

# Annual Report 1997

## Contents

Fiskars – Finland’s Oldest Industrial Enterprise .....	2
Information to Shareholders .....	3
President’s Review .....	4
Board of Directors and Auditors .....	6
Corporate Management and Organization .....	7
Consumer Products Group .....	8
Inha Works .....	16
Real Estate Group .....	18
Shareholding in Metra Corporation .....	20
<b>Financial Statements 1997</b>	
Report by the Board of Directors .....	22
Consolidated Income Statement .....	26
Consolidated Statement of Cash Flows .....	27
Consolidated Balance Sheet .....	28
Accounting Principles .....	30
Notes to the Financial Statements .....	32
Five Years in Figures .....	42
Information on Fiskars Shares .....	43
Parent Company Income Statement and Statement of Cash Flows .....	46
Parent Company Balance Sheet .....	47
Proposal by the Board of Directors for Appropriation of Profits .....	48
Auditor’s Report .....	49
Addresses .....	50
Fiskars Worldwide .....	51

# Fiskars - Finland's Oldest Industrial Enterprise

Fiskars is today the world's leading manufacturer of cutting tools for the consumer market. The main emphasis has been on scissors and thereof modified products for homes, schools, offices and for gardening. Now consumer products also include knives and crafting tools and accessories for homes, offices and crafts, lawn and garden tools and accessories, outdoor recreation products, and home-wares. The products are manufactured in some ten countries, with a clear concentration in the United

States. Altogether Fiskars products are marketed in more than 40 countries, the main markets are in North America and Europe.

Inha Works, situated in central Finland, became part of the Fiskars Group in 1917. Inha today manufactures aluminum boats, building components and rail fasteners, primarily for the Nordic markets.

Fiskars also takes an active interest in its long-term industrial investments. The most important of these is its holding in the Metra Corporation, a leading manufacturer

of diesel engines and a major supplier of bathroom products.

In addition, Fiskars own and manages about 15,000 hectares of land and forest in southwestern Finland.

In 1997, Fiskars net sales were some FIM 2.8 billion (USD 520 million) and the corporation employed 4,500 people of whom 2,900 in the United States. Fiskars Corporation is a public limited company, the shares are listed on the Helsinki Stock Exchange.



*The lower works in the Fiskars village in the 1920s. Apart from a couple of warehouses, the buildings still stand.*

## Highlights in Fiskars' History

**1649**

Fiskars Iron Works is established

**1714**

Fiskars village is destroyed in a war against Russia

**1783**

Bengt Magnus Björkman becomes the owner of Fiskars Works and Finland's first copper mine at Orjjärvi

**1822**

Johan Jacob von Julin acquires Fiskars

**1883**

Fiskars launches its first public share issue

**1889**

Åminnefors Steel Works is merged with Fiskars

**1920**

Fiskars acquires the majority of Billnäs Ab

**1920-30**

Fiskars acquires several steel products companies

**1939-44**

Finland is at war

**1965**

The steel industry represents 65 per cent of Fiskars' sales

**1967**

Fiskars introduces the world's first plastic-handled scissors

**1977**

Fiskars decides to start scissors manufacturing in the United States

**1980**

Fiskars withdraws from the traditional iron and steel industry

**1988**

Fiskars' Consumer Products Group increases its sales to FIM 500 million

**1996**

Fiskars sells its UPS operations and focuses on the consumer products business

**1997**

The Consumer Products Group's sales exceed USD 500 million

**1999**

Fiskars celebrates its 350th anniversary

# Information to Shareholders

**Annual General Meeting of Shareholders** The Annual General Meeting of the shareholders of Fiskars Corporation will be held at the Hotel Strand Inter-Continental, John Stenbergin ranta 4, Helsinki, Finland on Thursday 19 March 1998 at 4.30 p.m.

In order to take part in the Annual General Meeting, shareholders must be registered in the shareholder register maintained by the Finnish Central Securities Depository (Suomen Arvopaperikeskus Oy) not later than on Friday 13 March 1998.

Shareholders wishing to attend the meeting should inform Fiskars

Corporation by letter to P.O.Box 235, FIN-00101 Helsinki, Finland, or by phone +358-9-61 886 230 (Lisbeth Jantunen) not later than 4.30 p.m. on Tuesday 17 March 1998.

**Dividend** The Board of Directors proposes a dividend of FIM 12.50 (FIM 10.50) per share of series A and FIM 11.70 (FIM 9.70) per share of series K. Both dividends would include a bonus of FIM 2.00 per share. The dividend decided by the shareholders' meeting will be paid to shareholders that are registered in the owner register to the record date. According to the decision by

the Board of Directors, the record date is 24 March 1998. The Board of Directors proposes to the shareholders' meeting that the dividend be paid on 27 March 1998.

**Financial information** Fiskars' financial information is published in English, Finnish and Swedish.

In addition to the Annual Report, Fiskars Corporation publishes three Interim Reports in 1998, covering the periods January 1 to March 31, January 1 to June 30 and January 1 to September 30.

## Summary of operations, Mmk\*)

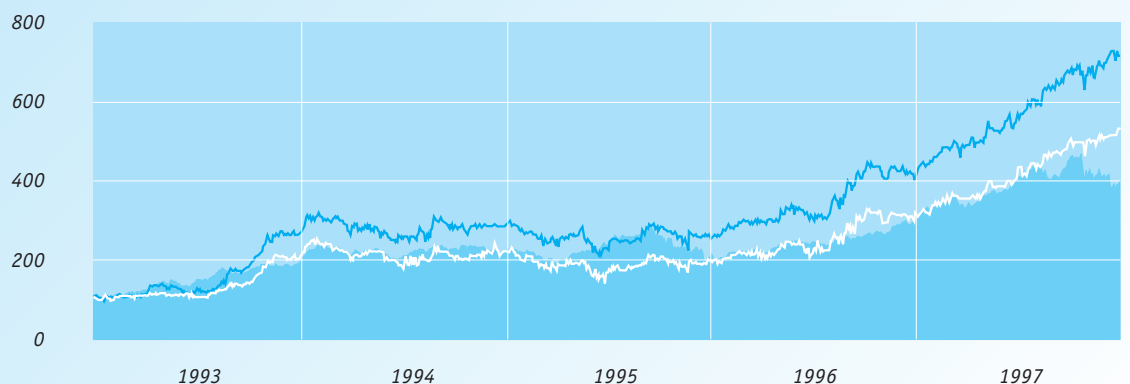
	1997	1996
Net sales	2 842	2 097
Operating profit	320	225
Earnings after financial items	202	143
Extraordinary income	192	479
Profit for the year	394	623
Earnings per share, FIM	27,40	19,50
Balance sheet total	3 823	2 769
Equity ratio (%)	52	59
Personnel at year-end	4 655	3 434

\*) A complete summary is presented on page 42

## Exchange rates

	Average rate (Income Statement)		Closing rate, Dec 31 (Balance Sheet)	
	1997	1996	1997	1996
1 USD	5,19	4,58	5,42	4,64
1 SEK	0,68	0,68	0,69	0,67
1 DKK	0,79	0,79	0,79	0,78
1 DEM	2,99	3,05	3,03	2,99
1 GBP	8,51	7,19	8,99	7,87
100 ITL	0,31	0,30	0,31	0,30
1 ECU	5,86	5,75	5,99	5,77

## Trend of Fiskars share price compared to HEX (1993=100)



## President's Review



*Stig Stendahl*

The past year included a number of significant events and at the same time turned out to be a record year in many respects. Stable market conditions together with changes in currency exchange rates, whose impact on Fiskars' operations was positive, provided a favorable basis for the good development of corporate results. Our position both in North America and Europe was further strengthened through several major acquisitions and divestments.

Perhaps the strategically most significant transaction was finalized in October when our 16 per cent stake in Exide Electronics was sold on very favorable terms in connection with the acquisition of the entire business by a British company. This closed a chapter in Fiskars' participation in the Uninterruptible Power Supply (UPS) industry, although in a different way than we originally had anticipated.

Part of the capital previously released through the divestment of the UPS business was invested already in January in the acquisition of Alterra Holdings, thereby strengthening the Consumer Products Group. The assets of the Italian knife manufacturer Kaimano s.p.A. were acquired in August, and a new major project was completed in December with the acquisition of the shares of EnviroWorks Holding in Orlando Florida.

Thus Fiskars invested more than FIM 850 million during the year in acquisitions, releasing at the same time a good FIM 400 million through divestments. Obviously these major changes in the corporate structure will impact both future results and the balance sheet of the company.

Acquisitions are a fundamental element of our strategy and support our growth with sustainable high profitability and strong cash flow. At the same time they also

include significant goodwill values with the corresponding depreciation and a considerably higher tax burden.

Fiskars' net sales grew by 36% to FIM 2,842 million in 1997, and the result after taxes increased by 41% to FIM 202 million. Growth in the United States was an impressive 60% and in Europe 15%. These high figures are partly attributable to the acquisition of Alterra and to a large extent also to our continued success in product development as well as to new markets which we are developing systematically.

It is also worth mentioning that the trend of currency exchange rates worked clearly in Fiskars' favor; for example the important US dollar average rate rose by 13% increasing our FIM denominated net sales and naturally also our balance sheet total.

As always, the overall sales increase among the Consumer Products Group's units consists of both very high growth figures and more modest ones; however, the positive aspect is that each unit shows clear progress. Inha Works' invoicing grew considerably, by 21 %, and totalled FIM 111 million, boosted by a positive development both in the sales of Buster boats and hinges.

The strategy adopted by Fiskars' Board to focus operations on the Consumer Products Group and its sustainable growth especially in North America and Europe has clearly stood out as an excellent formula for development. The Corporation has divested its strategically less attractive businesses; from now on we will continue building on a very strong Consumer Products Group and the success of Inha.

Our objective is to make effective use of the competence and experience possessed by the manage-

ment and the staff in product development, production, marketing and distribution; to continue to train all personnel to meet new challenges; and to closely follow changes, developments and the competition in our markets.

We intend to manage our financial resources in the best possible way by carefully monitoring our cash flow and keeping the capital employed under control.

The last months in particular have clearly shown that the market situation can change dramatically and very quickly. Even if Fiskars operates in businesses which at first glance should seemingly be unaffected by events in Southeast Asia, we must be prepared for sudden changes in the competitive environment.

We are strongly aware of this situation which means a great challenge to us, particularly to the management of the Consumer Products Group. I believe, however, that we can take on potential challenges of this kind and that our well tested strategy will hold also in the future.

I wish to thank our customers and other constituent groups for good and successful cooperation during a year which exceeded most of our expectations.

I also use this opportunity to thank our shareholders, Fiskars' Board of Directors, colleagues and fellow employees for the past year and for the confidence you all have shown.

Helsinki, February 1998



Stig Stendahl

# Board of Directors and Auditors

## Board of Directors of Fiskars Corporation

Göran J. Ehrnrooth (1934)

*Chairman since 1984, elected to the Board in 1974. Term expires in 2000. President of the Company (1969-1983). Member of the Board of Directors, Metra Corporation. Member of the Supervisory Board of Rautaruukki Corporation. Holds 55,513 Fiskars shares.*

Erik Stadigh (1928)

*Vice Chairman, elected to the Board in 1993. Term expires in 1999. Former Deputy Managing Director at the Union Bank of Finland. No Fiskars shares.*

Robert G. Ehrnrooth (1939)

*Elected to the Board in 1966. Term expires in 1999. Chairman of the Board of Directors, Metra Corporation. Former President of EffJohn Oy Ab. Holds 83,502 Fiskars shares.*

Thomas Tallberg (1934)

*Elected to the Board in 1966. Term expires in 2000. M.D., The Institute for Bio-Immunotherapy. Chairman of the Board of Directors, Tallberg Group. Holds 67 Fiskars shares.*

Jarl Engberg (1938)

*Elected to the Board in 1980. Term expires in 1998. Attorney-at-Law, Hannes Snellman Attorneys at Law Ltd. Holds 3,500 Fiskars shares.*

Gustaf Gripenberg (1952)

*Elected to the Board in 1986. Term expires in 1998. D.Eng., Helsinki University. Holds 18,350 Fiskars shares.*

Juha Toivola (1947)

*Elected to the Board in 1997. Term expires in 2000. President of Industrial Insurance Company Ltd and Vice President of the Sampo Group. Holds 4,562 Fiskars shares.*



Göran J. Ehrnrooth



Erik Stadigh



Robert G. Ehrnrooth



Thomas Tallberg



Jarl Engberg



Gustaf Gripenberg



Juha Toivola

## Auditors

*Ordinary*  
Eric Haglund, CPA

*Deputy*  
KPMG Wideri Oy Ab  
Corporation of Auditors

# Corporate Management and Organization

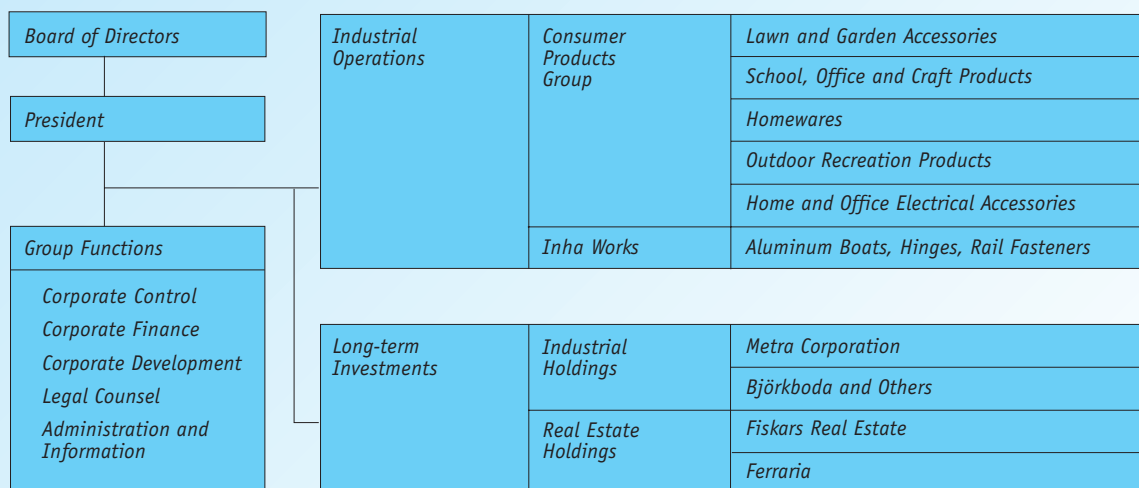
## Corporate Management

		<i>Employed since</i>
Stig Stendahl (1939)	<i>President and CEO</i>	1992
Wayne G. Fethke (1944)	<i>Corporate Vice President, Consumer Products Group</i>	1977
Ingmar Lindberg (1945)	<i>Corporate Vice President, Real Estate and Administration</i>	1985
Ove Bäckman (1950)	<i>Vice President, Corporate Control</i>	1983
Juha Rauhala (1954)	<i>Vice President, Corporate Finance</i>	1989
Erkki Hokkinen (1947)	<i>Vice President, Corporate Development</i>	1988
Kurt-Erik Forsstedt (1942)	<i>Vice President, Legal Counsel</i>	1980

## Business Areas

Wayne G. Fethke (1944)	<i>Consumer Products Group</i>	1977
Gerald J. Erickson (1944)	<i>Consumer Products Group</i>	1977
Roy Prestage (1940)	<i>North America</i>	1983
Jim Woodside (1956)	<i>North America</i>	1993
Stig Måtar (1945)	<i>Finland, Germany, Italy, Eastern Europe</i>	1987
Gareth Davies (1960)	<i>Great Britain, France, Sweden, Norway, Denmark</i>	1986
Mike Vierzba (1948)	<i>Canada, Asia, Pacific, Latin America</i>	1984
Pauli Lantonen (1939)	<i>Inha Works</i>	1968
Ingmar Lindberg (1945)	<i>Real Estate Group</i>	1985

## Organization



# Consumer Products Group



Wayne G. Fethke

Fiskars has focused its operations on the consumer products business and is the market leader in many of its selected areas of expertise. Fiskars is known among consumers as a leading manufacturer and supplier of ergonomically designed high-quality products.

