Fiskars Group

Financial statement release
January–December 2018

Making the Everyday Extraordinary

FISKARS
GROUP

FINANCIAL STATEMENT RELEASE 2018: Increased comparable EBITA, improved cash flow and decreased comparable net sales

Fourth quarter 2018 in brief:

- Net sales increased by 1.5% to EUR 324.1 million (Q4 2017: 319.2)
- Comparable net sales[1)] increased by 1.1%
- Comparable[2)] EBITA increased by 38% to EUR 48.8 million (35.4)
- EBITA increased to EUR 43.5 million (30.6)
- Cash flow from operating activities before financial items and taxes was EUR 92.2 million (103.5)
- Earnings per share (EPS) were EUR 0.33 (-0.56, comparable figure 0.21)[3)]

January–December 2018 in brief:

- Net sales decreased by 5.6% to EUR 1,118.5 million (2017: 1,185.5)
- Comparable net sales[1)] decreased by 2.4%
- Comparable[2)] EBITA increased by 2% to EUR 121.7 million (119.0)
- EBITA decreased to EUR 112.5 million (113.2)
- Cash flow from operating activities before financial items and taxes was EUR 136.8 million (130.5)
- Earnings per share (EPS) were EUR 1.00 (2.04, comparable figure 0.98)[3)]

Proposal for distribution of dividend

The Board of Directors proposes to the Annual General Meeting 2019 an authorization for the Board of Directors to resolve on the distribution of the shares held by Fiskars in Wärtsilä Corporation as an extra dividend to Fiskars' shareholders. The Board of Directors currently expects to resolve on the share dividend distribution of all or substantially all of Fiskars' shares in Wärtsilä, subject to the authorization, in its meeting scheduled for June 6, 2019.

In addition, the Board of Directors proposes to the Annual General Meeting that a cash dividend of up to a total of EUR 0.54 per share shall be paid to the shareholders. According to the proposal, the cash dividend would be divided into two parts, i.e. the Annual General Meeting would resolve on a cash dividend of EUR 0.27 per share paid to shareholders after the Annual General Meeting in March 2019 and, further, the Board of Director proposes that the Annual General Meeting resolves to authorize the Board of Directors to resolve, in its discretion, on the distribution of an additional cash dividend up to EUR 0.27 per share. The Board of Directors expects to resolve on the additional cash dividend of EUR 0.27, subject to the authorization, in its meeting scheduled for September 5, 2019.

Outlook for 2019:

In 2019, Fiskars Group expects the comparable net sales[1)] and comparable[2)] EBITA to be at the same level as in 2018.

The outlook is influenced by the company's investments in growth initiatives that are expected to add sustainable value in the long-term. In addition, there are material risks relating to changes in the operating environment, e.g. Brexit and the U.S. tariffs. An unfavorable outcome of these risks might have a significant impact on the comparable net sales and comparable EBITA. Furthermore, fluctuations in currency rates might also have a considerable impact on comparable EBITA.

President and CEO, Fiskars Group, Jaana Tuominen:

"For Fiskars Group, the fourth quarter is important, and I am very pleased that we ended the year 2018 with a strong last quarter. We increased both our comparable net sales and particularly, comparable EBITA during the quarter. This resulted in an increased comparable EBITA for Fiskars Group in full year 2018, despite the decrease in comparable net sales.

This performance reflects our capability to deliver results even in challenging market conditions. We have made good progress in increasing our efficiency through a number of transformation programs and in the execution of our strategic

1) In 2017, using comparable exchange rates, excluding the net sales reported in 2017 from the divested container gardening business in Europe (December 2016). In the outlook for 2018, comparable net sales excludes the impact of exchange rates, acquisitions and divestments.
2) Items affecting comparability in EBITA include items such as restructuring costs, impairment or provisions charges and releases, integration-related costs, and gain and loss from the sale of businesses.
3) Earnings per share does not include net changes in the fair value of the investment portfolio. The comparable figures for Q4 2017 and 2017 have been adjusted accordingly.

initiatives. We continue to see potential in further improving our ways of working, acting as one company to leverage our strengths and benefit from our shared skills.

I was particularly pleased with the full-year performance of the Functional segment, where comparable EBITA increased clearly. This is notable, as the comparable net sales remained at the previous year's level, primarily due to the cold spring during the first quarter. Functional EMEA performed well and the comparable EBITA increased also during the fourth quarter. The Outdoor business has been making excellent progress during the year and the fourth quarter was no exception.

The Living segment ended the year on a positive note as well, as the comparable EBITA increased during this important quarter. The entire year was challenging for both businesses in the Living segment. In October, we launched the Transformation program in the Living segment, focusing primarily on the English & Crystal Living business. With this program, we aim to increase efficiency, reduce complexity and accelerate long-term strategic development during 2018–2021.

In November, we updated our long-term financial targets regarding profitability, and now aim to reach an EBITA margin of 12%. At the same time, we updated our strategic priorities, to further improve our performance. We work to find growth in our core markets and categories and seek opportunities in new areas.

As a result of the increased uncertainty in the trade environment and possible increased tariffs, our earnings will come under some pressure in 2019. We will continue delivering on our strategic priorities and in 2019, we expect comparable net sales and comparable EBITA to be at the same level as in 2018.

Together with the entire Fiskars Group team, we are determined to drive the company forward. We have good potential to improve our business performance and continue to focus on making the everyday extraordinary, for our consumers, customers, employees and shareholders alike."

Group key figures

EUR million	Q4 2018	Q4 2017	Change	2018	2017	Change
Net sales	324.1	319.2	1.5%	1,118.5	1,185.5	-5.6%
Comparable net sales[1)]	324.1	320.5	1.1%	1,118.5	1,145.8	-2.4%
EBITA	43.5	30.6	43%	112.5	113.2	-1%
Items affecting comparability in EBITA[2)]	-5.2	-4.9		-9.2	-5.8	
Comparable EBITA	48.8	35.4	38%	121.7	119.0	2%
Operating profit (EBIT)	32.5	25.8	26%	91.6	97.9	-6%
Profit before taxes	29.9	-53.6		103.0	217.8	
Profit for the period	26.7	-45.8		81.7	167.1	
Net change in the fair value of investment portfolio	-1.3	-79.4		-118.8	107.9	
Earnings/share, EUR[3)]	0.33	0.21		1.00	0.98	
Equity per share, EUR				14.80	15.53	-5%
Cash flow from operating activities before financial items and taxes	92.2	103.5	-11%	136.8	130.5	5%
Equity ratio, %				70%	69%	
Net gearing, %				11%	12%	
Capital expenditure	14.2	12.0	19%	46.2	35.4	31%
Personnel (FTE), average	7,094	7,519	-6%	7,304	7,709	-5%

1) Using comparable exchange rates, excluding the net sales reported in 2017 from the divested container gardening business in Europe (December 2016)
2) In Q4 2018, items affecting comparability consisted of personnel-related costs and costs related to the Alignment program. In Q4 2017, items affecting comparability consisted of net costs related to the Alignment program. More information on the Alignment program is available in the Financial Statement Release published on February 7, 2018.
3) Earnings per share do not include net changes in the fair value of the investment portfolio. The comparable figures for Q4 2017 and full year 2017 have been adjusted accordingly.

CHANGES IN FISKARS GROUP REPORTING IN 2019

Based on the new IFRS 9 standard that Fiskars Group adopted on January 1, 2018, Fiskars Group records the change in fair value of the Wärtsilä holding in other comprehensive income instead of recognizing fair value changes in the income statement.

Compared to the previous reporting principle, this has transferred the change in fair value of such investments from the income statement to other comprehensive income including deferred taxes. The change has not impacted the treatment of those items' balance sheet classification or dividends in the income statement.

From Q1 2018 onwards, Fiskars Group has not separately reported the operative earnings per share, which previously excluded the net change in the fair value of the investment portfolio and dividends received. Earnings per share (EPS) figures for 2017 have been adjusted accordingly.

On January 1, 2019, the Group will adopt IFRS 16 Leases. All the lessees' lease agreements will be booked as right-of-use assets and liabilities in the balance sheet. Exceptions are short-term contracts with a duration of less than 12 months and lease contracts for which the underlying asset has a low value. The Group will adopt the standard with a cumulative catch-up transition method, without restating prior periods. The impact of the standard change to the balance sheet at January 1, 2019 will be about EUR 123 million. The positive impact to EBIT/EBITA will be approximately EUR 1 million, resulting from the decrease of lease expenses and increase of depreciation from the right-of-use assets. EBITDA is affected in addition with the amount of depreciation, increasing about EUR 23 million. Interest expenses will be increased approximately by EUR 2 million. Total estimated impact to the profit for the period is EUR -1 million.

More information on reporting changes is provided in the accounting principles section of this Financial Statement Release.

FINANCIAL STATEMENT RELEASE FOR 2018

The full-year figures in this release are audited.

GROUP PERFORMANCE

EUR million	Q4 2018	Q4 2017	Change	Comparable change*	2018	2017	Change	Comparable change*
Net sales								
Group	324.1	319.2	1.5%	1.1%	1,118.5	1,185.5	-5.6%	-2.4%
Living	184.7	187.8	-1.6%	-1.6%	529.6	573.9	-7.7%	-5.4%
Functional	138.4	130.4	6.1%	5.1%	585.2	607.8	-3.7%	0.5%
Other	0.9	1.0	-5.8%	-5.8%	3.8	3.8	-1.3%	-1.3%
Comparable EBITA								
Group	48.8	35.4	38%		121.7	119.0	2%	
Living	42.5	38.3	11%		57.0	70.7	-19%	
Functional	9.2	1.0			75.5	59.7	27%	
Other	-2.9	-3.8	26%		-10.8	-11.5	6%	

*Using comparable exchange rates, excluding the divested container gardening business in Europe (December 2016)

Fiskars Group in Q4 2018

Fiskars Group's consolidated net sales increased by 1.5% to EUR 324.1 million (Q4 2017: 319.2). Comparable net sales increased by 1.1%, supported by the Functional segment. Comparable net sales decreased in the Living segment, impacted particularly by the English & Crystal Living business.

