GmbH	0	160
Receivables from Group companies, total	**0**	194
2.5. Other investments		
Other	26	25
Total other investments	**26**	25
2.6. Inventories		
Raw material and consumables	3 733	4 456
Work in grogress	2 519	2 770
Finished products/goods	2 235	2 716
Total inventories	**8 487**	9 942
2.7. Non-current receivables		
Trade receivables		
From others	15	28
From group companies		
Loan receivables	0	40
Accrued incomes	0	3
Receivables from Group companies, total	0	43
Total non-current receivables	**15**	71
2.8. Deferred tax assets		
Provisions and accrued expenses	178	243

EUR 1 000	2015	2014
2.9. Current receivables		
Receivables form group companies		
Trade receivables	197	194
Loan receivables	0	133
Accrued income	0	7
Receivables form group companies, total	197	334
Receivables from others		
Trade receivables	1 639	3 014
Other receivables	133	218
Accrued income		
Other accrued income	108	182
Receivables from grants	0	78
Prepayments	166	193
Accrued income, total	274	453
Receivables from other, total	2 046	3 685
Total current receivables	**2 243**	4 019
2.10. Shareholders' equity		
Capital stock January 1 and December 31	6 314	6 314
Revaluation reserve January 1	-170	-77
Change	31	-93
Revaluation reserve Decenber 31	-139	-170
Treasury shares	-108	-108
Restricted equity	6 067	6 036
The invested unrestricted equity fund January 1 and December 31	14 834	14 834
Retained earnings January 1	-11 394	-7 284
Retained earnings December 31	-11 394	-7 284
Result for the year	-4 214	-4 110
Eguity	-774	3 440
Total shareholders' equity	**5 293**	9 476
2.11. Statement of distributable earnings December 31		
Profit for the previous years	-11 394	-7 284
The invested unrestricted equity fund	14 834	14 834
Result for the year	-4 214	-4 110
Total distributable earnings	**-774**	3 440

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 commiting 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 nfor the 2014 financial year's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) adjusted for non-recurring items are fulfilled. The theoretical market value of one stock option 2013A is EUR 0.10 per stock option. The theoretical market value of the stock options 2013A is EUR 58,000 in total. The theoretical market value of one stock option has been calculated using the Black & Scholes stock option pricing model with the following inputs: share price EUR 0.32, share subscription price EUR 0.33, risk-free interest rate 0.89 per cent, validity of stock options approximately 4.5 years and volatility 37 per cent. The theoretical market value of the stock options has not been adjusted downward for the probability of not fulfilling the targets set for the vesting criteria.

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

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.

As the EBITDA goal set for 2015 was not achieved, no incentive pay was paid and no options were distributed for 2015.

2.12. Treasury shares

During the financial year 2015 (2014), 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	2015	2014
2.13. Provisions		
Warranty provision	135	195
Environmental provision (Present value)	184	391
Environmental provision, current	6	13
Restructuring provision, non-current	52	0
Restructuring provision, current	520	536
Total	**897**	1135

The undiscounted amount of environmental provision was EUR 348 (468) 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	12 527	12 099
TyEL pension loans	3 239	3 710
Total non-current liabilities	**15 766**	15 809
2.15. Current liabilities		
Liabilities to group companies		
Trade payables	504	390
Liabilities to associates		
Trade payables	0	1
Liabilities to others		
Loans from credit institutions	1 529	3 190
Pension loans	471	982
Advances received	83	90
Trade payables	1 712	2 354
Other current liabilities	259	299
Accrued liabilities		
Salaries, wages and social costs	2 157	2 462
Discounts and marketing expenses	266	277
External charges	296	353
Interest liabilities	349	401
Other accrued liabilities	94	165
Accrued liabilities, total	3 162	1 196
Liabilities to others, total	7 216	10 573
Total current liabilities	**7 720**	10 964

EUR 1 000	2 015	2 014
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	17 766	19 981
Real estate mortgages given	15 780	13 258
Company mortgages given	19 996	19 996
Given mortgages and pledges, total	35 776	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	324	552
Rental obligations payable later	30	165
Rental commitments due, total	354	717
Leasing commitments		
Due not later than 1 year	221	364
Due later	78	243
Leasing commitments, total	299	607

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

Derivatives		
Interest rate swaps , nominal value	6 331	7 046
Interest rate swaps , fair value	-175	-214
Obligation to repay VAT deductions made in earlier periods	89	103

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, 2015

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	1 123 090	11.58
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. Varma Mutual Pension Insurance Company		2 813 948	4.70
6. Finnish Cultural Foundation	100 000	2 158 181	3.77
7. Toivanen Jouko	100 000	1 912 558	3.36
8. Mutanen Susanna	797 500	846 300	2.75
9. Fennia Mutual Insurance Company		1 515 151	2.53
10.Vauhkonen Mikko	397 500	363 810	1.27

10 Major shareholders according to number of votes Shares registered in the name of a nominee are not included.	Votes/K shares	Votes/A shares	Proportion, %
1. Vauhkonen Heikki	58 095 000	1 123 090	45.90
2. Mutanen Susanna	7 975 000	846 300	6.84
3. Elo Eliisa	4 775 000	2 631 036	5.74
4. Elo Mutual Pension Insurance Company		4 545 454	3.52
5.Vauhkonen Mikko	3 975 000	363 810	3.36
6. Ilmarinen Mutual Pension Insurance Company		3 720 562	2.88
7. Finnish Cultural Foundation	1 000 000	2 158 181	2.45
8. Toivanen Jouko	1 000 000	1 912 558	2.26
9. Varma Mutual Pension Insurance Company		2 813 948	2.18
10. Fennia Mutual Insurance Company		1 515 151	1.17

The members of the Board and Managing Director control 5 810 000 K shares and 1 813 179 A shares representing 46.51 % of votes.

Breakdown of share ownership of December 31, 2015 Number of shares	Shareholders pcs	Proportion %	Shares pcs	Proportion %
1 - 100	472	9,30	29 421	0.05
101 - 1000	2 123	41,82	1 205 344	2.01
1001 - 5000	1 565	30,83	4 153 455	6.94
5001 - 10000	446	8,79	3 465 783	5.79
10001 - 100000	422	8,31	11 500 805	19.21
100001 -	49	0,97	39 516 435	66.00
Total	5 077	100,00	59 871 243	100.00

The Company's shareholders were broken down by sector as follows Sector	Holding %	Votes %
Enterprises	3.62	1.68
Financial and insurance institutions	5.54	2.44
Public organisations	18.51	8,59
Non-profit organisations	4.50	2,79
Households	67.24	84.10
Foreign	0.59	0.40
Total	100.00	100.00

Nominee-registered shares, 1 543 153 in total (2.577 per cent of the capital stock, 1.196 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 4, 2016

Jyrki Tähtinen

Markku Rönkkö

Reijo Svanborg

Reijo 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 2015. 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, 10 March 2016

KPMG OY AB
Kirsi Jantunen
Authorized Public Accountant

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Warmest Regards,

Tulikivi

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