Fiskars directs its products primarily to homes and offices and they are marketed through integrated distribution channels including major retail chains, distributors of homewares and office supplies, retailers and hardware stores. There are five strategic business categories: Lawn and Garden Accessories; School, Office and Craft Products; Homewares; Outdoor Recreation Products, and Home and Office Electrical Accessories.

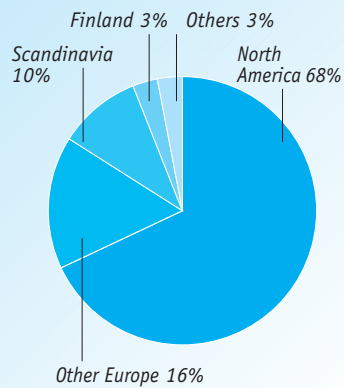
The Consumer Products Group

uses three balanced approaches to business growth: heavy emphasis on new product development, expansion into new markets and new geographies with existing products, and growth through selective acquisition of products and companies. The objective is to conquer a significant position in all these chosen areas.

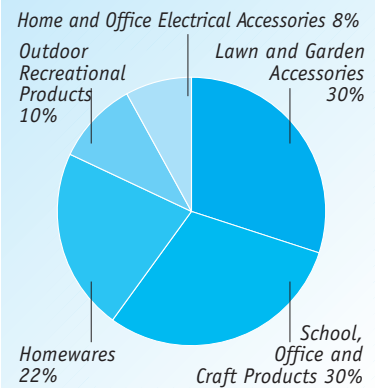
## Key indicators

	1997	1996
Net sales, FIM million	2 700	1 867
- of which outside		
Finland%	97	96
Share of total net sales %	95	89
Operating profit, FIM million	339	239
Personnel	4 377	3 184

## Net sales by market area



## Net sales by product categories



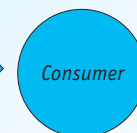
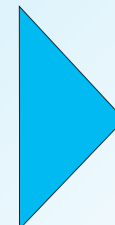
## Product categories

Lawn and Garden Accessories  
 School, Office and Craft Products  
 Homewares  
 Outdoor Recreation Products  
 Home and Office Electrical Accessories



## Distribution channels

Mass Merchants  
 Home Centers  
 Independent Retailers  
 Office Centers  
 Hardware Centers







*Homewares lend a helping hand in the kitchen.*



*Home and Office Electrical Accessories represent a rapidly growing sector.*

*The ergonomic Power Pruners appeal also by their design.*



*New creative uses are discovered every day for the School, Office and Craft products.*

*Mounting success for the Handy axes in the Outdoor Recreation Products range.*



*Planting pots are a specialty of EnviroWorks, latest member in the Lawn and Garden Accessories operation.*



## Lawn and Garden Accessories

Lawn and Garden Accessories is Fiskars' largest business category with long traditions. Spades and other basic tools have been manufactured for more than a century. Today the production program includes nearly all lawn and garden accessories from pruners to irrigation equipment. Seasonality imposes special demands on this product group since most of the shipments concentrate on the spring season, and production must be planned carefully to meet anticipated demand.

A large number of new lawn and

garden products have been successfully introduced in recent years.

One of these is Fiskars' power lopper series which has gained popularity among gardening enthusiasts and received recognition in many design contests. Last year the European Union granted Fiskars the European Design Prize 97 Award for its continued commitment to quality and systematic application of ergonomic principles.

The range of lawn and garden products was significantly expanded during the year through acquisitions. Aquapore Moisture Systems,

an Arizona based manufacturer of water-saving irrigation systems and other lawn and garden products, was acquired in early 1997. Fiskars also acquired EnviroWorks in Florida at the end of the year. EnviroWorks manufactures Planterra flower and planting pots and Enviroshade sun shelters.

The principal production plants are located at Billnäs Finland, Sauk City Wisconsin, Bridgend Wales, Phoenix Arizona and Apopka Florida. North America and Europe are the principal markets.





*Cutting of branches is easy with the new Universal Cutter.*



*Wallace offers an extensive line of garden products to the US market.*



*Aquapore garden products are made of recycled rubber from used car tires.*



*Keeping cool on a sunny day under a sunshade by EnviroWorks.*



*The new safe and efficient Universal Cutter will be launched in spring 1998.*

*The midmost member of Fiskars' Power Lopper family is a prime example of successful ergonomic design and convenience of use.*



## School, Office and Craft Products

School, Office and Craft Products is an extremely important segment for Fiskars' product development. This business category includes a large range of products used for crafts and hobby, including rulers, compasses and sharpeners in addition to traditional scissors, as well as accessories used in textile work. Systematic product development ensures a comprehensive and versatile product range and forms the foundation for the success of this business category. Fiskars has conquered an esteemed position as supplier by adapting and developing its operations to be able to re-

spond to the continuous structural changes in modern distribution and retailing.

Children and young adults are a target group critical for the success of this category. Creative Works' new craft accessories are specially designed to address children's needs. Another extensive range are products developed for schools and offices. Special products include items like soft-handled scissors. A variety of paper and fabric cutters complement the offerings in this product line. A new bestseller in the United States is the Memories program for preserving photos and

souvenirs.

The advance of chains of specialty shops in this field has been a significant growth factor. American office supply chains have expanded their operations also to Europe, Asia and South America. Specialization of the trade is expected to continue boosting the sale opportunities of Fiskars' products in new markets.

The principal product development and production units are at Billnäs Finland, and Wausau Wisconsin. The markets are becoming increasingly global.

## Homewares

Housework tools belong to Fiskars' traditional expertise. Fiskars is the leading global manufacturer of scissors. Knives, cutlery, kitchen tools and other household products are other important product lines. Continued growth requires a deep understanding of the markets and customers' needs as well as the utilization of this knowledge in the development of innovative ideas and products.

In January 1997 Fiskars acquired the California based Royal Floor Mats which manufactures door mats for indoor and outdoor use. Royal is the US market leader and brings added versatility to Fiskars' Homewares range using the same distribution channels as the other products in this business category.

The Italian knife manufacturer Kaimano was acquired in August.

Kaimano's products complement our knife offerings especially in Italy.

Products in this category are manufactured at Billnäs Finland, Wausau Wisconsin, Godthaab Denmark, Premana Italy, Southgate California and Calhoun Georgia. The Nordic countries, Great Britain, Southern and Eastern Europe are the principal markets. The other important geographical market is of course North America.



*Organizing of photos and other personal memories has become a popular pastime especially in the USA.*



*Fiskars offers a cutting edge for every type of craft and textile work.*



*Children and young people prefer tools in striking colors for their hobbies and studies.*



*Knives form the core of Fiskars Homewares.*

*Tools are kept in strict order with the help of Portable Products.*



*These easy-to-care and non-slipping doormats are made of recycled rubber.*



## Outdoor Recreation Products

Fiskars and Gerber branded products are extremely popular and highly valued among hikers and campers due to their excellent quality.

Fiskars' outdoor recreation products – camping and hunting knives, multi-purpose tools and axes – are marketed in the United States under the Gerber brand. The Multi-Plier series which belongs to this category was complemented by the new Multi-Lock and Multi-Light

models and a multi-purpose tool developed especially for the US Armed Forces. Gerber also specialized in business gift items and high-class collectors' knives.

Among the best known Fiskars outdoor recreation products in Europe are the Handy axes developed in Finland. This series of seven axes in different sizes has met with enthusiastic response and led to a strong growth in the sales of axes

particularly in the Nordic countries. Both Gerber and Fiskars hunting and fishing knives are favored by devotees also in Europe.

The outdoor recreation products are manufactured at Billnäs Finland, and Portland Oregon. The principal markets are North America and the Nordic countries.

**FISKARS**

**GERBER**

## Home and Office Electrical Accessories

Home and Office Electrical Accessories is Fiskars' most recent and rapidly growing product category. Power surge protection for electronic equipment is not limited to computers. Also Audio-Video equipment and telephone and antenna networks need protection against disturbances. It is estimated that the proliferation of home theatres in the United States will increase

the need for power surge protection substantially.

This category consists of two US companies operating in the power surge protection sector. The Minnesota based Power Sentry which was acquired in 1995 specializes in power surge protectors for small electrical devices. The San Diego based Newpoint Corporation was acquired in the first half of

1996. The company is the leading US producer and supplier of multi-purpose power surge protection.

Thanks to these two mutually complementing companies, Fiskars has become a significant supplier in this fragmented but rapidly growing segment. The markets are for the time being concentrated to North America.

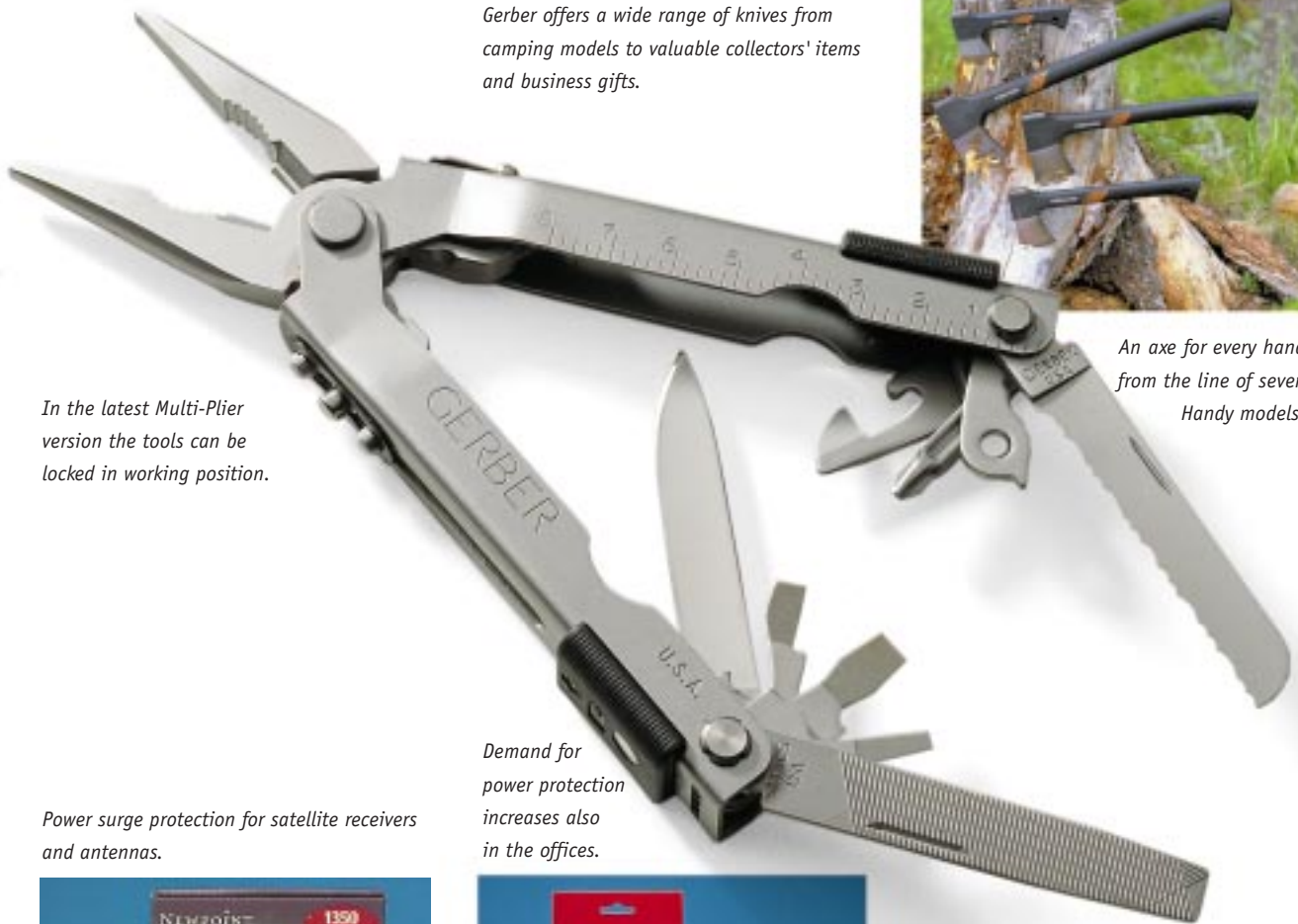
**NEWPOINT** **POWER SENTRY**



Gerber offers a wide range of knives from camping models to valuable collectors' items and business gifts.