Comparable EBITA (excluding items affecting comparability) increased by 38% to EUR 48.8 million (35.4), supported by both the Living and Functional segments. Items affecting comparability in EBITA amounted to EUR -5.2 million (-4.9) and mainly consisted of the Living transformation program and the proposed divestment of the Leborgne business. Fiskars Group’s fourth quarter EBITA totaled EUR 43.5 million (30.6).

Fiskars Group in January–December 2018

Fiskars Group's consolidated net sales decreased by 5.6% to EUR 1,118.5 million (2017: 1,185.5, which included EUR 1.7 million from divested businesses). Comparable net sales decreased by 2.4%. In the Functional segment, comparable net sales remained at last year’s level, where the positive development in the Outdoor and Functional Americas businesses was subdued by the lost sales in Functional EMEA during the cold spring. Comparable net sales decreased in the Living segment, impacted by the decline in the English & Crystal Living business, which has faced challenges in several markets and channels throughout the year.

Comparable EBITA (excluding items affecting comparability) increased by 2% to EUR 121.7 million (119.0). In 2018, changes in foreign exchange rates negatively impacted comparable EBITA by EUR -4.2 million. In the Functional segment, the comparable EBITA increased during the period. In the Living segment, however, the comparable EBITA decreased. Items affecting comparability in EBITA amounted to EUR -9.2 million (-5.8) and mainly consisted of the Living transformation program, the Alignment program and the proposed divestment of the Leborgne business. Fiskars Group’s EBITA totaled EUR 112.5 million (113.2) in 2018, resulting in an EBITA margin of 10.1% (9.5%).

OPERATING ENVIRONMENT IN Q4 2018

The operating environment weakened somewhat in the last quarter of 2018, particularly as the uncertainty regarding global economic growth increased towards the end of the quarter. In the U.S., consumer confidence remained at a good level, even though it dropped somewhat from the high in September. Concerns over escalating international trade issues continued to overshadow the market. Retail sales in the U.S. grew in October, while growth slowed down and lost momentum towards the end of the quarter.

In the eurozone and the UK, the consumer confidence dropped significantly towards the end of the quarter. The political protests in France and the increasing uncertainty around the Brexit negotiations in the UK impacted confidence. The weakened consumer confidence impacted demand, particularly in December.

In Japan, consumer confidence continued to decrease at a moderate pace throughout the quarter and ended in December at the lowest level in over two years. The consumer confidence improved in Australia from the weak level at the end of the third quarter. The positive change was reflected in retail sales, which continued to develop in a positive direction.

OPERATING ENVIRONMENT IN 2018

The operating environment was mixed throughout the year. In the U.S., economic growth was robust despite a slow first quarter. Overall, consumer confidence remained at a good level in the U.S. throughout the year, with some weaker periods impacted by e.g. concerns over escalating international trade issues. During the first quarter of the year, the cold weather had a major impact in demand in the gardening category and reduced traffic in stores both in the U.S. and Europe.

In Europe, both consumer confidence and retail sales kicked off 2018 at a high level but declined throughout the year. The challenges were particularly visible in the UK. In the Nordics, however, the operating environment remained relatively favorable.

In Japan, the market situation has varied throughout the year. 2018 started off well with high consumer confidence, which however eroded throughout the year. For retail sales, the third quarter was positive, but the rest of the year more challenging. The Australian market was challenging for most of the year but started to improve towards the end.

REPORTING SEGMENTS

This Financial Statement Release reflects Fiskars Group's organizational structure, which features two Strategic Business Units (SBU): Living and Functional. Fiskars Group's three primary reporting segments are Living, Functional, and Other. In addition, Fiskars Group reports net sales for three geographical areas: Europe, Americas and Asia-Pacific.

SBU Living offers premium and luxury products for tabletop, giftware and interior décor. It consists of the English & Crystal Living and the Scandinavian Living businesses. The English & Crystal Living business includes brands such as Waterford, Wedgwood, Royal Albert and Royal Doulton. The Scandinavian Living business includes brands such as Iittala, Royal Copenhagen, Rörstrand and Arabia.

SBU Functional provides tools for use in and around the house as well as outdoors. SBU Functional consists of the Functional Americas, the Functional EMEA and the Outdoor businesses, and includes brands such as Fiskars, Gerber and Gilmour.

The Other segment contains the Group's investment portfolio, the real estate unit, corporate headquarters and shared services.

Living segment

EUR million	Q4 2018	Q4 2017	Change	2018	2017	Change
Net sales*	184.7	187.8	-1.6%	529.6	573.9	-7.7%
Comparable EBITA	42.5	38.3	11%	57.0	70.7	-19%
Capital expenditure	7.4	4.9	51%	23.8	14.0	71%

*Using comparable exchange rates, net sales in the Living segment decreased by 1.6% in Q4 2018 and by 5.4% in 2018

Living segment in Q4 2018

Net sales in the Living segment decreased year-on-year and amounted to EUR 184.7 million (Q4 2017: 187.8). Comparable net sales decreased by 1.6%. Net sales grew in the direct e-commerce channel by double-digit numbers.

Over all, demand around the time of Singles Day and Black Friday was good, while December sales showed some weakness.

Comparable net sales in the English & Crystal Living business decreased during the fourth quarter, as the UK and Australian markets remained challenging. At the same time, comparable net sales increased in Asia-Pacific.

In the Scandinavian Living business the comparable net sales remained at last year's level. Comparable net sales increased in Japan, where the distribution of Iittala was transferred from a local distributor to Fiskars Group at the beginning of the year. This transfer started to have a positive impact during the important holiday season. In Finland, comparable net sales decreased, with the comparison period in 2017 having been supported by strong sales relating to the Finland 100 anniversary.

Comparable EBITA for the Living segment increased by 11% and amounted to EUR 42.5 million (38.3). The comparable EBITA improved in both the English & Crystal Living and the Scandinavian Living businesses. Both improved particularly in the Asia-Pacific region. Additionally, the gross profit improvement and efficiencies supported the comparable EBITA.

Living segment in January–December 2018

Net sales in the Living segment decreased year-on-year and amounted to EUR 529.6 million (2017: 573.9). Comparable net sales decreased by 5.4%, impacted mainly by the English & Crystal Living business. The business has faced challenges during the year, mainly in the UK, the U.S. and Australia as well as in the hospitality channel. This has overshadowed the positive development in Asia.

Comparable net sales in Scandinavian Living decreased, mainly as a result of challenges in Scandinavia during the second and third quarters. Net sales increased in the Asia-Pacific region.

Comparable EBITA for the Living segment decreased by 19% and amounted to EUR 57.0 million (70.7). The decrease was a result of lower volumes in the English & Crystal Living business. Comparable EBITA decreased in the Scandinavian Living business as well, as the focus on own retail and expansion of distribution weighted on the profitability.

Marketing highlights in the Living segment in 2018

During the fourth quarter, Iittala launched Raami, a new tableware series designed by Jasper Morrison. The pieces are made of ceramic, glass and wood, intended to combine and promote a good atmosphere at the table. In December, Iittala opened a new store in Berlin city center.

Waterford celebrated New Year at Times Square in New York, as people from around the world followed the iconic Waterford Times Square New Year's Eve Ball drop at midnight.

The Living business attended the New York Tabletop Market show. The Living segment participated with a wide range of brands, as Wedgwood, Waterford, Royal Doulton, Royal Albert, Iittala and Royal Copenhagen were present at the event. The event is important for displaying the offerings for the spring season, with both trade customers and media present.

During 2018, Royal Copenhagen launched a new dinnerware series – Blomst. Blomst is a reinterpretation of one of the oldest decorations in Royal Copenhagen's history, the Blue Flower dating back to 1780. Royal Copenhagen was introduced in the Australian market during the third quarter. The brand is available in department stores and through the direct e-commerce channel.

Iittala and Arabia trialed a second-hand pilot in selected stores in Finland with encouraging results. During the pilot period, the Iittala & Arabia Market bought old and used glass and ceramic tableware and sold the items to new owners. The pilot explored opportunities in circular economy, with the aim of prolonging the life of products and materials, supported by lasting design.

Wedgwood partnered with the Japanese ceramicist Hitomi Hosono. Hosono has created a ceramics collection for Wedgwood as part of the Artist in Residence program.

Functional segment

EUR million	Q4 2018	Q4 2017	Change	2018	2017	Change
Net sales*	138.4	130.4	6.1%	585.2	607.8	-3.7%
Comparable EBITA	9.2	1.0		75.5	59.7	27%
Capital expenditure	5.7	6.6	-13.6%	18.9	19.4	-2.6%

*Using comparable exchange rates and excluding the net sales of the divested container gardening business in Europe (in December 2016), net sales in the Functional segment increased by 5.1% in Q4 2018 and by 0.5% in 2018

Functional segment in Q4 2018

Net sales in the Functional segment increased year-on-year by 6.1% to EUR 138.4 million (Q4 2017: 130.4). Comparable net sales increased by 5.1%, supported by all business areas. In Functional EMEA, increased snow tool sales supported net sales, while the weak sales in certain Eastern European countries continued. The distribution network is being rationalized in these markets, and this has negatively impacted net sales in the short term. In Functional Americas, extended distribution supported net sales. For the Outdoor business, the net sales grew in Europe, supported by the gifting season.