An axe for every hand from the line of seven Handy models.



In the latest Multi-Plier version the tools can be locked in working position.

Demand for power protection increases also in the offices.

Power surge protection for satellite receivers and antennas.



Even small domestic appliances need protection against power disturbances.



# Inha Works



Pauli Lantonen

Inha Works was established in central Finland more than 150 years ago, and has been a subsidiary of Fiskars Corporation since 1917.

Inha's production today consists of three nearly equally big product categories. Inha Works is the

European leader in the manufacture of aluminum boats for utility transport and leisure. Building components include hinges to the door and window industry, and special-purpose radiators for humid rooms are another product line in this business sector. The third product group is rail fasteners which represent Fiskars' traditional know-how in forged products.

Finland and the other Nordic countries are Inha's principal markets.

Demand for powerboats continued to grow both in Finland and in other Nordic countries. The new Buster M, introduced for the 1997 boating season, has successfully replaced the popular Buster RS and advanced to become the best-selling boat model already in its first year. Systematic product development, a totally renewed model range and the large number of versions have further strengthened the competitiveness of Buster. The current range includes seven different models.

In recent years, Inha Works has

worked together with customers in developing a comprehensive line of door and window hinges for different purposes. Demand for hinges grew considerably as a result of the recovery of residential construction and the high and stable level of renovation construction in the Nordic countries. Also the exports by the Finnish door and window industry contributed to the growth. As a result Inha's position as the leading Nordic hinge manufacturer was strengthened during the year.

Building components also include radiators for heating and drying of bathrooms and other humid areas. Inha complemented its own offering by decoration radiators imported from Italy.

Forged products are an important traditional part of Inha's operations based on long professional experience and know-how. Rail fasteners are sold mainly to the Finnish, Norwegian and Swedish railways under long-term supply agreements.

**FISKARS**

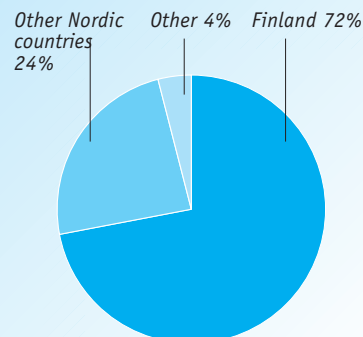
**Buster**

**FORMATERM**

## Key indicators

	1997	1996
Net sales, FIM million	111	92
- of which outside Finland %	28	28
Share of total net sales %	4	4
Operating profit, FIM million	16	12
Personnel	174	153

## Net sales by market area







*Inha's hinges are burglar-proof and easy to install.*

# Real Estate Group



Ingmar Lindberg

Fiskars' Real Estate operations consist of the management of 15,000

hectares of real estate properties and related services. The land holdings situated in the Southwest of Finland represent a considerable corporate asset and include more than 100 lakes and 250 km of shoreline.

Most of the land holdings (11,000 hectares) are located in and around the old Fiskars village. Traditional forestry and farming are carried on in this area according to long-term plans. The forests are harvested in accordance with forest management plans and the demand is assured through long-term contracts with external parties. An interesting specialty is the handling of quality wood which provides additional income for the group.

The revenues from these activities are mainly used to maintain the historical buildings in the Fiskars area and to improve the surrounding landscape. The objective

is to make the entire Fiskars region an attractive place to work and live in and to offer tourists an interesting opportunity to visit this historically unique and still living industrial community.

The remaining 4,000 hectares of Fiskars' land holdings are on the Hanko peninsula. The real estate company Ferraria has prepared a general plan for the area together with the neighboring municipalities in order to create the conditions necessary for future development. The area is primarily reserved for year-round living and holiday homes for families and for the location of environmentally friendly small-scale industry.





*The forest in Fiskars grows...*



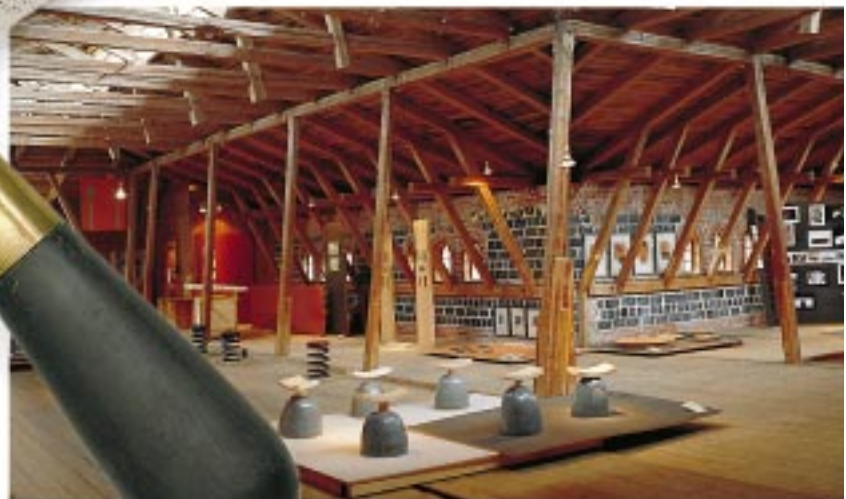
*...to yield a significant volume of quality wood each year.*



*A scale model of the old Fiskars Works portrays all the buildings in the center of the village in minute detail.*



*Historical exhibitions tell a fascinating story of the nearly 350 years of Fiskars' industrial activity.*



*Exhibitions organized by artists who live and work in the Fiskars village are eagerly awaited summer events.*

# Shareholding in Metra Corporation

## Metra Corporation

Fiskars' participation in Metra Corporation's share capital is 15%, giving entitlement to 22% of the votes. Fiskars has been a shareholder in Metra since its establishment in 1991.

Metra's core businesses are Wärtsilä NSD and Sanitec. Wärtsilä NSD is a global engineering group offering its customers complete solutions for power operations and marine propulsion. Its core activities are the design, manufacture, licensing, marketing and servicing of Wärtsilä and Sulzer engines in the 500 – 66,000 kW range. Wärtsilä NSD was established in the spring of 1997 by merging the operations of Wärtsilä Diesel owned by Metra, New Sulzer Diesel and Diesel

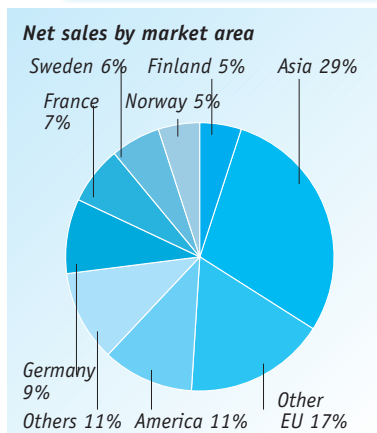
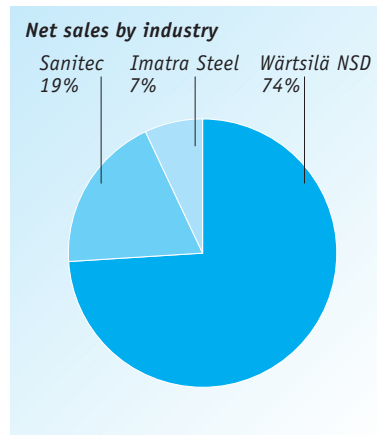
Ricerche and Grandi Motori owned by the Italian Fincantieri and a 40% share of Grandi Motori Trieste.

Sanitec is Europe's leading bathroom ceramics producer and a major supplier of other bathroom products with a growing position in the Middle East and Southeast Asia. Sanitec's local brands in ceramic and other bathroom products are well established in their respective markets. Metra's third industrial operation Imatra Steel produces special steels and steel products for the automotive and engineering industries.

Metra's net sales 1997 totaled FIM 15.3 billion. Wärtsilä NSD accounted for FIM 11.3 billion, Sanitec for FIM 3.0 billion and

Imatra Steel for FIM 1.0 billion of the total. Metra's operating profit was FIM 696 million. Metra's 1997 result was affected by the non-recurring costs caused by the structural arrangements of Wärtsilä NSD. Other factors weakening the result were the delays in launch of new engine types and, at the close of the year, the postponements of financial closing of some large projects and the devaluation of certain Southeast Asian currencies. The company's order book continues to be strong.

Sanitec and Imatra Steel improved their results and their profitability was good.



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Report by the Board of Directors .....	22
Consolidated Income Statement .....	26
Consolidated Statement of Cash Flows .....	27
Consolidated Balance Sheet .....	28
General Accounting Principles .....	30
Notes to the Financial Statements .....	32
Five Years in Figures .....	42
Information on Fiskars' Shares .....	43
Parent Company Income Statement and Statement of Cash Flows .....	46
Parent Company Balance Sheet .....	47
Proposal by the Board of Directors to the Annual General Meeting ....	48
Auditors' Report .....	49

# Report by the Board of Directors

**General** The economic development in the United States and Europe was positive during 1997. Economic growth was strong and unemployment declined, while at the same time the rate of inflation remained quite low. Although the East Asian financial crisis towards the end of the year tempered economic expectations throughout Southeast Asia, its negative effects elsewhere have so far remained modest. In 1997 Finland was one of the most rapidly growing European economies.

From Fiskars' perspective nearly all of its market areas developed quite well. Growth in the United States was excellent and the European markets recovered clearly.

The corporation's industrial operations grew substantially both in the Consumer Products Group and at Inha Works and profitability improved from the previous year.

## Changes in corporate structure

Twenty years had passed in fall of 1997 from the date when Fiskars' Board of Directors decided to build a factory in Wisconsin, USA. This decision soon proved to be very successful. From the very beginning the US operations started to grow dynamically and today form the backbone of the entire corporation. The Consumer Products Group was organized as an autonomous business group in 1978 and has been, from the year 1988, managed from its American headquarters at Madison, Wisconsin.

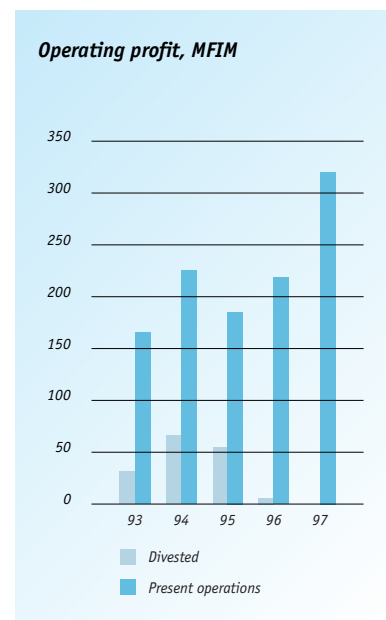
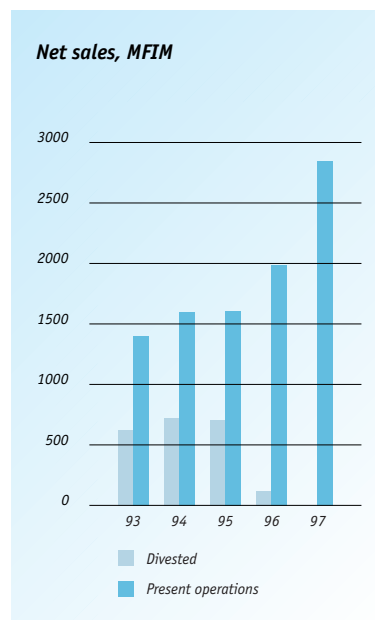
The Consumer Products Group was strengthened by three acquisitions during the year. The American Alterra Holdings Inc., acquired in January, comprises two companies: Royal Mats manufactures doormats and Aquapore garden irrigation products. The Italian knife manufacturer Kaimano was acquired in August and EnviroWorks, a Florida based manufacturer of sunshades and

plastic flower pots, towards the end of the year. With their new products, these acquisitions complete the offerings of the Lawn and Garden Accessories and the Home-ware's business categories in a significant way.

By the middle of the year an American company made a purchase offer for the shares of Exide Electronics Group, Inc. where Fiskars held a stake of 16 per cent. As the result of a bidding competition later in the fall Exide Electronics' shares were sold to the British BTR plc. Fiskars' share of the selling price was FIM 290 million, and its profit before taxes on the sale was FIM 185 million. Thus Fiskars withdrew from the UPS business albeit earlier and in a different way than originally planned.

The shareholding in Elesco Oy was sold to the operative management during the summer, and the 20% interest in Ane Gyllenberg Oy was divested in October.

**Operational results** Corporate net sales 1997 increased by 36% to FIM 2,842 million (FIM 2,097 mil-



lion in 1996). Operating profit amounted to FIM 320 million (FIM 225 million), and net result before extraordinary items was FIM 202 million (FIM 143 million). Extraordinary income less taxes totaled FIM 192 million (FIM 479 million), and the profit for the year was FIM 394 million (FIM 623 million).

Earnings per share were FIM 27.40 (FIM 19.50). Return on investment increased to 14% (13%) and return on equity to 11% (10%).

About 65% of the corporate net sales was generated in North America where the sales volume of the Consumer Products Group grew dramatically. The Finnish market represented 7% of the corporate net sales, and exports from Finland remained unchanged from the previous year (FIM 156 million).

### Results of the business groups

The Consumer Products Group's net sales increased by 45% from the previous year to FIM 2,700 million (FIM 1,867 million). Operating profit grew by 42% to FIM 339 million (FIM 239 million). EnviroWorks which was acquired in December did not yet influence the result.

Inha's net sales grew by 21% to FIM 111 million (FIM 92 million), boosted mainly by the good demand for boats and hinges, and operating profit increased to FIM 16 million (FIM 12 million).

The result from the Real Estate operations was positive, and return on long-term investments totaled FIM 65 million (FIM 43 million).

### Capital expenditure; financing

Capital expenditure in acquisitions and long-term investments totaled FIM 930 million; at the same time, holdings in various companies were sold for FIM 419 million. Investments in the development of industrial operations were FIM 116 million (FIM 92 million).

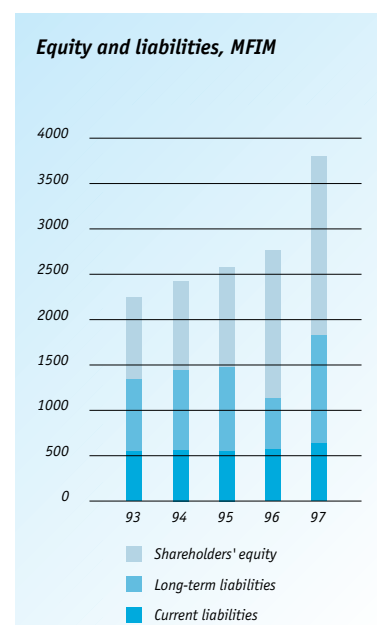
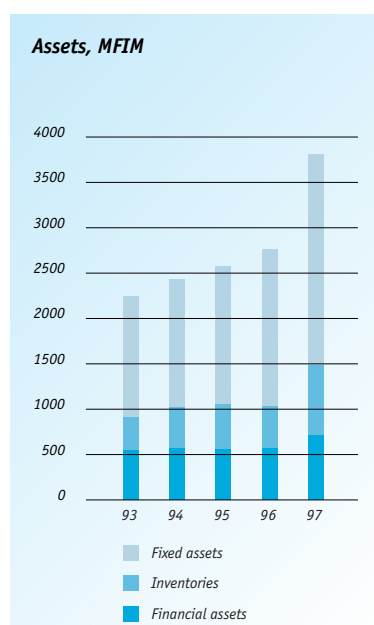
Equity ratio remained good in

spite of sizeable investments. Interest-bearing liabilities grew to 1,228 million (FIM 615 million), and net financial expenses were FIM 59 million (FIM 39 million).

The Corporation's liquidity was also good. In addition to liquid assets, the company had revolving credit facilities of FIM 670 million available at the year-end.

The dividend income of FIM 50 million (FIM 30 million) mainly comprises dividends from Metra and includes the corporate tax credit.

**Balance sheet** The above-mentioned acquisitions and sales of shares have significantly changed the corporate structure. The balance sheet total grew by 38% from the previous year mainly due to an increase in the working capital required for the vigorously expanding business, a considerable increase in goodwill and naturally also due to the trend of the dollar rate. In addition to the Consumer Products Group and Inha Works, the other significant corporate assets are the shareholdings in Metra and the real estate properties.



The equity ratio was a good 52% at the year-end.

**Personnel** The corporation's total workforce increased as a result of the acquisitions to 4,655 persons (3,434) at the year-end; 737 (657) of all employees worked in Finland and 3,158 (2,120) in North America. The employment situation in the Finnish units was good.

**Shares** The price of Fiskars' shares of series A on the Helsinki Stock Exchange increased by 71% and those of series K by 67% during the year. During the same period, the HEX index of the Stock Exchange rose by 32% per cent.

In October, the company decreased its share capital by an amount equal to the nominal value of shares redeemed earlier (FIM 10.6 million) increasing the share capital at the same time by FIM 0.7 million by issuing 24,535 new shares of series A under option warrants for the subscription price of FIM 117 per share.

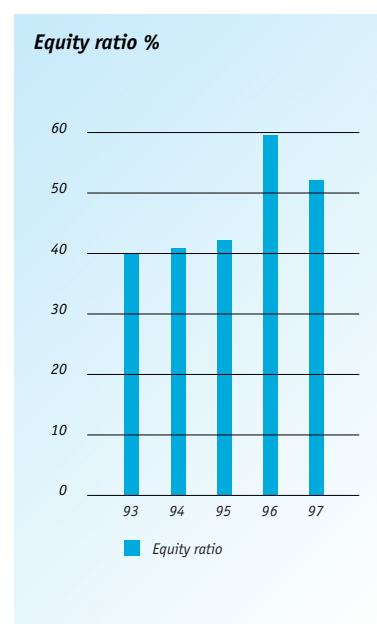
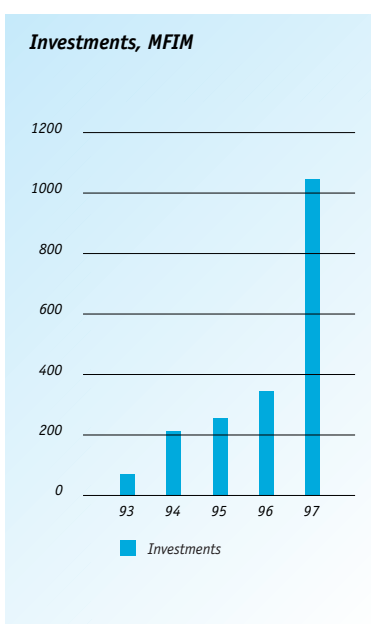
**General meetings** The Annual General Meeting of Fiskars Oy Ab held on 20 March 1997 decided to distribute a total dividend of FIM 74.6 million. The resigning Board members Mr. Göran J. Ehrnrooth and Dr. Thomas Tallberg were re-elected. Both the ordinary Auditor Mr. Eric Haglund (APA) and the deputy Auditor, KPMG Wideri Oy Ab, Corporation of Auditors, were re-elected.

An Extraordinary General Meeting held on 27 November 1997 decided to change the name of the company to Fiskars Oyj Abp, in English Fiskars Corporation. In that connection also the other provisions of the Articles of Association were amended to comply with the new legislation. The number of Board members was increased to seven, and Mr. Juha Toivola was elected as

a new member to the Board until the Annual General Meeting in 2000.

**Outlook** The good economic growth is expected to continue in the principal markets of the company also this year. The recent US acquisitions will significantly boost sales and strengthen both operational results and cash flow. On the other hand, the impact of the increased goodwill, financial costs and higher taxes will moderate the growth of the net result.

As a whole the operating conditions of the corporation remain favorable. Dynamic product development, continuous expansion of markets and carefully planned acquisitions will safeguard Fiskars' long-term success in the consumer products market.





Net sales by business area	1.1. - 31.12.1997		1.1. - 31.12.1996		change
	MFIM	%	MFIM	%	
Consumer Products	2 700	95	1 867	89	45
Inha Works	111	4	92	4	21
Industry total	2 811	99	1 959	93	44
Corporate operations, real estate, other	48	2	45	2	7
Eliminations	-17		-19	0	
Current business operations	2 842	100	1 986	95	43
Sold business operations			112	5	
Corporate total	2 842	100	2 097	100	36

Result by business segment	1.1. - 31.12.1997		1.1. - 31.12.1996		change
	MFIM	%	MFIM	%	
Consumer Products	339	88	239	89	42
Inha Works	16	4	12	4	35
Industry total	355	92	251	94	42
Corporate operations, real estate, other	-35		-31	0	
Current business operations	320	83	220	82	46
Sold business operations			6	2	
Operating profit	320	83	225	84	42
Income from long-term investments	65	17	43	16	51
Consolidated segmental results	385	100	268	100	44

Net sales by market area	1.1. - 31.12.1997		1.1. - 31.12.1996		change
	MFIM	%	MFIM	%	
Finland	197	7	189	9	4
Scandinavia	283	10	272	13	4
Other Europe	437	15	388	18	13
North America	1 851	65	1 197	57	55
Other	74	3	51	2	45
Corporate total	2 842	100	2 097	100	36

Export from Finland	156	5	159	8	-2
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Personnel by geographical area	31.12.1997		31.12.1996		change
		%		%	
Finland	737	16	657	19	12
Scandinavia	235	5	223	6	5
Other Europe	497	11	425	12	16
North America	3 158	68	2 120	62	49
Other	28		9		
Corporate total	4 655	100	3 434	100	36

## Consolidated Income Statement (MFIM)

	<i>1997</i>		<i>1996</i>	
<b>Net sales</b>	<b>2 841.9</b>	<b>100.0%</b>	2 097.3	100.0%
Cost of goods sold	-1 812.2		-1 350.8	
<b>Gross profit</b>	<b>1 029.7</b>	<b>36.2%</b>	746.5	35.6%
Sales and marketing expenses	-432.6		-327.6	
Administrative expenses	-192.6		-144.6	
Other operating income	1.8		4.1	
Other operating expenses	-85.9		-53.2	
<b>Operating profit</b>	<b>320.3</b>	<b>11.3%</b>	225.3	10.7%
<b>Financial income and expense</b>	(4)			
Dividend income	49.9		30.0	
Interest income	17.5		21.2	
Other financial income	0.6		0.2	
Share of associated companies' results	2.9		2.1	
Interest expense	-76.3		-54.1	
Other financial expense	-0.6		-6.7	
<b>Profit before extraordinary items and taxes</b>	<b>314.4</b>	<b>11.1%</b>	217.9	10.4%
<b>Direct taxes</b>				
For the financial year	(7)		-74.4	
<b>Profit before extraordinary income</b>	<b>202.3</b>	<b>7.1%</b>	143.5	6.8%
Extraordinary income	(6)		269.3	
Taxes on extraordinary items	-77.4		-173.0	
Extraordinary items, net	191.9		479.3	
<b>Profit for the financial year</b>	<b>394.2</b>	<b>13.9%</b>	622.8	29.7%

## Consolidated Statements of Cash Flows (MFIM)

	1997	1996
<b>Cash flows from operating activities</b>		
Profit before extraordinary items and taxes	314.4	217.9
Depreciation	(3) 122.4	83.2
Reversal of items recorded on an accrual basis	(33) 5.9	7.4
Cash generated before working capital changes	442.7	308.5
Change in short-term receivables	-52.3	19.4
Change in inventories	-102.0	-16.5
Change in short-term non-interest bearing debt	27.6	-39.2
Cash generated from operations	316.0	272.2
Financial income items received	17.0	19.7
Dividends received	36.0	23.8
Financial expense items paid	-87.2	-71.7
Taxes paid	-109.1	-107.8
Net cash flow from operating activities	172.7	136.2
<b>Cash flows from investing activities</b>		
Acquisitions	-863.5	-113.2
Investment in shares	-48.6	-128.1
Purchase of property, plant and equipment	-115.7	-91.7
Investment in long-term receivables	-17.4	-32.8
Proceeds from sale of operations		830.4
Proceeds from sale of shares	419.4	
Proceeds from sale of equipment	3.6	6.0
Taxes paid on extraordinary items	-159.3	-9.8
Net cash flow from investments	-781.5	460.8
<b>Cash flows from financing activities</b>		
New issue	2.9	
Redemption of shares		-37.8
Change in long-term debt	575.9	-294.4
Change in short-term interest-bearing debt	-6.3	-77.8
Change in short-term receivables	0.0	0.0
Change in long-term receivables	-2.6	-1.9
Dividends paid	-74.6	-52.7
Net cash flows from investing activities	495.3	-464.6
<b>Change in cash</b>	-113.5	132.4
<b>Cash at beginning of year</b>	176.3	41.8
Effect of exchange rate changes	4.7	2.1
<b>Cash at end of year</b>	67.5	176.3

# Consolidated Balance Sheet (MFIM)

<b>Assets</b>		<b>31.12.97</b>		<b>31.12.96</b>	
<b>Fixed assets and other long-term expenditure</b>					
<b>Intangible assets</b>					
Goodwill	(8)	<b>642.7</b>		116.0	
Other long-term expenditure	(9)	<b>33.1</b>		17.4	
		<b>675.8</b>	<b>17.7%</b>	133.4	4.8%
<b>Tangible assets</b>					
Land and water	(10)	<b>128.7</b>		125.4	
Buildings and constructions	(11)	<b>150.2</b>		121.0	
Machinery and equipment	(12)	<b>334.1</b>		209.7	
		<b>613.1</b>	<b>16.0%</b>	456.1	16.5%
<b>Shares in fixed assets and other long-term investments</b>					
Shares in associated companies	(13)	<b>0.3</b>		14.8	
Other shares and participations	(14)	<b>841.5</b>		937.4	
Long-term receivables	(19)	<b>200.9</b>		171.8	
		<b>1 042.8</b>	<b>27.3%</b>	1 124.0	40.6%
<b>Inventories and financial assets</b>					
<b>Inventories</b>					
Raw-materials and consumables		<b>214.8</b>		135.2	
Work in progress		<b>147.4</b>		90.1	
Finished goods		<b>412.0</b>		239.4	
Payments on account		<b>2.7</b>		2.4	
		<b>776.9</b>	<b>20.3%</b>	467.0	16.9%
<b>Current receivables</b>					
Trade debtors		<b>522.8</b>		349.7	
Loans receivable		<b>0.1</b>		0.1	
Prepayments and accrued income		<b>64.4</b>		38.7	
Other debtors		<b>59.7</b>		23.5	
		<b>647.0</b>	<b>16.9%</b>	412.0	14.9%
<b>Cash at bank and in hand</b>					
		<b>67.5</b>	<b>1.8%</b>	176.3	6.4%
		<b>3 823.1</b>	<b>100.0%</b>	2 768.8	100.0%

<b>Equity and liabilities</b>		<b>31.12.97</b>		<b>31.12.96</b>	
<b>Equity</b>	(22)				
<b>Restricted equity</b>					
Share capital		<b>220.1</b>		230.0	
Share premium fund		<b>225.7</b>		212.9	
Other restricted equity		<b>77.5</b>		78.6	
		<b>523.3</b>	<b>13.7%</b>	521.5	18.8%
<b>Unrestricted equity</b>					
Profit brought forward		<b>1 083.0</b>		495.2	
Profit for the financial year		<b>394.2</b>		622.8	
		<b>1 477.2</b>	<b>38.6%</b>	1 118.0	40.4%
<b>Equity, total</b>		<b>2 000.5</b>	<b>52.3%</b>	1 639.5	59.2%
<b>Provisions</b>	(24)	<b>7.0</b>	<b>0.2%</b>	4.0	0.1%
<b>Liabilities</b>					
<b>Long-term</b>	(25)				
Bond loans		<b>0.0</b>		0.1	
Amounts owed to credit institutions		<b>1 089.6</b>		469.2	
Pension fund loans		<b>63.5</b>		80.6	
Deferred tax liability	(23)	<b>20.6</b>		26.6	
Other long-term debt		<b>62.7</b>		55.2	
		<b>1 236.5</b>		631.6	
Less current portion		<b>-44.0</b>		-77.4	
Long-term debt, net		<b>1 192.5</b>	<b>31.2%</b>	554.2	20.0%
<b>Short-term</b>					
Amounts owed to credit institutions		<b>34.5</b>		26.3	
Current portion of long-term debt		<b>44.0</b>		77.4	
Payments on account		<b>0.4</b>		0.4	
Trade creditors		<b>187.8</b>		119.2	
Accruals and deferred income	(29)	<b>335.7</b>		331.8	
Other short-term debt		<b>20.8</b>		16.0	
		<b>623.2</b>	<b>16.3%</b>	571.1	20.6%
		<b>3 823.1</b>	<b>100.0%</b>	2 768.8	100.0%

# General Accounting Principles

The financial statements have been prepared in accordance with regulations in force in Finland at the balance sheet date. The consolidated statements are in all material respects in conformity with international accounting standards (IAS).