Comparable EBITA for the Functional segment increased during the fourth quarter and amounted to EUR 9.2 million (1.0). The increase was supported by all businesses, particularly the Functional EMEA and Outdoor businesses, where the increased net sales and operational efficiencies contributed to the increase in comparable EBITA.

Functional segment in January–December 2018

Net sales in the Functional segment decreased year-on-year and amounted to EUR 585.2 million (2017: 607.8). Comparable net sales remained close to the previous year’s level. Comparable net sales increased most notably in the Outdoor business, supported by government sales, the multitool category and the launch of products in the fishing category. In the Functional Americas business the comparable net sales increased as well, as the business has gained new distribution.

Comparable net sales decreased in Functional EMEA, where the second quarter development in the gardening category did not fully compensate for the shortfall in the first quarter. During the second half of the year, the rationalization of the distribution network in Eastern Europe had a negative short-term impact.

Comparable EBITA for the Functional segment increased during the year and amounted to EUR 75.5 million (59.7). In addition to improved operational efficiencies, the increase was mainly supported by the increased net sales in the Outdoor business. Comparable EBITA increased in Functional EMEA as well, but decreased in Functional Americas, as a result of changes in foreign exchange rates and an unfavorable sales mix.

Marketing highlights in the Functional segment

During the fourth quarter, Fiskars introduced the stainless steel pots, pans and casseroles for the Norden premium cooking range. Norden Steel are also the first stainless steel products to feature Thermium^{TM}, Fiskars' new innovation for mineral treatment for non-stick frying. The series will be in stores from January 2019 onwards. Fiskars also won nine GOOD DESIGN awards, including for shears, knives, snips, DIY tools and shovels. Additionally, Fiskars launched a new line of tools for the DIY market, which will be available in early 2019.

Gerber expanded upon the ComplEAT series with the Devour multi-fork for outdoor cooking. The product was launched prior to the gifting season, whereas the Outdoor products normally are introduced in the spring or fall. The purpose behind the unusual launch timing was to provide a novelty to the gifting season, outside the normal pattern. The promotion was successful and the product was well received on the market.

During 2018, Fiskars’ new cooking range Norden was introduced at the Ambiente trade fair in Frankfurt and it was awarded the Red Dot Award and two Good Design Australia 2018 awards. The cast-iron products in the Norden range started shipping during 2018. In the first quarter, Fiskars launched its annual product recycling campaign in Finland, and in addition to the cooking category it was also piloted for the gardening category.

Gilmour launched a new line of watering tools. Additionally, the brand opened its innovative e-commerce service on Gilmour.com for the U.S. market. Gerber’s new fishing category, which was introduced in the second half of 2017, started shipping in the first quarter of 2018. The products were first introduced in the U.S., Australia, Norway and Finland. Additionally, the Outdoor business introduced new products to the market; the FlatIron folding pocket knife and the ComplEAT series of food-making tools for the outdoors.

Other segment

EUR million	Q4 2018	Q4 2017	Change	2018	2017	Change
Net sales	0.9	1.0	-5.8%	3.8	3.8	-1.3%
Comparable EBITA	-2.9	-3.8	26%	-10.8	-11.5	6%
Capital expenditure	1.2	0.5	140%	3.5	2.0	75%

Other segment in Q4 2018

Net sales in the Other segment decreased year-on-year and amounted to EUR 0.9 million (Q4 2017: 1.0), consisting of timber sales and rental income. The comparable EBITA for the Other segment amounted to EUR -2.9 million (-3.8).

Other segment in January–December 2018

Net sales in the Other segment remained stable year-on-year and amounted to EUR 3.8 million (2017: 3.8), consisting of timber sales and rental income. The comparable EBITA for the Other segment amounted to EUR -10.8 million (-11.5).

Net sales by geography

EUR million	Q4 2018	Q4 2017	Change	Comparable change*	2018	2017	Change	Comparable change*
Europe	162.1	165.9	-2.3%	-1.2%	531.2	568.5	-6.6%	-5.0%
Americas	112.0	107.2	4.5%	1.6%	444.4	463.0	-4.0%	1.3%
Asia-Pacific	48.7	46.4	4.9%	5.0%	141.7	152.8	-7.3%	-3.2%
Unallocated**	1.2	-0.3			1.3	1.2	1%	5%

*Using comparable exchange rates, excluding the divested container gardening business in Europe (in December 2016)
**Geographically unallocated exchange rate differences

Net sales in Q4 2018

Net sales in Europe decreased by 2.3% and amounted to EUR 162.1 million (Q4 2017: 165.9). Comparable net sales decreased by 1.2%, mainly impacted by the challenges in both the English & Crystal Living and Scandinavian Living businesses. In Finland, the comparison period in 2017 was supported by strong sales relating to the Finland 100 anniversary.

Net sales in the Americas increased by 4.5% to EUR 112.0 million (107.2). Comparable net sales increased by 1.6%, supported by Functional Americas, while net sales in the English & Crystal Living business decreased.

Net sales in Asia-Pacific increased by 4.9% and amounted to EUR 48.7 million (46.4). Comparable net sales increased by 5.0%, supported by both the English & Crystal Living and Scandinavian Living businesses.

Net sales in January–December 2018

Net sales in Europe decreased by 6.6% and amounted to EUR 531.2 million (2017: 568.5). Comparable net sales decreased by 5.0%, impacted by the Functional EMEA, English & Crystal Living and Scandinavian Living businesses. The majority of the net sales in the hospitality channel are incorporated in the English & Crystal Living business in Europe, which contributed to the decrease.

Net sales in the Americas decreased by 4.0% to EUR 444.4 million (463.0). Comparable net sales increased by 1.3%. Comparable net sales increased in the Functional Americas and the Outdoor businesses, partly offset by the decrease in the English & Crystal Living business.

Net sales in Asia-Pacific decreased by 7.3% and amounted to EUR 141.7 million (152.8). Comparable net sales decreased by 3.2%, impacted by the English & Crystal Living business.

Research and development

The Group's research and development expenditure totaled EUR 5.2 million (Q4 2017: 6.4) in the fourth quarter of 2018, equivalent to 1.6% (2.0%) of net sales. For the full year, research and development expenses totaled EUR 18.4 million (2017: 18.8), equivalent to 1.6% (1.6%) of net sales.

Personnel

The average number of full-time equivalent employees (FTE) was 7,094 (Q4 2017: 7,519) in the fourth quarter. At the end of the quarter, the Group employed 7,615 (7,932) employees, of whom 1,125 (1,126) were in Finland. The year-on-year change was mainly related to unified definitions among retail and manufacturing personnel and the Alignment program.

In 2018, the average number of full-time equivalent employees (FTE) in Fiskars Group was 7,094 (2017: 7,709). In the Functional segment, the FTE number was 2,147 (2,289), in the Living segment 4,865 (5,379) and in the Other segment 82 (41).

Living transformation program

In October 2018, Fiskars Group launched a Transformation program in its Living business aimed at increasing efficiency, reducing complexity and accelerating long-term strategic development.

The program will target annual cost savings of approximately EUR 17 million, subject to the full implementation of the program. The targeted cost savings are expected to be achieved gradually, and the majority of the savings are expected to materialize in the Group's results after the program is completed, which is estimated to be by the end of 2021. The total costs of the program are approximately EUR 40 million in 2018–2021, of which EUR 2.5 million had been recorded by the end of 2018. The costs are recorded as items affecting comparability (IAC).

The proposed changes will involve optimization of global retail, distribution and supply networks as well as organizational structure, and will focus primarily on the English & Crystal Living business, to improve its profitability. As the planning progresses, Fiskars Group will engage and work closely with its employees and employee representatives to ensure that they are fully informed and consulted about our proposals. Processes and timelines will vary from one country to another.

Financial items and net result

Financial items and net result in Q4 2018 and January–December 2018

The share ownership in the Wärtsilä Corporation is no longer treated as a financial asset at fair value through profit or loss. At the end of the 2018, Fiskars Group owned 32,645,343 shares in Wärtsilä, representing 5.52% of Wärtsilä's share capital.

The net change in the fair value of investments through other comprehensive income, consisting of the company's holdings in Wärtsilä, amounted to EUR -94.5 million (Q4 2017: -79.4, reported as net change in the fair value of investments through profit and loss) during the fourth quarter of 2018 and to EUR -118.8 million (2017: 107.9) during 2018. The closing share price of Wärtsilä was EUR 13.90 (52.60, not directly comparable due to the issue of two new shares for each existing share) at the end of the fourth quarter.

Other financial income and expenses amounted to EUR -3.3 million (-0.3) in the fourth quarter of 2018 and to EUR 9.4 million (11.4) for the full year 2018, including amongst other EUR 0.0 and -0.7 million (1.3 and 0.6) of foreign exchange differences, and 15.0 million (14.1) of dividends received on Wärtsilä shares for the full year. The first instalment of the Wärtsilä dividend was received in March 2018 and the second in September 2018.

Profit before taxes was EUR 29.9 million (-53.6) in the fourth quarter of 2018. Income taxes for the fourth quarter were EUR -3.0 million (7.8). The difference is mainly due to the change in the recording of the fair value in the Wärtsilä holding. Earnings per share were EUR 0.33 (0.21). Earnings per share does not include net changes in the fair value of the investment portfolio. The comparable figure for Q4 2017 has been adjusted accordingly.

Profit before taxes for the year was EUR 103.0 million (217.8). Income taxes for the year were EUR -21.1 million (-50.8). The difference is primarily due to the change in the recording of the fair value in the Wärtsilä holding. Earnings per share were EUR 1.00 (0.98). Earnings per share do not include net changes in the fair value of the investment portfolio. The comparable figure for 2017 has been adjusted accordingly.