The financial information is presented in Finnish markka.

**Scope of the consolidated financial statements** The consolidated financial statements include the accounts of all companies where Fiskars directly or indirectly holds over 50 % of the vote. Investments in associates, i.e. companies where Fiskars holds a substantial ownership of 20% or more, are accounted for under the equity method. Acquired or established subsidiaries and investments in associated companies are included in the consolidated financial statements from the date of acquisition or establishment to the date of divestment.

**Intercompany shareholding and goodwill** The purchase method of accounting is used in elimination of intercompany shareholding. Tax liability on the acquired company's untaxed reserves is included in deferred tax liabilities. The remainder is included in shareholders' equity. Where appropriate, the excess of acquisition cost over the value of acquired net assets is allocated to various balance sheet items. The residual is accounted for as goodwill and amortized over ten to twenty years.

**Intercompany transactions** All intercompany transactions are eliminated.

**Minority interests** Minority interests are deducted from the consolidated results and shareholders' equity and presented as a separate item in the financial statements.

## **Investments in associated companies and other companies**

The Group's share of the results of the associated companies is recorded under financial items. The value of the investments in associated companies is stated in accordance with the equity method of accounting, by adjusting the original investment for the Group's share of the profits or losses in associated companies, dividends and goodwill depreciation. Investments in other companies are stated in the balance sheet at cost or at net realizable value.

## **Transactions in foreign currencies**

Transactions in foreign currencies are recorded at the rates of exchange ruling at the date of the transaction. Outstanding balances in foreign currency are translated at the balance sheet date exchange rate. Open hedging instruments pertaining to foreign currency items are valued at market, including interest components. Both realized and unrealized exchange gains and losses have been included in income.

**Translation of foreign subsidiaries' accounts** Foreign currency denominated income statements are translated into Finnish markka using average rates notified by the Bank of Finland. All balance sheet items, except for the profit of the year, are translated into Finnish markka using balance sheet date rates. The currency translation adjustment on net profit is included in retained earnings.

Currency translation adjustments on equity in foreign subsidiaries are included in restricted and unrestricted equity. Consequently exchange differences arising on an effective hedge are charged against equity to offset the currency translation adjustments on equity.

The net assets of foreign subsid-

aries are generally hedged against currency fluctuations. However, since the corporation's business is mainly in the USA, a part of the accumulated net worth has been left US dollar denominated.

**Research and development expenditure** Research and development costs are expensed when incurred.

**Pensions and coverage of pension liabilities** The pension schemes are funded through payments to independent insurance companies, except for schemes concerning a small part of retired employees, that are funded through a trustee-administered fund. Changes in the deficit in pension fund are included in the parent company's result, and the total deficit is recorded in its liabilities. Materially all of the deficit in the pension fund has been covered.

#### **Fixed assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation, except for certain land and water areas, which are stated at revalued amounts. The amount of the revaluation in assets is included in restricted equity. Depreciation is calculated on a straight-line basis to write off the cost of fixed assets over their expected useful lives.

**Inventories** Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in-first-out (FIFO) basis. Net realizable value is the amount that can be realized from the sale of the asset in the normal course of business.

#### **Extraordinary income and expense**

Income of unusual size, e.g. divestments, is taken up as extraordinary income (net of tax) in the consolidated income statement. Correspondingly, costs of discontinuing sale of operations are taken

up as extraordinary expense.

#### **Accumulated depreciation in excess of plan and other untaxed reserves**

In consolidated accounts, untaxed reserves are included in consolidated shareholders' equity after deduction of deferred tax liability.

**Taxes** Direct taxes include all taxes other than those relating to extraordinary items. Taxes in the consolidated accounts include the change in deferred tax liability.

# Notes to the Financial Statements (MFIM)

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1997</b>	1996	<b>1997</b>	1996
<b>Income statement</b> (foreign currency denominated income statements translated at average rate of exchange)				
<b>1. Personnel costs</b>				
Wages and salaries, for time worked	<b>526.6</b>	392.1	<b>11.7</b>	17.9
Pension costs	<b>44.8</b>	37.7	<b>2.6</b>	4.2
Other personnel costs	<b>120.1</b>	110.5	<b>3.1</b>	3.2
Wages and salaries including other personnel costs	<b>691.5</b>	540.3	<b>17.4</b>	25.4
<b>2. Wages and salaries paid</b>				
Salaries to managing directors and boards	<b>22.5</b>	20.9	<b>2.7</b>	6.6
Wages and salaries to other personnel	<b>555.2</b>	414.0	<b>10.3</b>	12.1
Total wages and salaries paid	<b>577.7</b>	435.0	<b>13.0</b>	18.6
<i>Loans granted to the Corporate Management consists of one loan in the amount of 0.7 MFIM. The loan is due on December 31, 1999. The interest rate is 6 %. According to an agreement the President and CEO of the parent company can retire at the age of 62.</i>				
<b>3. Depreciation and amortization according to plan by function</b>				
Manufacturing and procurement	<b>66.9</b>	51.2	<b>3.9</b>	3.9
Sales and marketing	<b>2.5</b>	3.0		
Administration	<b>8.1</b>	5.9	<b>1.6</b>	1.4
Intangibles	<b>42.4</b>	21.0	<b>0.0</b>	
Other	<b>2.4</b>	2.2		
Total depreciation and amortization according to plan	<b>122.4</b>	83.2	<b>5.6</b>	5.3
<b>4. Financial income and expense</b>				
Dividend income	<b>49.9</b>	30.0	<b>108.3</b>	77.1
Interest income on long-term receivables	<b>11.8</b>	10.9	<b>11.8</b>	10.9
Interest income on short-term receivables	<b>5.7</b>	10.3	<b>73.5</b>	26.0
Other financial income	<b>0.6</b>	0.2	<b>0.7</b>	2.1
Exchange differences	<b>2.4</b>	1.4	<b>8.7</b>	20.8
Exchange differences relating to equity-hedging			<b>-28.7</b>	-12.3
Share of associated companies' results	<b>2.9</b>	2.1		
Interest expense	<b>-76.3</b>	-54.1	<b>70.9</b>	-41.7
Other financial expense	<b>-3.0</b>	-8.1	<b>-1.7</b>	-5.4
Total financial income and expense	<b>-5.9</b>	-7.4	<b>101.8</b>	77.6
<b>5. Intercompany financial income and expense</b>				
Dividend income			<b>57.0</b>	45.5
Interest income			<b>69.9</b>	19.9
Other financial income			<b>0.7</b>	2.1
Interest expense			<b>-2.7</b>	-10.3
Total intercompany financial income and expense			<b>124.9</b>	57.3
<b>6. Extraordinary income and expense</b>				
Gain on the sale of the UPS business		652.3		559.5
Gain on the sale of Exide Electronics' shares	<b>185.3</b>		<b>184.3</b>	
Gain on the sale of shares in associated companies	<b>45.2</b>		<b>52.1</b>	
Gain on the sale of other shares	<b>38.0</b>		<b>38.0</b>	
Other	<b>0.8</b>		<b>1.2</b>	
Extraordinary income	<b>269.3</b>	652.3	<b>275.7</b>	559.5
Tax related to extraordinary items	<b>-77.4</b>	-173.0	<b>-77.1</b>	-156.7
Extraordinary items, net of tax	<b>191.9</b>	479.3	<b>198.6</b>	402.8



	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>7. Taxes</b>				
Taxes paid and to be levied on the profit for the financial year	<b>181.2</b>	260.9	<b>125.4</b>	171.0
of which related to extraordinary items	<b>-77.4</b>	-173.0	<b>-77.1</b>	-156.7
	<b>103.8</b>	87.9	<b>48.3</b>	14.2
Change in deferred tax	<b>8.3</b>	-13.5		
Taxes on profit before extraordinary items	<b>112.1</b>	74.4	<b>48.3</b>	14.2

**Balance sheet, assets** (currency denominated balance sheets translated at closing rate of exchange)

Movements in fixed assets

**8. Goodwill**

Original cost, Jan. 1.	<b>172.6</b>	109.0		
Translation adjustment	<b>22.0</b>	4.5		
Original cost, at the beginning of the year	<b>194.6</b>	113.5		
Capital expenditure	<b>544.0</b>	80.9		
Decrease		-18.9		
Transfers	<b>1.3</b>	-2.9		
Gross value, Dec. 31.	<b>740.0</b>	172.6		
Accumulated amortization according to plan, Jan. 1.	<b>56.6</b>	55.2		
Translation adjustment	<b>4.5</b>	2.1		
Accumulated amortization, at the beginning of the year	<b>61.1</b>	57.3		
Amortization according to plan	<b>36.2</b>	13.2		
Decrease		-14.0		
Transfers		0.1		
Accumulated amortization according to plan, Dec. 31.	<b>97.3</b>	56.6		
Net book value, Dec. 31.	<b>642.7</b>	116.0		

**9. Other long-term expenditure**

Original cost, Jan. 1.	<b>53.4</b>	136.0	<b>3.3</b>	2.7
Translation adjustment	<b>1.3</b>	9.5		
Original cost at the beginning of the year	<b>54.8</b>	145.5	<b>3.3</b>	2.7
Capital expenditure	<b>25.7</b>	2.9	<b>0.8</b>	0.8
Decrease	<b>-0.2</b>	-97.9		-0.2
Transfers	<b>-1.3</b>	2.8		0.0
Gross value, Dec. 31.	<b>79.0</b>	53.4	<b>4.1</b>	3.3
Accumulated depreciation according to plan, Jan. 1.	<b>36.0</b>	90.1	<b>1.7</b>	1.2
Translation adjustment	<b>1.0</b>	6.6		
Accumulated depreciation, at the beginning of the year	<b>37.1</b>	96.7	<b>1.7</b>	1.2
Depreciation according to plan	<b>8.8</b>	8.7	<b>0.6</b>	0.5
Accumulated depreciation on decrease of assets	<b>0.0</b>	-69.4		-0.1
Transfers		0.1		
Accumulated depreciation according to plan, Dec. 31.	<b>45.9</b>	36.0	<b>2.3</b>	1.7
Net book value, Dec. 31.	<b>33.1</b>	17.4	<b>1.8</b>	1.6

## Notes to the Financial Statements (MFIM)

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<b>10.Land and water</b>				
Original cost, Jan. 1.	<b>57.2</b>	55.3	<b>17.6</b>	17.2
Valuation, Jan. 1.	<b>68.1</b>	68.1	<b>68.1</b>	68.1
Translation adjustment	<b>0.1</b>	0.1		
Book value, at the beginning of the year	<b>125.4</b>	123.5	<b>85.7</b>	85.3
Capital expenditure	<b>2.8</b>	1.9	<b>0.3</b>	0.4
Decrease	<b>0.2</b>	0.0	<b>-0.2</b>	0.0
Transfers	<b>0.3</b>			
Book value, Dec. 31.	<b>128.7</b>	125.4	<b>85.8</b>	85.7
<b>11.Buildings</b>				
Original cost, Jan. 1.	<b>211.6</b>	202.9	<b>88.8</b>	86.7
Translation adjustment	<b>5.2</b>	3.9		
Original cost, at the beginning of the year	<b>216.8</b>	206.8	<b>88.8</b>	86.7
Capital expenditure	<b>27.0</b>	5.2	<b>2.4</b>	2.1
Decrease	<b>-0.3</b>	-0.4	<b>0.0</b>	0.0
Transfers	<b>10.0</b>			
Gross value, Dec. 31.	<b>253.5</b>	211.6	<b>91.1</b>	88.8
Accumulated depreciation according to plan, Jan. 1.	<b>90.6</b>	82.9	<b>40.3</b>	37.0
Translation adjustment	<b>2.1</b>			
Accumulated depreciation, at the beginning of the year	<b>92.7</b>	82.9	<b>40.3</b>	37.0
Depreciation according to plan	<b>10.6</b>	8.0	<b>3.4</b>	3.3
Accumulated depreciation on decrease of assets	<b>-0.1</b>	-0.4		
Accumulated depreciation according to plan, Dec. 31.	<b>103.3</b>	90.6	<b>43.7</b>	40.3
Net book value, Dec. 31.	<b>150.2</b>	121.0	<b>47.5</b>	48.5
<b>12.Machinery and equipment</b>				
Original cost, Jan. 1.	<b>540.3</b>	540.1	<b>16.4</b>	14.4
Translation adjustment	<b>50.5</b>	22.1		
Original cost, at the beginning of the year	<b>590.8</b>	562.2	<b>16.4</b>	14.4
Capital expenditure	<b>185.7</b>	87.5	<b>2.6</b>	2.9
Decrease	<b>-9.5</b>	-108.8	<b>0.0</b>	-1.0
Transfers	<b>-10.3</b>	-0.6		
Gross value, Dec. 31.	<b>756.8</b>	540.3	<b>19.0</b>	16.4
Accumulated depreciation according to plan, Jan. 1.	<b>330.6</b>	330.2	<b>10.4</b>	9.8
Translation adjustment	<b>27.7</b>	12.3		
Accumulated depreciation, at the beginning of the year	<b>358.3</b>	342.5	<b>10.4</b>	9.8
Depreciation according to plan	<b>70.6</b>	53.4	<b>1.6</b>	1.5
Accumulated depreciation on decrease of assets	<b>-6.3</b>	-66.5		-1.0
Transfers		1.1		
Accumulated depreciation according to plan, Dec. 31.	<b>422.6</b>	330.5	<b>12.0</b>	10.4
Net book value, Dec. 31.	<b>334.1</b>	209.7	<b>7.0</b>	6.0
<b>13.Shares in associated companies</b>				
Value, Jan. 1.	<b>14.8</b>	13.5	<b>11.7</b>	11.2
Share of results	<b>2.9</b>	2.1		
Dividends	<b>-1.3</b>	-1.3		
Investments		0.5		0.5
Decrease	<b>-16.1</b>		<b>-9.2</b>	
Book value, Dec. 31.	<b>0.3</b>	14.8	<b>2.5</b>	11.7

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>14. Shares in subsidiaries and other companies</b>				
Original cost, Jan. 1.	<b>937.4</b>	818.9	<b>1362.5</b>	1277.5
Translation adjustment	<b>0.3</b>	0.0		
Book value, at the beginning of the year	<b>937.6</b>	818.9	<b>1362.5</b>	1277.5
Capital expenditure	<b>49.4</b>	126.8	<b>59.0</b>	154.9
Decrease	<b>-145.5</b>	-5.5	<b>-192.5</b>	-69.9
Transfers		-2.9		
Book value, Dec. 31.	<b>841.5</b>	937.4	<b>1229.0</b>	1362.5

#### 15. Movements in fixed assets, total

Original cost, Jan. 1.	<b>1987.4</b>	1875.8	<b>1500.3</b>	1409.8
Valuation, Jan. 1.	<b>68.1</b>	68.1	<b>68.1</b>	68.1
Translation adjustment	<b>79.4</b>	40.1	<b>0.0</b>	0.0
Book value, at the beginning of the year	<b>2134.8</b>	1984.0	<b>1568.4</b>	1477.9
Capital expenditure	<b>837.5</b>	307.7	<b>65.1</b>	161.6
Decrease	<b>-172.6</b>	-232.8	<b>-202.0</b>	-71.1
Transfers	<b>0.0</b>	-3.5	<b>0.0</b>	0.0
Book value, Dec. 31.	<b>2799.7</b>	2055.4	<b>1431.4</b>	1568.3
Accumulated depreciation and amortization according to plan, Jan. 1.	<b>513.8</b>	558.4	<b>52.3</b>	48.0
Translation adjustment	<b>35.4</b>	21.0	<b>0.0</b>	0.0
Accumulated depreciation and amortization, at the beginning of the year	<b>549.2</b>	579.4	<b>52.3</b>	48.0
Depreciation according to plan (at end-of-year exchange rates)	<b>126.2</b>	83.2	<b>5.6</b>	5.4
Accumulated depreciation on decrease of assets	<b>-6.3</b>	-150.1	<b>0.0</b>	-1.1
Transfers	<b>0.0</b>	1.2	<b>0.0</b>	0.0
Accumulated depreciation and amortization according to plan, Dec. 31.	<b>669.1</b>	513.7	<b>57.9</b>	52.4
Net book value of total fixed assets, Dec.31.	<b>2130.6</b>	1541.6	<b>1373.5</b>	1516.0

#### 16. Net book value of production machinery and production equipment, Dec. 31

<b>243.8</b>	141.6
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#### 17. Depreciation policy

*Fixed assets are stated at historical cost less depreciation according to plan. Depreciation according to plan is calculated using varying straight-line rates depending on the useful life of the asset.*

In general the following depreciation and amortization rates have been applied:

Goodwill	10-20 years	5.0-10.0 %
Other long-term expenditure	3-10 years	10.0-33.3 %
Buildings and constructions	25-40 years	2.5- 4.0 %
Vehicles	4 years	25.0 %
Machinery and equipment	3-10 years	10.0-33.3 %

#### 18. Taxation values (in Finland)

Land and water	<b>46.7</b>	38.7	<b>33.9</b>	28.6
Buildings and constructions	<b>44.9</b>	37.7	<b>32.5</b>	33.8
Bonds and shares	<b>733.0</b>	758.7	<b>873.8</b>	894.5
Total taxation values, Dec. 31.	<b>824.6</b>	835.1	<b>940.1</b>	956.9

## Notes to the Financial Statements (MFIM)

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<b>19. Long-term investments</b>				
Loans receivable	<b>4.7</b>	2.8	<b>837.6</b>	140.4
Other long-term investments	<b>196.2</b>	169.1	<b>185.3</b>	164.9
Total long-term investments, Dec. 31.	<b>200.9</b>	171.8	<b>1022.9</b>	305.3

*Other long-term investments consist mainly of marketable bond loans issued by Metra Corporation.*

### 20. Intercompany receivables

Trade debtors			<b>0.5</b>	0.2
Loans receivable			<b>1358.6</b>	391.2
Prepayments and accrued income			<b>62.2</b>	16.1
Total, Dec. 31.			<b>1421.3</b>	407.6

### 21. Receivables from associated companies

Trade debtors		0.0		
Loans receivable	<b>0.7</b>	0.6	<b>0.7</b>	0.6
Total, Dec. 31.	<b>0.7</b>	0.6	<b>0.7</b>	0.6

## Balance sheet, equity and liabilities

### 22. Equity

#### Restricted equity

##### Share capital

##### A shares

Jan. 1.	<b>142.8</b>	142.8	<b>142.8</b>	142.8
Transfer to share premium fund	<b>-4.1</b>		<b>-4.1</b>	
New issue	<b>0.8</b>		<b>0.8</b>	
Dec. 31.	<b>139.5</b>	142.8	<b>139.5</b>	142.8

##### K shares

Jan. 1.	<b>87.2</b>	87.2	<b>87.2</b>	87.2
Transfer to share premium fund	<b>-6.6</b>		<b>-6.6</b>	
Dec. 31.	<b>80.6</b>	87.2	<b>80.6</b>	87.2
Share capital, Dec. 31.	<b>220.1</b>	230.0	<b>220.1</b>	230.0

##### Share premium fund

Jan. 1.	<b>212.9</b>	212.9	<b>212.9</b>	212.9
Transfer from share capital	<b>10.7</b>		<b>10.7</b>	
New issue	<b>2.1</b>		<b>2.1</b>	
Share premium fund, Dec. 31.	<b>225.7</b>	212.9	<b>225.7</b>	212.9

##### Other restricted equity

Jan. 1.	<b>78.6</b>	69.6	<b>42.9</b>	42.9
Translation adjustment	<b>-1.1</b>	9.0		
Other restricted equity, Dec. 31.	<b>77.5</b>	78.6	<b>42.9</b>	42.9

Restricted equity, total, Dec. 31.	<b>523.3</b>	521.5	<b>488.7</b>	485.8
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	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1997</b>	<i>1996</i>	<b>1997</b>	<i>1996</i>
<b>Unrestricted equity</b>				
Jan. 1.	<b>1118.0</b>	583.3	<b>902.5</b>	500.3
Translation adjustment	<b>36.8</b>	-0.5		
Dividends	<b>-74.6</b>	-52.7	<b>-74.6</b>	-52.7
Redeemed shares		-37.8		-37.7
Exchange differences arising on translation of foreign subsidiaries' profit and loss accounts at average rate vs. end-of-period rates	<b>2.8</b>	2.9		
Profit for the financial year	<b>394.2</b>	622.8	<b>376.7</b>	492.6
Unrestricted equity, Dec. 31.	<b>1477.2</b>	1118.0	<b>1204.6</b>	902.5
Less equity part of untaxed reserves*	<b>-20.0</b>	-43.2		
Distributable equity, Dec. 31.	<b>1457.2</b>	1074.8	<b>1204.6</b>	902.5

\* Not distributable as dividends according to the Finnish Companies Act.

### 23. Untaxed reserves and deferred tax

Accumulated depreciation in excess of plan, Jan. 1.	<b>31.7</b>	29.6	<b>12.0</b>	12.8
Changes during the financial year	<b>-9.5</b>	2.1	<b>-1.0</b>	-0.8
Accumulated depreciation in excess of plan, Dec. 31.	<b>22.2</b>	31.7	<b>11.1</b>	12.0
Other untaxed reserves, Jan. 1.	<b>26.6</b>	26.2	<b>0.0</b>	0.0
Changes during the financial year	<b>-24.0</b>	0.4	<b>0.0</b>	0.0
Other untaxed reserves, Dec. 31.	<b>2.6</b>	26.6	<b>0.0</b>	0.0
Depreciation in excess of plan and other untaxed reserves, Dec. 31.	<b>24.8</b>	58.3	<b>11.1</b>	12.0
Less deferred tax liability, Dec. 31.	<b>-4.8</b>	-15.1		
Equity part of untaxed reserves, Dec. 31.	<b>20.0</b>	43.2		
Deferred tax liability				
Deferred tax liability on untaxed reserves	<b>4.8</b>	15.1		
Other deferred tax liability	<b>15.8</b>	11.5		
Total deferred tax liability, Dec. 31.	<b>20.6</b>	26.6		

Other untaxed reserves at Dec. 31, 1997 relate to foreign subsidiaries.

### 24. Provision for liabilities and charges

Pension liability	<b>1.3</b>	0.6	<b>0.9</b>	0.6
Other provisions for liabilities and charges	<b>5.7</b>	3.3		
Total provision for liabilities and charges, Dec. 31.	<b>7.0</b>	4.0	<b>0.9</b>	0.6

### 25. Long-term liabilities

Repayments of long-term loans:	1998	1999	2000	2001	Later years	Total
Bond loans	0.0	0.0				0.0
Amount owed to credit institutions	36.7	73.5	46.6	25.0	907.8	1089.6
Pension fund loans	3.8	3.5	3.3	3.0	49.9	63.5
Other long-term debt	3.5	34.2	2.2	1.1	42.4	83.4
Total	44.0	111.2	52.1	29.1	1000.1	1236.5
%	3.6%	9.0%	4.2%	2.4%	80.9%	100.0%

## Notes to the Financial Statements (MFIM)

	<i>Consolidated</i>		<i>Parent Company</i>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
<b>26. Intercompany liabilities</b>				
Long-term				
Long-term debts			<b>14.1</b>	13.4
Total long-term, Dec. 31.			<b>14.1</b>	13.4
Short-term				
Trade creditors			<b>1.0</b>	2.1
Accruals and deferred income			<b>0.3</b>	0.2
Other short-term debt			<b>41.8</b>	126.7
Total short-term, Dec. 31.			<b>43.1</b>	129.1
<b>27. Payables to associated companies</b>				
There were no payables to associated companies.				
<b>28. Lease obligations</b>				
Operating leases, payments next year	<b>39.9</b>	22.5	<b>1.6</b>	1.6
Operating leases, payments later	<b>245.6</b>	118.3	<b>0.0</b>	0.3
Total operating leases, Dec. 31.	<b>285.5</b>	140.8	<b>1.6</b>	1.9
<b>29. Accrued liabilities</b>				
Tax liabilities	<b>130.0</b>	188.0	<b>104.8</b>	164.8
Interest liabilities	<b>19.7</b>	6.1	<b>18.6</b>	4.3
Other	<b>186.0</b>	137.7	<b>19.7</b>	27.7
Total accrued liabilities, Dec. 31.	<b>335.7</b>	331.8	<b>143.1</b>	196.8
<b>30. Contingencies and pledged assets</b>				
As security for own commitments				
Real estate mortgages	<b>77.1</b>	76.3	<b>77.1</b>	76.3
Chattel mortgages	<b>4.3</b>	4.6		
Other pledged assets	<b>167.0</b>	169.6	<b>167.0</b>	169.6
Discounted bills of exchange	<b>4.4</b>	3.3		
Lease commitments	<b>285.5</b>	140.8	<b>0.2</b>	1.9
Other contingencies	<b>7.0</b>	5.6	<b>0.2</b>	0.2
Total	<b>545.4</b>	400.3	<b>244.5</b>	248.0
As security for group companies' commitments				
Guarantees			<b>45.1</b>	77.6
Total	<b>0.0</b>		<b>45.1</b>	77.6
As security for associated companies' commitments				
Guarantees		31.1		31.1
Total	<b>0.0</b>	31.1	<b>0.0</b>	31.1
As security for other parties' commitments				
Guarantees	<b>26.2</b>	0.3	<b>25.9</b>	
Total	<b>26.2</b>	0.3	<b>25.9</b>	
Pledged assets and contingencies, total	<b>571.6</b>	431.7	<b>315.5</b>	356.7

	<i>Consolidated</i>		<i>Parent Company</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
<b>31.Nominal amounts of derivatives</b>				
Forward exchange contracts	<b>590.8</b>	217.0	<b>590.8</b>	217.0
Interest swaps	<b>325.2</b>	213.0	<b>325.2</b>	213.0
Forward interest rate agreements	<b>189.7</b>	46.0	<b>189.7</b>	46.0
<b>32.Market value vs. nominal amounts of derivatives</b>				
(+ calculatory gain, - calculatory loss)				
Interest swaps	<b>-3.7</b>	-0.6	<b>-3.7</b>	-0.6
Forward interest rate agreements	<b>-0.3</b>		<b>-0.3</b>	

*Forward exchange contracts have been valued at market in the financial statements.*

*The calculatory result has been determined as the amount that would have been paid if interest swap agreements and forward rate agreements had been closed at December 31, 1997 by offsetting agreements at the then prevailing interest rates.*

### **33.Statements of cash flows**

Reversal of items recorded on an accrual basis:

Write-down of shares	<b>0.1</b>	4.4		6.4
Exchange differences	<b>-2.4</b>	-1.4	<b>20.0</b>	-8.5
Financial income	<b>-71.0</b>	-53.4	<b>-193.6</b>	-116.2
Financial expense	<b>79.2</b>	57.8	<b>72.6</b>	47.1
<b>Total</b>	<b>5.9</b>	7.4	<b>-101.0</b>	-71.2

*Acquisitions in the statements of cash flows include fixed assets, goodwill and net working capital less cash at date of purchase. For this reason, the amounts in the statements of cash flows cannot be reconciled with balance sheets and income statements without additional information.*

## **Financial risk Management**

Financing and financial risks are managed centrally from the Corporate Head Office in Helsinki.

**Foreign exchange risks** Two thirds of the corporation's business is in North America and the rest is mainly in Europe. Thus the value of the US dollar has a significant impact on the corporation's result.