Cash flow, balance sheet and financing

Cash flow, balance sheet and financing in Q4 2018 and January–December 2018

The fourth quarter cash flow from operating activities before financial items and taxes decreased to EUR 92.2 million (Q4 2017: 103.5). The change was primarily due to the change in current assets. Cash flow from financial items and taxes amounted to EUR -10.4 million (-11.4). Cash flow from investing activities was EUR -13.6 million (-3.6), including EUR -14.2 million of capital expenditure on fixed assets and EUR -0.1 million proceeds from sale of fixed assets. Cash flow from financing activities was EUR -59.3 million (-70.1), including EUR -58.2 million of change in current debt. The comparison figure from Q4 2017 included EUR -45.7 million of change in current debt.

For the whole year cash flow from operating activities before financial items and taxes was EUR 136.8 million (2017: 130.5). Cash flow from financial items and taxes amounted to EUR -30.9 million (-26.7). Cash flow from investing activities was EUR -28.0 million (-12.4), including EUR -46.2 million of capital expenditure on fixed assets, EUR 2.7 million of proceeds from sale of fixed assets and EUR 15.0 million from dividends received. Cash flow from financing activities was EUR -84.6 million (-78.0), including EUR -12.8 million of change in current debt, EUR 20.0 million of change in current receivables, EUR -30.3 million of repayment of non-current debt and EUR -59.5 million of dividends paid. The comparison figure from 2017 included positive cash flow of EUR 22.0 million from money market investments, EUR -87.0 million payment of dividends and EUR 53.0 million from change in current debt.

Capital expenditure for the fourth quarter totaled EUR 14.2 million (12.0), mainly relating to facility expansions and efficiency investments. Depreciation, amortization and impairment were EUR 16.8 million (11.0) in the fourth quarter. Capital expenditure for the year totaled EUR 46.2 million (35.4), primarily relating to facility expansions and efficiency investments. Depreciation, amortization and impairment were EUR 43.8 million (38.8) for the full year.

Fiskars Group's working capital totaled EUR 197.1 million (195.9) at the end of December. The equity ratio was 70% (69%) and net gearing was 11% (12%).

Cash and cash equivalents at the end of the period totaled EUR 24.2 million (31.1). Net interest-bearing debt amounted to EUR 135.4 million (147.7). The shares in Wärtsilä were valued at EUR 453.6 million (572.4) at the end of the period.

Short-term borrowing totaled EUR 9.6 million (48.5) and long-term borrowing totaled EUR 151.3 million (151.4). Short-term borrowing mainly consisted of commercial papers. In addition, Fiskars Group had EUR 300.0 million (300.0) in unused, long-term, committed credit facilities with Nordic banks.

Changes in organization and management

On January 11, 2018, the renewal and expansion of the Fiskars Group Leadership Team (FGLT) was announced. At the same time, Fiskars Group discontinued the Extended Leadership Team and the Corporate Office to simplify its leadership structure. Fiskars Group appointed Ulla Lettijeff (M.Sc.Tech) as President, SBU Living and a member of the Fiskars Group Leadership Team. The following new members were also appointed to the Group Leadership Team: Chief Supply Chain Officer Risto Gaggl (M.Sc.Tech), General Counsel Päivi Timonen (LL.M.) and VP, Corporate Communications and Sustainability Maija Taimi (M.Sc.Econ). Fiskars Group also appointed CFO Sari Pohjonen as the Deputy to the CEO.

On March 15, 2018, Fiskars Group announced the appointment of Niklas Lindholm (Ph.D. Econ and M.Sc. Econ) as Chief Human Resources Officer and member of the FGLT. He joined the company on August 1, 2018, and reports to the Group's President and CEO, Jaana Tuominen.

On June 11, 2018, Fiskars Group announced that President, SBU Functional Paul Tonnesen has decided to leave the company. Fiskars Group has started the recruitment process for a successor. In addition to her role as the President and CEO, Jaana Tuominen will act as the interim President, SBU Functional.

On June 12, 2018, Fiskars Group announced the appointment of Tuomas Hyyryläinen (M.Sc.Econ) as Chief Growth Officer and member of the FGLT from September 1, 2018. He reports to the Group's President and CEO Jaana Tuominen.

Following these changes, the FGLT consists of nine members:
- Jaana Tuominen, President and CEO
- Sari Pohjonen, Chief Financial Officer and Deputy to the CEO
- Risto Gaggl, Chief Supply Chain Officer
- Tuomas Hyyryläinen, Chief Growth Officer
- Ulla Lettijeff, President, SBU Living
- Niklas Lindholm, Chief Human Resources Officer
- Maija Taimi, VP, Corporate Communications and Sustainability
- Päivi Timonen, General Counsel
- President, SBU Functional, to be appointed later

Other significant events during the reporting period

New share-based Long-term Incentive Plan for Fiskars Group's key employees

On February 7, 2018, Fiskars announced that the Board of Directors of Fiskars Corporation had decided on a new share-based Long-term Incentive Plan for the FGLT and other key employees. The plan will form a part of Fiskars' remuneration program for its key employees, and the aim of the plan is to support the implementation of the company's strategy and to align the objectives of key employees with those of shareholders to increase the value of the company.

The Long-term Incentive Plan has three performance periods of three calendar years each, 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will decide separately for each performance period the participants in the incentive plan and the minimum, target and maximum rewards for each participant, as well as the performance criteria and related targets.

The amount of the reward paid to a key employee depends on achieving the pre-established targets. No reward will be paid if targets are not met or if the participant's employment or service ends before reward payment. For the first performance period, the plan has 48 participants at most and the targets for the Long-term Incentive Plan relate to the company's total shareholder return, Group EBITA and net sales.

If the targets of the plan are reached, rewards will be paid to participants after the end of each performance period. The reward will be paid in the company's shares, after the deduction of the relevant cash proportion that is required for covering taxes and tax-related costs due on the basis of the reward. However, the company has the right to pay the reward fully in cash under certain circumstances. If all maximum targets are reached, the maximum reward payable in shares on the basis of the 2018–2020 performance period would amount to a total gross maximum of 314,321 shares in the company. As a starting point, shares to be awarded to key employees will be paid as existing shares of the company and thus the Long-term Incentive Plan is not expected to have a diluting effect on the ownership of the company's shareholders.

Members of the FGLT participating in the long-term incentive plan are subject to a shareholding requirement and must retain at least 50% of the net shares received based on plan until their share ownership in Fiskars corresponds to at least 50% (and for the President and CEO at least 100%) of their annual gross base salary.

On December 13, Fiskars announced that the Board of Directors had approved the launch of the second performance period 2019–2021, its participants and performance criteria to the share-based long-term incentive plan. For the 2019–2021 performance period, the plan can have fifty (50) participants at most and the targets relate to the company's total shareholder return, group net working capital and net sales. If the targets of the plan are reached, rewards will be paid to participants in the spring of 2022. If all the maximum targets are reached, the maximum reward payable in shares on the basis of the 2019–2021 performance period would amount to a total gross maximum of 450,000 shares in the company.

Fiskars Corporation's directed share issue without consideration based on the Long-term Incentive Plan 2015–2019

On March 14, 2018 Fiskars announced that the Board of Directors of Fiskars Corporation had decided on a directed share issue without consideration based on Fiskars' Long-term Incentive Plan 2015–2019 in order to pay the share rewards for the performance period 2015–2017.

In the share issue, 15,168 treasury shares were issued without consideration to the key personnel participating in the performance period 2015–2017, in accordance with the terms and conditions of the share based Incentive Plan 2015–2019. Information about the launch and the terms and conditions of the Incentive Plan have been published in a stock exchange release on February 6, 2015.

The decision on the share issue was based on the authorization granted to the Board of Directors by Fiskars Corporation's Annual General Meeting of Shareholders held on March 14, 2018. The shares were delivered to the participants of the Incentive Plan on March 15–16, 2018. After the share delivery, Fiskars Corporation held a total of 176,299 own shares.

Outlook for 2018 updated on July 18, 2018

On July 18, 2018 Fiskars Group lowered its comparable net sales guidance for the full year 2018 and stated:

"Fiskars Group expects that the comparable net sales will be slightly below the previous year. Previously, Fiskars Group expected comparable net sales to increase from 2017. Fiskars Group continues to expect that in 2018, the comparable EBITA will increase from 2017.

During the first quarter 2018, the exceptionally cold spring in Europe and in the U.S. had an impact on the net sales in the gardening category, which is typically strong in the first half of the year. The sales performance of the gardening category in Europe was weaker than expected also during the second quarter. At the same time, the changing trade environment and challenges in certain key markets in the English & Crystal Living business continued to impact its net sales."

Record date and payment date of the second dividend instalment resolved by the Annual General Meeting 2018

The Board of Directors of Fiskars Group resolved on September 7, 2018 in accordance with the resolution of the Annual General Meeting that the dividend payment date for the second dividend instalment of EUR 0.36 per share was to be September 18, 2018. The ex-dividend date for the dividend instalment was to be September 10, 2018 and the record date September 11, 2018.

Refined strategy and updated the long-term financial targets

On November 8, 2018 Fiskars Group refined its strategy to support growth and updated the long-term financial target regarding profitability. The target is to reach a 12% EBITA margin, instead of the previous target to exceed 10%.

The financial targets cover four areas: growth, profitability, capital structure and dividend:

- Growth (unchanged): The average annual net sales growth to exceed 5%, through a combination of organic growth and targeted acquisitions
- Profitability: EBITA margin to reach 12% (previously: to exceed 10%)
- Capital structure (unchanged): Net gearing below 100%
- Dividend (unchanged): Fiskars aims to distribute a stable, over time increasing dividend, to be paid biannually

In addition, Fiskars Group specified the strategic priorities for the company. Going forward, the priorities are to inspire people, excite consumers, grow the business and increase returns. The progress is tracked in each of these areas through selected key performance indicators, including employee engagement and enablement, brand preference, net sales per stock keeping unit, EBITA-margin and net working capital.

Corporate Governance

Fiskars Group complies with the Finnish Corporate Governance Code issued by the Securities Market Association, which came into force on January 1, 2015. Fiskars Group's Corporate Governance Statement for 2018 in accordance with Reporting requirements of the Code will be published during week 8 of 2019 as a separate report.

Ultimate decision-making power is vested in the Annual General Meeting of shareholders, which elects the members of the Board of Directors. Members of the Board are appointed until the end of the following Annual General Meeting. The Board of Directors is responsible for appointing, and if necessary, dismissing the President and CEO. Fiskars Group's

Articles of Association do not contain matters that could materially affect a public tender offer of the company's securities.

Shares and shareholders

Fiskars Corporation has one share series (FSKRS). All shares carry one vote and equal rights. The number of shares in the Corporation totals 81,905,242. Fiskars Corporation held 332,560 of its own shares at the end of the quarter. The share capital remained unchanged at EUR 77,510,200.

Fiskars shares are traded in the Large Cap segment of Nasdaq Helsinki. The volume weighted average share price during the fourth quarter was EUR 15.99 (Q4 2017: 22.12) and EUR 18.73 in 2018 (2017: 20.75). At the end of December, the closing price was EUR 15.04 (EUR 23.96) per share and Fiskars had a market capitalization of EUR 1,226.9 million (1,957.9). The number of shares traded on Nasdaq Helsinki and in alternative market places from October to December was 1.0 million (0.9), which represents 1.3% (1.1%) of the total number of shares. In 2018, the number of shares traded was 3.1 million (5.2), which represents 3.9% (6.4%) of the total number of shares. The total number of shareholders was 20,013 (19,536) at the end of December 2018.

Flagging notifications

Fiskars Group was not informed of any significant changes among its shareholders during the year.

Purchase of own shares

On April 30, 2018, the Board of Directors of Fiskars Corporation decided to commence acquiring the company's own shares on the basis of the authorization given by the Annual General Meeting held on March 14, 2018.

The maximum number of shares to be acquired is 200,000, corresponding to approximately 0.2% of the total number of shares. The shares will be acquired through public trading on the Nasdaq Helsinki exchange at the market price prevailing at the time of purchase. The share buyback started on May 9, 2018, and will end by the end of the next Annual General Meeting in 2019, at the latest.

Board authorizations

Authorizing the Board of Directors to decide on the acquisition of the company's own shares

The Annual General Meeting decided to authorize the Board to decide on the acquisition of a maximum of 4,000,000 own shares, in one or several instalments, using the unrestricted shareholders' equity of the company. The company's own shares may be acquired in public trading on Nasdaq Helsinki Ltd at a price formed in public trading on the date of the acquisition. The authorization may be used to acquire shares to be used for the development of the capital structure of the company, as consideration in corporate acquisitions or industrial reorganizations and as part of the company's incentive system and otherwise for further transfer, retention or cancellation. The Board of Directors is authorized to decide on all other terms and conditions regarding the acquisition of the company's own shares. Based on the authorization the acquisition of the company's own shares may be made otherwise than in proportion to the share ownership of the shareholders (directed acquisition). The authorization is effective until June 30, 2019 and cancels the corresponding authorization granted to the Board by the Annual General Meeting on March 9, 2017.

Authorizing the Board of Directors to decide on the transfer of the company's own shares

The Annual General Meeting decided to authorize the Board to decide on the transfer of own shares (share issue) held as treasury shares of a maximum of 4,000,000 shares, in one or several instalments, either against or without consideration. The company's own shares held as treasury shares may be transferred for example as consideration in corporate acquisitions or industrial reorganizations or for the development of the capital structure of the company, or as part of its incentive system. The Board of Directors is authorized to decide on all other terms and conditions regarding the transfer of own shares held as treasury shares. The transfer of own shares may also be carried out in deviation from the shareholders' pre-emptive rights to the company's shares (directed issue). The authorization is effective until June 30, 2019 and cancels the corresponding authorization granted to the Board by the Annual General Meeting on March 9, 2017.

Board and Board Committees

The Annual General Meeting decided that the Board of Directors shall consist of ten members. Paul Ehrnrooth, Ingrid Jonasson Blank, Louise Fromond, Gustaf Gripenberg, Jyri Luomakoski, Inka Mero, Fabian Månsson, Peter Sjölander and Ritva Sotamaa were re-elected. Albert Ehrnrooth was elected as a new member. The term of the Board members will expire at the end of the Annual General Meeting in 2019.

Convening after the Annual General Meeting held on March 14, 2018 the Board of Directors elected Paul Ehrnrooth as its Chairman and Jyri Luomakoski as the Vice Chairman. The Board decided to establish an Audit Committee, a Human Resources and Compensation Committee as well as a Nomination Committee.

The Board appointed Jyri Luomakoski (Chairman), Albert Ehrnrooth, Louise Fromond, Gustaf Gripenberg and Ritva Sotamaa as members of the Audit Committee. Paul Ehrnrooth (Chairman), Ingrid Jonasson Blank, Inka Mero and Peter Sjölander were appointed as the members of the Human Resources and Compensation Committee. The Board appointed Paul Ehrnrooth (Chairman), and Fabian Månsson as the members of the Nomination Committee and Alexander Ehrnrooth as an external member of the Nomination Committee.

Risks and business uncertainties

Fiskars Group's business, net sales, and financial performance may be affected by several uncertainties. Fiskars Group has detailed the overall business risks and risk management in its Annual Report and on the company's website www.fiskarsgroup.com/investors.

Fiskars Group imports and exports products from/to the UK. A 'no deal' scenario in the UK withdrawal from the EU, may have an adverse impact to Fiskars Group's comparable net sales and comparable EBITA in 2019. It can also be assumed that the costs would increase, additional workload would emerge on both sides and exports and imports would be disrupted by tariffs and regulatory barriers. Long-term effects of changes in laws, regulations, taxes and other implications following from any kind of Brexit are difficult to estimate.

A considerable part of Fiskars Group's business is in the U.S. The increasing uncertainty regarding trade in the form of e.g.tariffs might have an impact on the company's business, as part of the product portfolio sold in the country is imported. Based on the information available at the moment, a further increase in tariffs might have a significant impact on the comparable net sales and comparable EBITA in 2019.

Demand for some of the Group's products is dependent on the weather, particularly garden tools and watering products during the spring and snow tools during the winter. Unfavorable weather conditions such as cold and rainy weather during the spring or no snow in the winter can have a negative impact on the sale of these products. The sale of homeware products is heavily geared towards the last quarter of the year, and any negative issues related to product availability or demand during this quarter could affect the full-year result of this business significantly.

Fiskars Group entities are subject to tax audits in several countries. It is possible that tax audits may lead to reassessment of taxes. The tax reassessment claim raised by the Finnish Large Taxpayers' Office in 2016, which obliged the company to pay a total of EUR 28.3 million in additional tax, interest expenses and punitive tax increases, has been appealed against by the company to the Board of Adjustment in the Finnish Large Taxpayers' Office. Fiskars Group will continue the appeal process in court, if necessary, in which case the process may take years. The dispute concerns intra-group loans forgiven by the company in 2003 and their tax treatment in subsequent tax years.

Fiskars Group operates globally with a considerable part of its business in the U.S. and in other countries outside of the euro zone. Weakening of the U.S. dollar or other currencies relative to the euro may have a material impact on the reported financial figures due to the translation exposure. Less than 20% of Fiskars Group's commercial cash flows are exposed to fluctuations in foreign exchange rates.

Otherwise, no new or changed material risks and uncertainty factors have been identified during the quarter.

Events after the reporting period

On February 7, 2019 Fiskars Group announced that the Board of Directors proposes to the Annual General Meeting 2019 an authorization for the Board of Directors to resolve on the distribution of the shares held by Fiskars Group in

Wärtsilä Corporation as an extra dividend to Fiskars Group's shareholders. The Board of Directors currently expects to resolve on the share dividend distribution of all or substantially all of Fiskars Group's shares in Wärtsilä, subject to the authorization, in its meeting scheduled for June 6, 2019.

In addition, the Board of Directors proposes to the Annual General Meeting that a cash dividend of up to a total of EUR 0.54 per share shall be paid to the shareholders. According to the proposal, the cash dividend would be divided into two parts, i.e. the Annual General Meeting would resolve on a cash dividend of EUR 0.27 per share paid to shareholders after the Annual General Meeting in March 2019 and, further, the Board of Director proposes that the Annual General Meeting resolves to authorize the Board of Directors to resolve, in its discretion, on the distribution of an additional cash dividend up to EUR 0.27 per share. The Board of Directors expects to resolve on the additional cash dividend of EUR 0.27, subject to the authorization, in its meeting scheduled for September 5, 2019.

Outlook for 2019

In 2019, Fiskars Group expects the comparable net sales and comparable EBITA to be at the same level as in 2018.

The outlook is influenced by the company's investments in growth initiatives that are expected to add sustainable value in the long-term. In addition, there are material risks relating to changes in the operating environment, e.g. Brexit and the U.S. tariffs. An unfavorable outcome of these risks might have a significant impact on the comparable net sales and comparable EBITA. Furthermore, fluctuations in currency rates might also have a considerable impact on comparable EBITA.