The revenue and expense of the North American business is mainly US dollar denominated while European business is mainly done in various European currencies.

Equity in US dollars has been partly hedged while equity amounts in other currencies have been fully hedged. At the beginning of 1998 equity hedging of the US dollar was abandoned altogether. If the Euro-currency materializes the need to hedge several European currencies will come to an end.

The corporation does not use derivative financial instruments speculatively. Open contracts pertain mostly to hedging of financing transactions, and have been valued at market.

**Interest rate risk** Some 80 per cent of the corporation's loans are US dollar denominated. With the exception of pension loans, all loans are floating interest rate loans.

Long-term interest swap agreements with a total value of 60 million US dollars reduce the corporation's exposure to fluctuations in short-term interest rates. Forward rate agreements with a total value of 35 million US dollars reduce the interest rate exposure in 1998.

## Notes to the Financial Statements

### Shares and participations

	Number of shares	% of share capital		% of voting power		Nominal value (1000)	Book value (FIM 1000)	Net profit/loss per latest Financial Statements (FIM 1000)
		Parent	Cons.	Parent	Cons.			
<b>Shares in subsidiaries owned by the parent company</b>								
DE Fiskars Deutschland GmbH		99	100	99	100	4 450 (DEM)	18 744	-3 491
DK Fiskars Danmark A/S	200 000	100	100	100	100	20 000 (DKK)	60 829	18 774
FI Ferraria Oy Ab	750 000	100	100	100	100	75 000 (FIM)	105 000	-379
FI Fiskars Consumer Oy Ab	200	100	100	100	100	2 000 (FIM)	24 646	84
FI Inha Works	5 000	100	100	100	100	500 (FIM)	2 375	1 146
FI Kiinteistö Oy Danskog gård	4 000	100	100	100	100	3 000 (FIM)	3 000	0
FI Baltic Tool Finland Oy Ab	250	100	100	100	100	2 500 (FIM)	2 500	-3
FR Fiskars France S.a.r.l.	35 000	57	100	57	100	10 500 (FRF)	4 641	2 561
GB Fiskars UK Limited	1 500 000	100	100	100	100	1 500 (GBP)	14 415	3 198
IT Fiskars Montana S.r.l.	7 000	100	100	100	100	7 000 000 (ITL)	36 186	5 490
NL Fiskars Europe B.V.	150	100	100	100	100	150 (NLG)	4 299	-1 463
SE Fiskars AB	50 000	100	100	100	100	5 000 (SEK)	63 967	4 111
US Fiskars Holdings Inc.	300	100	100	100	100	20 219 (USD)	50 655	55 587
Other subsidiaries, 2							30	

### Shares in associated companies owned by the parent company

IN Fiskars India Limited	1 056 700	30	30	30	30	10 567 (INR)	2 268*	
- equity 0.0 MFIM								
IN Finlandia Cutlery Pvt. Ltd.	120 000	24	24	24	24	1 200 (INR)	189*	
- equity 0.0 MFIM								
Other associated companies, 1							6	

### Other shares owned by the parent company

								Market value Dec. 31. (FIM 1000)	
FI Metra Corporation, A	3 574 924	25.7	25.7	25.7	25.7	71 498 (FIM)	397 296	461 165	
FI Metra Corporation, B	4 553 254	11.4	11.4	11.7	11.7	91 065 (FIM)	429 246	582 817	
Metra Corporation total	8 128 178	15.1	15.1	22.0	22.0	162 563 (FIM)	826 542	1 043 982	
FI Insurance company Sampo	79 988	x	x	x	x	100 (FIM)	982	14 038	
FI Rautaruukki Oy	72 916	x	x	x	x	729 (FIM)	853	3 135	
FI Julius Tallberg-Kiinteistöt Oy	18 150	x	x	x	x	545 (FIM)	1 025	563	
FI Raisioyhtymä Oyj s. K	2 316	x	x	x	x	23 (FIM)	88	1 448	
FI Raisioyhtymä Oyj s. V	1 848	x	x	x	x	18 (FIM)	70	1 192	
FI Björkboda Lås Oy Ab	1 800	18.0	18.0	18.0	18.0	1 800 (FIM)	1 800		
Other shares in fixed assets							6 349		

\* Per balance sheet at Dec. 31, 1997. Length of financial year, 12 months.

x Less than 5%



		<i>Number of shares</i>	<i>% of share capital</i>	<i>% of voting power</i>	<i>Nominal value (1000)</i>	<i>Book value (1000)</i>	<i>(FIM 1000)</i>
<b>Shares owned by other group companies</b>							
<b>Consumer Products Group</b>							
CA	Fiskars Canada Inc.	500	100	100	500 (CAD)	433 (USD)	2 347
DK	Raadvad A/S	5 000	100	100	5 000 (DKK)	10 800 (DKK)	8 584
GB	Fiskars Limited	1 500 000	100	100	1 500 (GBP)	1 500 (GBP)	13 488
HU	Fiskars Hungary Ltd.	5	80	80	1 000 (HUF)	19 (DEM)	58
MX	Fiskars de México, S.A. de C.V.	50 000	100	100	50 (MXN)	50 (MXN)	34
NO	Fiskars Norge A/S	50 000	100	100	50 (NOK)	9 411 (DKK)	7 480
PL	Fiskars Polska Spółka z o.o.	10 700	68.7	68.7	1 691 (PLZ)	4 881 (DKK)	3 879
RU	ZAO Baltic Tool	1 775 000	100	100	1 775 000 (RUR)	2 607 (FIM)	2 607
SE	Fiskars Sverige AB	350 000	100	100	3 500 (SEK)	22 052 (SEK)	15 134
US	Fiskars Inc.	35 750	100	100	27 101 (USD)	27 101 (USD)	146 906
US	Aquapore Moisture Systems, Inc.	100	100	100	0 (USD)	25 695 (USD)	139 285
US	EnviroWorks, Inc.	1 000	100	100	0 (USD)	77 921 (USD)	422 386
US	Royal Rubber & Manufacturing Co.	1 794	100	100	179 (USD)	51 359 (USD)	278 402
	Other Consumer Products Group subsidiaries, 3						67
<b>Other</b>							
CH	Fiskars Finance AG	99	99	99	99 (CHF)	1 849 (SEK)	1 269
FI	Hangon Keskushuolto Oy	100	91.9	91.9	15 (FIM)	550 (FIM)	550
FI	Hangon Sähkö Oy	1 351	93.2	93.2	1 351 (FIM)	3 987 (FIM)	3 987
	Other group companies, 1						15
<b>Other shares owned by the subsidiaries</b>							
	Other						3 815

*This list includes all active group and associated companies. A complete list of all shareholdings is available at the Fiskars Corporation's Head Office.*

## Five Years in Figures

		1997	1996	1995	1994	1993
Net sales *	MFIM	<b>2842</b>	2097	2320	2324	2041
of which outside Finland	MFIM	<b>2645</b>	1903	2092	2114	1848
in per cent of net sales	%	<b>93.1</b>	90.7	90.2	91.0	90.5
Percentage change of net sales	%	<b>35.5</b>	-9.6	-0.2	13.9	18.0
Profit before depreciation and amortization	MFIM	<b>443</b>	309	325	377	281
in per cent of net sales	%	<b>15.6</b>	14.7	14.0	16.2	13.8
Operating profit *	MFIM	<b>320</b>	225	239	290	197
in per cent of net sales	%	<b>11.3</b>	10.7	10.3	12.5	9.7
Financial net	MFIM	<b>6</b>	8	41	45	72
in per cent of net sales	%	<b>0.2</b>	0.4	1.8	1.9	3.5
Earnings after financial items	MFIM	<b>314</b>	218	198	245	124
in per cent of net sales	%	<b>11.0</b>	10.4	8.5	10.5	6.1
Taxes	MFIM	<b>-112</b>	-74	-80	-85	-25
Profit before extraordinary items	MFIM	<b>202</b>	143	117	160	99
in per cent of net sales	%	<b>7.1</b>	6.8	5.1	6.9	4.9
Extraordinary items, net of tax	MFIM	<b>192</b>	479	29		
Profit for the financial year	MFIM	<b>394</b>	623	147	160	100
in per cent of net sales	%	<b>13.9</b>	29.7	6.3	6.9	4.9
Capital expenditure (incl. acquisitions)	MFIM	<b>1045</b>	366	262	221	72
in per cent of net sales	%	<b>36.8</b>	17.4	11.3	9.5	3.5
Research and development costs	MFIM	<b>37</b>	28	46	44	33
in per cent of net sales	%	<b>1.3</b>	1.4	2.0	1.9	1.6
Persons employed, average		<b>4547</b>	3670	3927	3722	3117
Persons employed, Dec. 31		<b>4655</b>	3434	4088	3811	3131
of which outside Finland		<b>3978</b>	2777	3255	2772	2225
Equity	MFIM	<b>2001</b>	1639	1096	991	901
Interest-bearing debt	MFIM	<b>1228</b>	615	1004	972	974
Non-interest-bearing debt	MFIM	<b>594</b>	515	476	463	374
Balance sheet total	MFIM	<b>3823</b>	2769	2576	2426	2249
Return on investment	%	<b>14</b>	13	14	16	11
Return on equity	%	<b>11</b>	10	11	17	12
Equity ratio	%	<b>52</b>	59	43	41	40

\* A chart showing net sales and operating profit of present operations can be found on page 22

Return on investment in per cent=	$\frac{\text{Earnings after financial items} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing debt}}$ (average of beginning and end of year amounts)	x 100
Return on equity in per cent=	$\frac{\text{Earnings after financial items} - \text{taxes}}{\text{Equity} + \text{minority shareholders' equity}}$ (average of beginning and end of year amounts)	x 100
Equity ratio in per cent=	$\frac{\text{Equity} + \text{minority shareholders' equity}}{\text{Balance sheet total}}$	x 100

## Information on Fiskars' Shares

<b>Ratios at Dec. 31</b>		<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>
Share capital, FIM million		<b>220</b>	230	230	118	118
Shares, 1000 (nominal value FIM 30 each)	Series A	<b>4650.2</b>	4645.6	4739.0	2873.0	2242.0
	Series K	<b>2686.4</b>	2693.4	2726.0	2726.0	3433.0
	Total	<b>7336.6</b>	7339.0	7466.0	5599.0	5675.0
Adjusted number of shares Dec. 31, 1000	Series A	<b>4650.2</b>	4625.7	4739.2	3830.4	2989.8
	Series K	<b>2686.4</b>	2686.4	2726.4	3635.2	4577.1
	Total	<b>7336.6</b>	7312.1	7465.6	7465.6	7566.9
Adjusted average number of shares, 1000	Series A	<b>4695.5</b>	4645.6	4739.2	3907.5	2975.7
	Series K	<b>2686.4</b>	2693.4	2726.4	3720.1	4767.2
	Total	<b>7381.9</b>	7339.0	7465.6	7627.6	7742.9
Earnings per share, FIM		<b>27.40</b>	19.50	15.70	21.20	12.90
-incl. extraordinary income		<b>53.40</b>	84.80	19.70	21.20	12.90
Nominal dividend per share, FIM	Series A	<b>12.50</b> *	10.50	7.50	6.00	3.40
	Series K	<b>11.70</b> *	9.70	6.70	5.20	2.90
Dividend, FIM million		<b>89.6</b> *	74.6	53.8	31.4	17.6
Dividend per earnings in per cent		<b>44.3</b>	52.2	45.8	19.6	17.4
Adjusted dividend per share, FIM	Series A	<b>12.50</b>	10.50	7.50	4.40	2.60
	Series K	<b>11.70</b>	9.70	6.70	3.80	2.10
Price per earnings	Series A	<b>22</b>	18	14	11	17
	Series K	<b>22</b>	18	15	11	18
Dividend yield in per cent	Series A	<b>2.1</b>	3.0	3.5	1.9	1.2
	Series K	<b>2.0</b>	2.7	2.9	1.6	1.0
Equity per share, FIM		<b>272.70</b>	224.20	146.80	132.70	119.10
Adjusted average price per share, FIM	Series A	<b>487.00</b>	295.00	213.00	238.50	125.90
	Series K	<b>473.00</b>	320.00	209.00	250.50	183.20
Adjusted lowest price per share, FIM	Series A	<b>340.00</b>	210.00	150.00	198.80	80.30
	Series K	<b>340.00</b>	217.00	157.50	198.80	101.30
Adjusted highest price per share, FIM	Series A	<b>660.00</b>	380.00	247.50	262.50	225.00
	Series K	<b>615.00</b>	370.00	254.20	285.00	240.00
Adjusted price per share, Dec. 31, FIM	Series A	<b>590.00</b>	345.00	212.00	238.50	219.00
	Series K	<b>600.00</b>	360.00	230.00	247.50	228.75
Market value of shares, Dec. 31, FIM million	Series A	<b>2743.6</b>	1595.9	1004.7	913.5	654.8
	Series K	<b>1611.8</b>	967.1	627.0	899.7	1047.0
	Total	<b>4355.4</b>	2563.0	1632.0	1813.0	1701.8
Number of shares traded, 1000	Series A	<b>351.8</b>	903.1	760.3	694.1	1045.7
	in per cent of total	<b>7.6</b>	19.5	16.0	23.7	35.0
	Series K	<b>161.6</b>	457.1	192.3	244.5	368.7
	in per cent of total	<b>6.0</b>	17.0	7.1	8.8	8.1
Number of shareholders		<b>2434</b>	2670	2892	2948	3075

\* Board's proposal, see page 48

Earnings per share, FIM =	$\frac{\text{Earnings after financial items} - \text{minority interest} - \text{taxes}}{\text{Adjusted average number of shares}}$	Equity per share, FIM =	$\frac{\text{Equity}}{\text{Adjusted number of shares Dec. 31.}}$
Dividend per earnings in per cent =	$\frac{\text{Dividend paid}}{\text{Earnings (calculated as in Earnings per share)}} \times 100$	Dividend yield in per cent =	$\frac{\text{Dividend per share}}{\text{Adjusted quotation at the end of the period}} \times 100$
Dividend per share, FIM =	$\frac{\text{Dividend paid}}{\text{Adjusted number of shares Dec. 31.}}$	Adjusted average share price, FIM =	$\frac{\text{Value of shares traded during the period}}{\text{Adjusted number of shares traded during the period}}$
Price per earnings =	$\frac{\text{Adjusted market quotation Dec. 31.}}{\text{Earnings per share}}$		

## Other Information on Shares and Shareholders

Number of shares and share capital	December 31, 1997		December 31, 1996	
	Number of shares	FIM	Number of shares	FIM
Outstanding series A shares (nom. FIM 30)	4 650 201	139 506 030	4 625 666	138 769 980
Outstanding series K shares (nom. FIM 30)	2 686 394	80 591 820	2 686 394	80 591 820
Outstanding shares, total	7 336 595	220 097 850	7 312 060	219 361 800

### Shares redeemed by the company

Series A shares (nom. FIM 20)			(34 796)	695 920
Series A shares (nom. FIM 30)			(113 528)	3 405 840
Series K shares (nom. FIM 20)			(268 606)	5 372 120
Series K shares (nom. FIM 30)			(40 020)	1 200 600
Total	7 336 595	220 097 850	7 312 060	230 036 280

Number of shares and votes	December 31, 1997		December 31, 1996	
	Number of shares	Votes	Number of shares	Votes
Outstanding series A shares (1 vote/share)	4 650 201	4 650 201	4 625 666	4 625 666
Outstanding series K shares (20 votes/share)	2 686 394	53 727 880	2 686 394	53 727 880
Total	7 336 595	58 378 081	7 312 060	58 353 546

If the Annual General Meeting declares a distribution of dividends, shares of series A are entitled to a dividend of at least two percentage points higher than shares of series K.