Comparable net sales excludes the impact of exchange rates, acquisitions and divestments. Items affecting comparability in EBITA include restructuring costs, impairment charges, integration related costs, acquisitions and divestments, and gain and loss from the sale of businesses.

Proposal for distribution of dividend

Fiskars Group's aim is to distribute a stable, over time increasing dividend, to be paid biannually. According to the balance sheet of the parent company at the end of the financial period 2018, the distributable equity of the parent company was EUR 894.7 million (2017: EUR 935.1 million).

The Board of Directors proposes to the Annual General Meeting that the dividend for the financial period ended on 31 December 2018 shall be paid as follows.

a) Cash dividend

The Board of Directors proposes to the Annual General Meeting that a cash dividend of EUR 0.27 per share shall be paid to shareholders. The ex-dividend date shall be on March 14, 2019. The dividend shall be paid to a shareholder who is registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the dividend record date March 15, 2019. The payment date proposed by the Board of Directors for the dividend is March 22, 2019.

In addition, the Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors to resolve, in its discretion, on the distribution of an additional cash dividend. The maximum amount of dividend to be distributed based on this authorization shall not exceed EUR 0.27 per share. The Board of Directors would be authorized to resolve on all other terms concerning the additional cash dividend. The authorization would be valid until the next Annual General Meeting of the company.

The Board of Directors expects to resolve on the additional cash dividend of EUR 0.27, subject to the authorization, in its meeting scheduled for September 5, 2019. Assuming that the resolution is made by the Board of Directors on that date, the ex-dividend date for the additional cash dividend would be September 6, 2019, the dividend record date would be September 9, 2019 and the payment date would be September 16, 2019.

b) Authorization to distribute an extra dividend in the form of Wärtsilä Corporation's shares

In addition to the cash dividend as proposed above, the Board of Directors proposes that the Annual General Meeting resolves to authorize the Board of Directors to resolve, in its discretion, on the distribution of a share dividend in the manner set forth below.

The Board of Directors would be authorised to distribute up to 32,645,343 shares in Wärtsilä Corporation ("Wärtsilä") held by the company, being the total amount of Wärtsilä shares currently held by the company.

A shareholder would receive 2 Wärtsilä shares for each 5 shares held in the company.

Fractional entitlements to Wärtsilä shares resulting from the distribution ratio would not be distributed in the form of shares, but an equivalent amount would be compensated to shareholders in cash. The Board of Directors would be authorized to resolve on all other terms and practicalities for effecting the payment of the cash compensation for fractional entitlements.

The value of the share dividend will be equivalent to the market value at the time of the distribution of the company's Wärtsilä shares to be distributed. The cash compensation amount, being equivalent to the value of the shareholder's fractional entitlement, will be based on the taxable value of the share dividend, expected to be calculated based on the volume weighted average price of Wärtsilä's share on the date when the share dividend is withdrawable. For reference purposes only (noting that the market value of the shares will constantly change), calculated based on the volume weighted average price of Wärtsilä's share on February 5, 2019 and assuming that all 32,645,343 Wärtsilä shares would be distributed, the total value of the share dividend would amount to approximately EUR 473.4 million (i.e. EUR 5.80 per share).

The company would pay the transfer tax resulting from the distribution of the share dividend on behalf of shareholders. The transfer tax amounts to 1.6% of the value of the share dividend.

The Board of Directors would be authorized to resolve upon any and all other matters, relating to the distribution of the share dividend including, without limitation, technical adjustments and changes that may be required for effecting the distribution of the share dividend.

The authorization would be valid until the next Annual General Meeting of the company.

The Board of Directors currently expects to resolve on the share dividend distribution, subject to the authorization, in its meeting scheduled for June 6, 2019. The proposed authorization structure and distribution timing is based on guidance received from Euroclear Finland according to which a share dividend distribution carried out earlier would not be technically secure to implement.

Assuming that the resolution is made by the Board of Directors on that date, the ex-dividend date for the share dividend would be June 7, 2019, the dividend record date for the share dividend would be June 10, 2019 and the share dividend payment date June 11, 2019. The payment date for the fractional entitlements to be paid in cash would be June 17, 2019. Any changes to the currently expected timing or structure would be separately announced by the company.

On the date of this financial statement release, the number of shares entitling their holders to a dividend was 81,566,682. If the cash dividends and the extra dividend in Wärtsilä shares would be distributed according to the proposal included in the notice to Fiskars Group's Annual General Meeting, the company's amount of the distributable equity would be reduced with approximately EUR 482.3 million (based on the book value of the Wärtsilä shares in the company's balance sheet). The current market value of the Wärtsilä shares held by the company is approximately EUR 473.4 million (calculated based on the volume weighted average price of Wärtsilä's share on February 5, 2019). The market value of the Wärtsilä shares at the date of distribution (currently expected in June) will be decisive when calculating the final value of the dividend and final impact on the distributable equity.

Due to the proposed share dividend, the total amount of dividends to be paid this year would be exceptionally high. After the potential distribution of the extra dividend, Fiskars Group would cease to receive dividend income on those shares and this would affect the baseline for the future development of Fiskars Group's dividends.

No material changes have taken place in the financial position of the company since the end of the financial period. The financial standing of the company is good and, according to the Board of Directors' assessment, distributing the proposed cash and extra share dividends will not compromise the company's solvency.

Helsinki, Finland, February 6, 2019

FISKARS CORPORATION
Board of Directors

CONSOLIDATED INCOME STATEMENT

EUR million	Q4 2018	Q4 2017	%	Q1–Q4 2018	Q1–Q4 2017	Change %
Net sales	324.1	319.2	2	1,118.5	1,185.5	-6
Cost of goods sold	-181.7	-179.9	-1	-633.5	-673.3	6
Gross profit	142.4	139.4	2	485.1	512.2	-5
Other operating income	1.7	1.9	-10	5.2	7.1	-28
Sales and marketing expenses	-80.1	-81.5	2	-281.4	-300.2	6
Administration expenses	-17.1	-26.3	35	-90.1	-99.9	10
Research and development costs	-5.2	-6.4	19	-18.4	-18.8	2
Goodwill and trademark amortization and impairment	-8.6			-8.6		
Other operating expenses	-0.4	-1.2	68	-0.2	-2.5	93
Operating profit (EBIT)*	32.5	25.8	26	91.6	97.9	-6
Change in fair value of biological assets	0.7	0.3		2.0	0.7	
Investments at fair value through profit or loss - net change in fair value**		-79.4			107.9	
Other financial income and expenses	-3.3	-0.3		9.4	11.4	
Profit before taxes	29.9	-53.6		103.0	217.8	
Income taxes	-3.1	7.8		-21.1	-50.8	
Profit for the period	**26.7**	**-45.8**		**81.7**	**167.1**	
Attributable to:						
Equity holders of the parent company	26.6	-46.0		81.6	166.4	
Non-controlling interest	0.1	0.2		0.2	0.7	
Earnings for equity holders of the parent company per share, euro (basic and diluted)***	0.33	0.21		1.00	0.98	
*Comparable EBITA (detailed in notes)	48.8	35.4	38	121.7	119.0	2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
Profit for the period	**27.8**	**-45.8**	**81.7**	**167.1**
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit or loss				
Translation differences	-5.5	-3.6	8.3	-29.4
Cash flow hedges	-0.1	0.1	0.2	0.6
Items that will not be reclassified to profit or loss				
Net change of investments at fair value through comprehensive income**	-75.8		-95.0	
Defined benefit plan, actuarial gains (losses) net of tax	0.9	-0.5	0.5	0.2
Other comprehensive income for the period net of tax total	-80.5	-4.0	-86.0	-28.6
Total comprehensive income for the period	**-52.7**	**-49.8**	**-4.2**	**138.5**
Attributable to:				
Equity holders of the parent company	-52.8	-50.0	-4.4	137.8
Non-controlling interest	0.1	0.2	0.2	0.7

**Based on the new IFRS 9 standard, adopted January 1, 2018 onwards, the change in fair value of the Wärtsilä holding is presented in other comprehensive income, including deferred taxes, instead of recognizing fair value changes in income statement. Previous period has not been restated.

***Earnings per share does not include net changes in the fair value of the investment portfolio. Reported figures of EUR -0.56 for Q4 2017, and EUR 2.04 for full year 2017 have been adjusted accordingly.

CONSOLIDATED BALANCE SHEET

EUR million	Dec 31 2018	Dec 31 2017	Change %
ASSETS			
Non-current assets			
Goodwill	217.4	221.9	-2
Other intangible assets	280.5	279.5	0
Property, plant & equipment	159.8	155.1	3
Biological assets	43.6	41.6	5
Investment property	3.9	3.9	-1
Financial assets			
Financial assets at fair value through profit or loss	25.3	21.7	17
Other investments	8.8	8.7	1
Deferred tax assets	30.2	29.2	3
Non-current assets total	769.4	761.7	1
Current assets			
Inventories	219.9	205.2	7
Trade and other receivables	220.4	214.4	3
Income tax receivables	31.3	33.2	-6
Interest-bearing receivables	0.0	20.0	-100
Investments at fair value through other comprehensive income	453.6	572.4	-21
Cash and cash equivalents	24.4	31.1	-21
Current assets total	949.8	1,076.2	-12
Assets total	**1,719.2**	**1,837.9**	**-6**
EQUITY AND LIABILITIES			
Equity			
Equity attributable to the equity holders of the parent company	1,207.0	1,269.4	-5
Non-controlling interest	2.7	2.8	-3
Equity total	1,209.7	1,272.1	-5
Non-current liabilities			
Interest-bearing liabilities	151.3	151.4	0
Other liabilities	6.8	7.3	-7
Deferred tax liabilities	43.9	73.2	-40
Pension liability	12.7	13.3	-5
Provisions	5.1	6.9	-26
Non-current liabilities total	219.9	252.0	-13
Current liabilities			
Interest-bearing liabilities	9.6	48.5	-80
Trade and other payables	268.2	246.9	9
Income tax liabilities	6.5	10.0	-59
Provisions	5.4	8.4	-7
Current liabilities total	289.7	313.7	-8
Equity and liabilities total	**1,719.2**	**1,837.9**	**-6**