Maximum number of shares	December 31, 1997	December 31, 1996
Shares of series A at a maximum of	28 000 000	28 000 000
Shares of series K at a maximum of	28 000 000	28 000 000
Maximum number of series A and K, total	28 000 000	28 000 000

Minimum and maximum share capital	December 31, 1997	December 31, 1996
Minimum share capital	210 000 000	210 000 000
Maximum share capital	840 000 000	840 000 000

Turnover of shares at the Helsinki Stock Exchange	1997		1996	
	Share	MFIM	MFIM	Number of shares
Series A shares	171.3	351 836	266.5	903 100
Series K shares	76.5	161 607	146.5	457 079
Total	247.8	513 443	413.0	1 360 179

### Shareholders by owner type

As of December 31, 1997 Fiskars had 2 434 (2 670) registered shareholders.

Ownership structure	Number of		Number of		Number of	
	shareholders	%	shares	%	votes	%
Private corporations	132	5.42	1 850 081	25.22	16 072 246	27.53
Financial institutions and insurance companies	26	1.07	772 628	10.53	6 519 634	11.17
Public entities	21	0.86	274 090	3.74	1 615 585	2.77
Non-profit organizations	81	3.33	705 166	9.61	5 691 507	9.75
Households	2 138	87.84	2 209 712	30.12	19 719 124	33.78
Foreigners	35	1.44	1 517 567	20.68	8 719 441	14.93
Others	1	0.04	7 351	0.10	40 544	0.07
Total	2 434	100.00	7 336 595	100.00	58 378 081	100.00

### Taxation values of the shares in Finland

The Finnish taxation values of the company's shares were:

<i>Share</i>	<b>1997</b>	<i>1996</i>
Series A shares	<b>420,-</b>	240,-
Series K shares	<b>410,-</b>	230,-

### Division of shares

<i>Number of shares</i>	<i>Number of shareholders</i>	<i>%</i>	<i>Number of shares</i>	<i>%</i>	<i>Number of votes</i>	<i>%</i>
1 - 100	1 134	46.59	54 826	0.75	311 288	0.53
101 - 500	812	33.36	190 744	2.60	1 227 992	2.10
501 - 1 000	181	7.44	127 496	1.74	849 325	1.46
1 001 - 10 000	227	9.33	638 045	8.70	4 449 521	7.62
10 001 - 100 000	67	2.75	1 867 596	25.45	15 709 761	26.91
100 001 -	13	0.53	4 457 888	60.76	35 830 194	61.38
<b>Total</b>	<b>2 434</b>	<b>100.00</b>	<b>7 336 595</b>	<b>100.00</b>	<b>58 378 081</b>	<b>100.00</b>

### The major shareholders according to the shareholder register on December 31, 1997

	<i>Shares of series A</i>	<i>Shares of series K</i>	<i>Total</i>	<i>Percentage of votes</i>	<i>Percentage of shares</i>
Virala Oy	224 922	246 076	470 998	8.8	6.4
Oy Holdix Ab	253 069	205 666	458 735	7.5	6.2
Investors Trading Aktiebolag	463 733	168 800	632 533	6.6	8.6
Eläke-Varma Mutual Insurance Company	272 483	147 640	420 123	5.5	5.7
Sampo Group	117 417	135 858	253 275	4.8	3.4
Hambo Oy Ab	97 013	122 095	219 108	4.3	3.0
I.A. von Julins Trust	92 652	122 255	214 907	4.3	2.9
Agrofin Oy Ab	304 957	108 450	413 407	4.2	5.6
Oy Julius Tallberg Ab	46 872	117 616	164 488	4.1	2.2
Sophie von Julin's Foundation	134 900	80 340	215 240	3.0	2.9
The Local Government Pension Institute	122 270	52 370	174 640	2.0	2.4

**Option loan** The holders of warrants connected to the option loans of 1993 are entitled to a total of 45,329 shares of series A corresponding to 0.08% of the votes. The nominal aggregate value of these shares is FIM 1,359,870. The warrants can be exercised as follows:

<i>Litt.</i>	<i>Period</i>	<i>Number of series A shares</i>	<i>Subscription price FIM/share</i>
B	October 1, to 31, 1998	22 666	227.-
C	October 1, to 31, 1999	22 663	210.-

**Management's shareholding** On December 31, 1997, the Board members, the President and the Corporate Vice Presidents controlled a total of 1,896,232 shares corresponding to 25.8% of the Corporation's shares and 30.7% of the votes. By exercising the warrants connected to the option loans of 1993 the President and the Corporate Vice Presidents are entitled to a total of 26,666 shares of series A corresponding to 0.4% of the shares and 0.05% of the votes.

**Shareholders' Agreement** In December 1992 a group of private investors and private companies entered into an agreement on pre-emptive rights between the parties in case of sales of shares. The agreement is still in force and the group represents about 52% of the total number of votes.

## Parent Company Income Statement (MFIM)

	1997	1996
<b>Net sales</b>	<b>127.0</b>	64.4
Cost of goods sold	-11.0	-12.6
<b>Gross profit</b>	<b>116.0</b>	51.8
Administrative expenses	-31.2	-32.0
Other operating income	-7.2	-11.8
Other operating expenses	1.4	2.9
<b>Operating profit</b>	<b>78.9</b>	11.0
<b>Financial income and expense</b>	(4,5)	
Dividend income	108.3	77.1
Interest income on long-term receivables	11.8	10.9
Interest income on short-term receivables	73.5	26.0
Other financial income	0.7	2.2
Exchange differences	-20.0	8.5
Interest expense	-70.9	-41.7
Other financial expense	-1.7	-5.4
<b>Profit before extraordinary items, appropriations and taxes</b>	<b>180.7</b>	88.6
Extraordinary income	(6) 275.7	559.5
Taxes on extraordinary income	-77.1	-156.7
Extraordinary income, net	198.6	402.8
<b>Profit before appropriations and taxes</b>	<b>379.3</b>	491.5
Increase (-) or decrease (+) in depreciation reserve	1.0	0.8
Group contributions received	44.7	14.6
Direct taxes for the financial year	(7) -48.3	-14.2
<b>Profit for the financial year</b>	<b>376.7</b>	492.6

## Parent Company Statement of Cash Flows (MFIM)

	1997	1996
<b>Cash flows from operating activities</b>		
Profit before extraordinary items and taxes	180.7	88.6
Depreciation	(3) 5.6	5.4
Reversal of items recorded on an accrual basis	(33) -101.0	-71.2
Cash generated before working capital changes	85.3	22.8
Change in short-term receivables	-32.8	65.3
Change in inventories	-0.3	-0.1
Change in short-term non-interest-bearing debt	-8.9	4.4
Cash generated from operations	43.3	92.4
Financial income items received	70.5	36.6
Dividends received	94.0	69.2
Financial expense items paid	-78.2	-44.5
Taxes paid	-16.4	-14.4
Group contributions	44.7	14.6
Net cash flow from operating activities	157.9	153.8
<b>Cash flows from investing activities</b>		
Investment in shares	-51.9	-152.1
Purchase of property, plant and equipment	-6.0	-5.8
Investment in long-term receivables	-11.5	-32.8
Proceeds from sale of shares	419.2	619.3
Proceeds from sale of equipment	0.2	0.2
Taxes paid on extraordinary items	-156.7	
Net cash flow from investments	193.3	428.8
<b>Cash flows from financing activities</b>		
New issue	2.9	
Redemption of shares		-37.8
Change in long-term debt	629.9	-78.1
Change in short-term interest-bearing debt	-28.1	-206.6
Change in short-term receivables	-278.4	-35.2
Change in long-term receivables	-696.6	-37.1
Dividends paid	-74.6	-52.7
Net cash flows from investing activities	-444.9	-447.4
<b>Change in cash</b>	<b>-93.7</b>	135.1
<b>Cash at beginning of year</b>	<b>139.8</b>	4.7
<b>Cash at end of year</b>	<b>46.1</b>	139.8

# Parent Company Balance Sheet (MFIM)

<b>Assets</b>	<b>1997</b>	<b>1996</b>	<b>Equity and liabilities</b>	<b>1997</b>	<b>1996</b>
<b>Fixed assets and other long-term expenditure</b>			<b>Equity</b>	(22)	
Intangible assets			Restricted equity		
Other long-term expenditure (9)	<b>1.8</b>	1.6	Share capital	<b>220.1</b>	230.0
Tangible assets			Share premium fund	<b>225.7</b>	212.9
Land and water (10)	<b>85.8</b>	85.7	Other restricted equity	<b>42.9</b>	42.9
Buildings and constructions (11)	<b>47.5</b>	48.5		<b>488.7</b>	485.8
Machinery and equipment (12)	<b>7.0</b>	6.0	Unrestricted equity		
	<b>140.2</b>	140.2	Profit brought forward	<b>827.9</b>	409.9
Shares in fixed assets and other long-term investments			Profit for the financial year	<b>376.7</b>	492.6
Shares in associated companies (13)	<b>2.5</b>	11.7		<b>1 204.5</b>	902.5
Shares in subsidiaries (14)	<b>391.3</b>	440.0	<b>Equity, total</b>	<b>1 693.2</b>	1 388.3
Other shares and participations (14)	<b>837.7</b>	922.4	<b>Provisions and untaxed reserves</b>		
Long-term receivables (19)	<b>1 022.9</b>	305.3	Accumulated difference between depreciation according to plan and depreciation for tax purposes (23)	<b>11.1</b>	12.0
	<b>2 254.4</b>	1 679.4	Provisions for liabilities and charges (24)	<b>0.9</b>	0.6
<b>Inventories and financial assets</b>			<b>Liabilities</b>		
Inventories			Long-term		
Work in progress	<b>0.7</b>	0.4	Bond loans	<b>0.0</b>	0.1
Current receivables			Amounts owed to credit institutions	<b>1 054.9</b>	407.9
Trade debtors	<b>1.6</b>	1.3	Pension fund loans	<b>63.5</b>	80.6
Loans receivable	<b>531.4</b>	253.0	Other long-term debt	<b>22.6</b>	13.8
Prepayments and accrued income	<b>74.0</b>	26.4		<b>1 141.1</b>	502.4
	<b>606.9</b>	280.6	Less current portion	<b>-24.2</b>	-42.0
Cash at bank and in hand	<b>46.1</b>	139.8	Long-term debt, net	<b>1 116.9</b>	460.4
	<b>3 050.1</b>	2 242.1	Short-term		
	<b>3 050.1</b>	2 242.1	Amounts owed to credit institutions	<b>3.2</b>	2.3
			Current portion of long-term debt	<b>24.2</b>	42.0
			Payments on account	<b>0.3</b>	0.2
			Trade debtors	<b>2.2</b>	3.5
			Accruals and deferred income (29)	<b>143.1</b>	196.8
			Other short-term debt	<b>55.0</b>	136.0
				<b>228.0</b>	380.7
				<b>3 050.1</b>	2 242.1
				<b>3 050.1</b>	2 242.1


# Proposal by the Board of Directors to the Annual General Meeting

At the end of the financial year the distributable consolidated equity amounted to FIM 1 457.2 million.  
The distributable equity of the Parent Company is FIM 1 204.5 million.

The Board of Directors proposes a dividend of FIM 12.50 per share of series A (FIM 10.50) and FIM 11.70 per share of series K (FIM 9.70). This dividend proposal includes a bonus of FIM 2.00 (3.00) per share.

A dividend of FIM 12.50 per share be paid on 4 650 201 shares of series A	FIM 58 127 513
A dividend of FIM 11.70 per share be paid on 2 686 394 shares of series K	FIM 31 430 810
	<u>FIM 89 558 323</u>

Helsinki, February 19, 1998



Göran J. Ehrnrooth



Erik Stadigh



Robert G. Ehrnrooth



Thomas Tallberg



Jarl Engberg



Gustaf Gripenberg



Juha Toivola



Stig Stendahl  
President and CEO



# Auditors' Report

I have audited the accounting records and the financial statements, as well as the administration by the Board of Directors and the Managing Director of Fiskars Corporation for the year ended December 31, 1997. The financial statements prepared by the Board of Directors and the Managing Director include the report of Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements. Based on my audit I express an opinion on these financial statements and the parent company's administration.

I have conducted my audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that I plan and perform the audit in order to ob-

tain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of my audit of the administration has been to examine that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In my opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The fi-

nancial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company result of operations for the year, as well as of the financial position at the year-end. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited. The proposed dividend is in compliance with the Companies Act.

I have reviewed the interim reports made public by the company during the year. It is my understanding that the interim reports have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Helsinki, February 19, 1998



Eric Haglund  
Authorized Public Accountant

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