FISKARS GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Q4 2018	Q4 2017	Q1–Q4 2018	Q1–Q4 2017
Cash flow from operating activities				
Profit before taxes	29.9	-53.6	103.0	217.8
Adjustments for				
Depreciation, amortization and impairment	16.8	11.0	43.8	38.8
Gain/loss on sale and loss on scrap of non-current assets	0.1	-0.9	-1.9	-4.3
Investments at fair value through profit or loss - net change in fair value	0.0	79.4	0.0	-107.9
Other financial items	3.3	0.4	-9.4	-11.2
Change in fair value of biological assets	-0.7	-0.3	-2.0	-0.7
Change in provisions and other non-cash items	-3.5	1.9	-9.4	-8.5
Cash flow before changes in working capital	**45.9**	**37.8**	**124.1**	**124.0**
Changes in working capital				
Change in current assets, non-interest-bearing	-20.2	-3.1	-2.6	-23.9
Change in inventories	18.7	25.2	-8.5	8.5
Change in current liabilities, non-interest-bearing	47.8	43.5	23.8	21.8
Cash flow from operating activities before financial items and taxes	**92.2**	**103.5**	**136.8**	**130.5**
Financial income received and costs paid	-1.0	-1.7	-4.7	-0.7
Taxes paid	-9.4	-9.7	-26.2	-26.0
Cash flow from operating activities (A)	**81.8**	**92.0**	**105.9**	**103.8**
Cash flow from investing activities				
Investments in financial assets	-0.8	-0.2	-0.9	-1.9
Capital expenditure on fixed assets	-14.2	-8.8	-46.2	-32.8
Proceeds from sale of fixed assets	-0.1	5.5	2.7	9.5
Proceeds from sale of non-current assets held for sale				-1.3
Proceeds from sale of subsidiary shares	0.0	0.1	0.0	0.0
Proceeds from sale of investments at fair value through profit or loss	0.0	-0.2	-0.0	-0.0
Other dividends received	0.0	0.0	15.0	14.1
Cash flow from other investments	1.5	0.0	1.5	0.0
Cash flow from investing activities (B)	**-13.6**	**-3.6**	**-28.0**	**-12.4**
Cash flow from financing activities				
Purchase of treasury shares	-0.9		-2.8	-0.1
Change in current receivables	0.0	-20.0	20.0	2.0
Borrowings of non-current debt	0.1	0.3	0.6	0.9
Repayment of non-current debt	-0.1	-0.8	-30.3	-1.3
Change in current debt	-58.2	-45.7	-12.8	7.3
Payment of finance lease liabilities	-0.1	-0.5	-0.3	-0.6
Cash flow from other financing items	0.2	0.6	0.5	0.7
Dividends paid	-0.2	-4.0	-59.5	-87.0
Cash flow from financing activities (C)	**-59.3**	**-70.1**	**-84.6**	**-78.0**
Change in cash and cash equivalent (A+B+C)	**8.9**	**18.4**	**-6.6**	**13.5**
Cash and cash equivalent at beginning of period	10.5	13.0	31.1	17.7
Translation difference	13.9	-0.3	-0.0	-0.1
Cash and cash equivalent at end of period	24.4	31.1	24.4	31.1

Non-cash changes on interest bearing net debt amounted to EUR 0.2 million arising from unrealized foreign exchange differences.

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Attributable to the equity holders of the parent company								
EUR million	**Share capital**	**Treasury shares**	**Cumul. transl. diff.**	**Fair value reserve**	**Actuarial gains and losses**	**Financial assets at FVTOCI**	**Retained earnings**	**Non-controlling interest**	**Total**
Dec 31, 2016	**77.5**	**-3.2**	**32.3**	**-1.2**	**-4.6**		**1,117.3**	**1.9**	**1,220.1**
Total comprehensive income for the period			-29.3	0.6	0.2		166.4	0.6	138.5
Purchase of treasury shares		-0.1							-0.1
Capital injected by non-controlling interest								0.7	0.7
Dividend distribution							-86.6	-0.4	-87.0
Dec 31, 2017	**77.5**	**-3.2**	**3.0**	**-0.6**	**-4.4**		**1,197.1**	**2.8**	**1,272.1**
Adoption of IFRS 9							-1.0		-1.0
Adoption of amendment to IFRS 2							0.5		0.5
Opening Balance Jan 1, 2018	**77.5**	**-3.2**	**3.0**	**-0.6**	**-4.4**		**1,196.5**	**2.8**	**1,271.6**
Total comprehensive income for the period			8.1	0.2	0.5	-95.0	81.6	0.4	-4.2
Purchase and issue of treasury shares		-2.8					0.3		-2.5
Dividend distribution*							-59.1	-0.5	-59.5
Other changes**							4.4		4.4
Dec 31, 2018	**77.5**	**-6.0**	**11.1**	**-0.4**	**-3.9**	**-95.0**	**1,223.6**	**2.7**	**1,209.7**

*Dividend distribution includes first installment paid in March 2018 and second installment paid in September 2018

**Other changes include EUR 2.9 million of adaptation of IFRIC 23 booked to equity.

NOTES TO THE INTERIM REPORT

ACCOUNTING PRINCIPLES

This financial statement release is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements apart from the changes in accounting principles stated below.

Figures presented have been rounded and therefore the sum of individual figures might differ from the presented total figure.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as of January 1, 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

The standard includes a five-step model for the revenue recognition. Revenue is allocated to performance obligations based on relative transaction prices. Revenue recognition takes place over time or at a specific point in time, and the key criterion is the passing of control.

The principles in IFRS 15 are applied using the following five steps:
1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method of adoption. There are no changes impacting the comparative information and therefore, no restatements have been made in the Group's financial statements.

Sale of goods
The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The exact timing of the transfer of control is analyzed contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Warranty obligations
The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15. If any other warranties, like warranties with extended warranty period, are provided, the impact of those is considered as immaterial.

Variable consideration
The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. Some contracts for the sale of goods provide customers with a right of return, discounts and volume rebates. The variable consideration is estimated using expected value method at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration does not impact the comparative information and therefore, no restatements have been made in the Group's financial statements.

Royalties
Fiskars Group receives sales-based royalties mainly from UK. Fiskars Group applies the method where the fixed part (minimum guarantee) is recorded as revenue over time applying a measure of progress to the fixed amount on a cumulative basis. The sales based part of the royalty is recorded based on reported sales from counter parties. Sales from royalties is not significant part of the net sales.

IFRS 9 Financial Instruments and subsequent amendments

The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting and replaces previous IAS 39. The impairment model in IFRS 9 is based on the premise of providing for expected losses.

The new standard primarily causes changes in the accounting principles of financial items and the evaluation of their impairment according to the new expected credit loss model (ECL). It enables to book the change in fair value of investments at fair value, consisting of Fiskars Group's holdings in Wärtsilä, either in income statement or in other comprehensive income, and from these two options, Fiskars Group has chosen to start applying reporting the change in fair value of investments at fair value in other comprehensive income. This change compared to previous reporting manner has transferred the change in fair value of such investments from the income statement to other comprehensive income including deferred taxes. The change has not impacted the treatment of those items' balance sheet classification or dividends in the income statement.

In addition, the standard change has moderate impacts on the bad debt provisions of trade receivables because of the expected credit loss model introduced by standard. Expected credit loss model has increased the bad debt provision by EUR 1.0 million, which has been recognized in retained earnings. Previous periods have not been restated.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 are intended to eliminate diversity in three main areas: the effects of vesting conditions on the measurement of a cash-settled share based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. According to the amendments of the standard, Fiskars Group classifies the share-based arrangements with net settlement features as equity-settled. No restatement of prior periods is made.

Application of new and revised accounting pronouncements under IFRS

On January 1, 2019, the Group will adopt IFRS 16 Leases

According to the current Leases standard, IAS17, a lessee must separate leases into finance lease agreements booked on the balance sheet and operating lease agreements classified as off-balance sheet items. According to the forthcoming standard IFRS16, all the lessees' lease agreements will be booked as fixed assets in the balance sheet, except short-term contracts with a duration of less than 12 months and lease contracts for which the underlying asset has a low value. The new standard transfers off-balance sheet commitments to the balance sheet, which results in an increase of fixed assets and liabilities and moves former lease expenses to Depreciation and Interest expenses.

Based on Fiskars Group's industry and business model, it acts mostly as lessee in numerous contracts. Major part of the contracts that will be booked on balance sheet are consisting of the lease contracts of stores, offices and warehouses as well as some machinery and equipment. Fiskars Group has completed the accounting tool implementation during the fourth quarter of the year. The impact to the balance sheet at January 1, 2019 will be EUR 123 million. The positive impact to EBIT/EBITA will be approximately EUR 1 million, resulting from the decrease of lease expenses and increase of depreciation from the right-of-use assets. EBITDA is affected in addition with the amount of depreciation, increasing about EUR 23 million. Interest expenses will be increased approximately by EUR 2 million. Total estimated impact to the profit for the period is EUR - 1 million. Fiskars Group will use Cumulative Catch-up as its transition method to IFRS 16, without restating prior periods.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

REPORTING SEGMENTS

EUR million	Q4 2018	Q4 2017	%	Q1–Q4 2018	Q1–Q4 2017	Change %
Net sales						
Living	184.7	187.8	-2	529.6	573.9	-8
Functional	138.4	130.4	6	585.2	607.8	-4
Other	0.9	1.0	-6	3.8	3.8	-1
Group total	**324.1**	**319.2**	**2**	**1,118.5**	**1,185.5**	**-6**

EUR million	Q4 2018	Q4 2017	%	Q1–Q4 2018	Q1–Q4 2017	Change %
Operating profit (EBIT)						
Living	38.7	32.8	18	46.8	58.4	-20
Functional	-3.0	-2.6	-16	58.8	52.9	11
Other	-3.2	-4.4	27	-14.1	-13.4	-5
Group total	**32.5**	**25.8**	**26**	**91.6**	**97.9**	**-6**
Depreciation, amortization and impairment						
Living	3.9	6.2	-38	19.0	21.3	-11
Functional	12.6	4.5	181	23.8	16.5	44
Other	0.3	0.3	20	1.0	1.0	7
Group total	**16.8**	**11.0**	**53**	**43.8**	**38.8**	**13**
Capital expenditure						
Living	7.4	4.9	50	23.8	14.0	70
Functional	5.7	6.6	-14	18.9	19.4	-3
Other	1.2	0.5		3.5	2.0	
Group total	**14.2**	**12.0**	**19**	**46.2**	**35.4**	**31**

NET SALES BY GEOGRAPHY

EUR million	Q4 2018	Q4 2017	%	Q1–Q4 2018	Q1–Q4 2017	Change %
Net sales						
Europe	162.1	165.9	-2	531.2	568.5	-7
Americas	112.0	107.2	5	444.4	463.0	-4
Asia-Pacific	48.7	46.4	5	141.7	152.8	4
Unallocated	1.2	-0.3		1.3	1.2	
Group total	**324.1**	**319.2**	**2**	**1,118.5**	**1,185.5**	**-6**

OPERATING PROFIT AND COMPARABLE EBITA

EUR million	Q4 2018	Q4 2017	%	Q1–Q4 2018	Q1–Q4 2017	Change %
Operating profit (EBIT)	**32.5**	**25.8**	**26**	**91.6**	**97.9**	**-6**
Amortization	-11.0	-4.7		-20.9	-15.3	
EBITA	**43.5**	**30.6**	**43**	**112.5**	**113.2**	**-1**
Items affecting comparability in EBITA						
Sale of boats business		-0.2			-1.2	
Personnel-related costs	0.0			1.8		
Sale of Spring USA	0.0	-0.1		0.0	0.0	
Ebertsankey related provisions and impairments	0.4	0.7		0.4	0.7	
Alignment program	0.7	3.2		2.9	5.7	
Living transformation	2.5			2.5		
Proposed Leborgne divestment	2.5			2.5		
Other adjustments to operating profit	-0.8	1.3		-0.8	0.6	
Total items affecting comparability in EBITA	**5.2**	4.9		**9.2**	5.8	
Comparable EBITA	**48.8**	**35.4**	**38**	**121.7**	**119.0**	**2**

INTANGIBLE AND TANGIBLE ASSETS

EUR million	Dec 31 2018	Dec 31 2017
Intangible assets and goodwill		
Book value, Jan 1	501.5	526.0
Currency translation adjustment	5.3	-17.6
Additions	50.4	6.9
Amortization and impairment	-21.4	-13.6
Decreases and transfers	-37.9	-0.3
Book value at end of period	**497.9**	**501.5**
Investment commitments for intangible assets	0.0	2.5
Tangible assets and investment property		
Book value, Jan 1	159.0	164.6
Currency translation adjustment	1.1	-4.4
Additions	28.8	28.2
Depreciation and impairment	-22.8	-23.0
Decreases and transfers	-2.4	-6.4
Book value at end of period	**163.6**	**159.0**
Investment commitments for property, plant and equipment	4.3	9.1

CONTINGENCIES AND PLEDGED ASSETS

EUR million	Dec 31 2018	Dec 31 2017
As security for own commitments		
Lease commitments	89.5	96.4
Guarantees	18.4	19.9
Other contingencies*	11.9	11.8
Contingencies and pledged assets total	**119.8**	**128.1**

*Other contingencies include a commitment of USD 12 million to invest in private equity funds.

Tax risks

Fiskars Group entities are subject to tax audits in several countries. It is possible that tax audits may lead to reassessment of taxes. The tax reassessment claim raised by the Finnish Large Taxpayers' Office in 2016, which obliged the company to pay a total of EUR 28.3 million in additional tax, interest expenses and punitive tax increases, has been appealed against by the company to the Board of Adjustment in the Finnish Large Taxpayers' Office. Fiskars Group will continue the appeal process in court, if necessary, in which case the process may take years. The dispute concerns intra-group loans forgiven by the company in 2003 and their tax treatment in subsequent tax years.

FISKARS GROUP

DERIVATIVES

EUR million	Dec 31 2018	Dec 31 2017
Nominal amounts of derivatives		
Foreign exchange forwards and swaps	276.9	184.9
Interest rate swaps	50.0	80.0
Electricity forward agreements	0.5	1.0
Fair value of derivatives		
Foreign exchange forwards and swaps	-0.4	-0.4
Interest rate swaps	-0.6	-0.9
Electricity forward agreements	0.4	0.1

Derivatives have been valued at market value.

EXCHANGE RATE SENSITIVITY OF THE OPERATIONS

Less than 20% of Fiskars Group's commercial cash flows are exposed to fluctuations in foreign exchange rates. The most significant transaction risks relate to the appreciation of THB and depreciation of SEK, AUD and JPY. The following table presents the estimated annual net commercial cash flows in the most significant currencies:

EUR million	THB	SEK	USD	AUD	JPY	IDR	GBP	CAD
Operational currency position	-32.4	19.9	-17.0	16.3	16.2	-13.1	13.4	12.2
Exchange rate sensitivity of the operations*	3.2	-2.0	1.7	-1.6	-1.6	1.3	-1.3	-1.2

*Illustrates the impact of 10% depreciation of the currency against EUR on the Group's annual profit before taxes had the cash flows not been hedged.

Most of the foreign exchange transaction risks related to the commercial cash flows are hedged primarily through the use of currency forwards and swaps. As Fiskars does not apply hedge accounting to these currency derivatives, both the realized and unrealized gains and losses on the derivatives are included in the income statement.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Dec 31, 2018

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss			25.3	25.3
Investments at fair value through other comprehensive income	453.6			453.6
Other investments	0.4		8.4	8.8
Derivative assets		0.4		0.4
Total assets	**454.0**	**0.4**	**33.8**	**488.1**
Derivative liabilities		0.9		0.9
Total liabilities		**0.9**		**0.9**

Dec 31, 2017

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	572.4		21.7	594.1
Other investments	0.4		8.5	8.9
Derivative assets		0.1		0.1
Total assets	**572.8**	**0.1**	**30.2**	**603.1**
Derivative liabilities		1.3		1.3
Total liabilities		**1.3**		**1.3**

Fair value categories

Hierarchy level 1 includes financial assets that are publicly quoted in an active market. Level 2 includes financial assets and liabilities measured using directly observable market inputs. All interest-bearing debts and derivatives fall within this category. Level 3 includes financial assets and liabilities measured using non-market observable inputs. The asset classes in this category are unlisted equity investments and funds.

Investments	FVTOCI	FVTPL	Other		
EUR million	Level 1	Level 3	Level 1	Level 3	Total
Book value, Dec 31, 2016	**464.4**	**20.4**	**0.4**	**9.3**	**494.4**
Additions		1.9			1.9
Decreases		0.0		0.0	0.0
Change in fair value	107.9	-0.5	-0.0	-0.8	106.6
Book value, Dec 31, 2017	**572.4**	**21.7**	**0.4**	**8.5**	**602.9**
Additions		0.0			0.0
Decreases					
Change in fair value	-118.8	3.6	-0.0	-0.1	-115.3
Book value, Dec 31, 2018	**453.6**	**25.3**	**0.4**	**8.4**	**487.7**

Investments at fair value through other comprehensive income (FVTOCI) comprise listed shares and investments at fair value through profit or loss (FVTPL) comprise unlisted funds. Listed shares have been recognized at their fair value based on quotation at the end of the reporting period (fair value hierarchy level 1). Level 1 investments consist mainly of 32,645,343 shares in Wärtsilä with a fair value of EUR 453.6 million. A 10% change in the Wärtsilä share price would have an impact of EUR 45.4 million in the total comprehensive income for the period. Based on the new IFRS 9 standard that Fiskars Group adopted from January 1, 2018 onwards, Fiskars Group will report the change in fair value in other comprehensive income instead of recognizing fair value changes in income statement. The fair value of unlisted funds is based on the market value reported by the fund (level 3). Changes in the fair value of these are recognized in the income statement as earlier.

Other financial assets comprise listed and unlisted shares as well as non-current receivables. Listed shares have been recognized at their fair value based on quotation at the end of the reporting period (level 1). Unlisted shares and other investments are measured at the lower of cost and fair value (level 3).

ACQUISITIONS AND DIVESTMENTS

Fiskars Group has on 15 Jan 2019 received a binding offer for the purchase of its Leborgne business consisting of manufacturing and sale of hand tools to construction and gardening customers in France from MOB MONDELIN. The transaction would be structured as an asset sale and include the Leborgne brand, inventory, fixed assets and personnel working for the business.

Acquisitions and divestments in 2018

There were no acquisitions or divestments during the year 2018.

Acquisitions and divestments in 2017

There were no acquisitions or divestments during the year 2017. However, EUR 1.7 million of net sales reported in 2017 from the divested container gardening business in Europe (December 2016) affects Group's comparable net sales of 2017.