

FISKARS  
◆  
GROUP



Fiskars Group

# Interim report

January–September 2019

## INTERIM REPORT JANUARY–SEPTEMBER 2019:

**Decrease in comparable net sales, comparable EBITA and cash flow****Third quarter 2019 in brief:**

- Net sales decreased by 2.8% to EUR 248.7 million (Q3 2018: 255.8)
- Comparable net sales<sup>1</sup> decreased by 3.5% to EUR 248.7 million (257.7)
- EBITA decreased by 73.0% to EUR 7.2 million (26.7)
- Comparable<sup>2</sup> EBITA decreased by 50.2% to EUR 13.4 million (27.0)
- Cash flow from operating activities before financial items and taxes decreased to EUR 10.5 million (41.1)
- Earnings per share (EPS) were EUR 0.04 (0.34)

**January–September 2019 in brief:**

- Net sales decreased by 1.5% to EUR 782.4 million (Q1–Q3 2018: 794.5)
- Comparable net sales<sup>1</sup> decreased by 3.3% to EUR 778.6 million (805.4)
- EBITA decreased by 40.6% to EUR 40.9 million (68.9)
- Comparable<sup>2</sup> EBITA decreased by 23.8% to EUR 55.5 million (72.9)
- Cash flow from operating activities before financial items and taxes decreased to EUR 32.8 million (44.6)
- Earnings per share (EPS) were EUR 0.37 (0.67)

**OUTLOOK FOR COMPARABLE NET SALES 2019 UPDATED (OCTOBER 16, 2019)**

In 2019, Fiskars expects the comparable net sales<sup>1</sup> and comparable<sup>2</sup> EBITA to be below the previous year's level.

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 continued material risks relating to changes in the operating environment, e.g. Brexit and potential further increases to 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.

**PREVIOUS OUTLOOK FOR 2019 (MAY 17, 2019)**

Previously, Fiskars expected the Group's comparable net sales<sup>1</sup> to be at the same level as in 2018 and comparable<sup>2</sup> EBITA to be below the previous year's level.

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 continued material risks relating to changes in the operating environment, e.g. Brexit and potential further increases to 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.

1) Comparable net sales excludes the impact of exchange rates, acquisitions and divestments

2) Items affecting comparability in EBITA includes items such as restructuring costs, impairment or provisions charges and releases, integration-related costs, and gain and loss from the sale of businesses



## CEO'S REVIEW

Our performance during the third quarter entailed challenges as well as some highlights. Earlier in October, we lowered our guidance for comparable net sales for the full year 2019, as the sales performance of the Functional business in the U.S. was weaker than expected.

The quarter was burdened by a soft performance in the back-to-school season, which is typically a strong sales period for the school, office and craft category in the U.S. The softness in sales was translated to our results, which was additionally impacted by tariffs as well as inventory and logistics costs.

While I was disappointed with the performance in the Functional business, we did see some positive development in the Living business. We can see that our actions to transform the Living business are showing results, in particular through increased net sales in certain focus countries, as well as through increased efficiency across the business. The transformation program, launched one year ago, is proceeding well in the Living business, and our team is determined to make progress.

We are seeing good momentum in our strategic priority area of exciting consumers, driven by direct e-commerce channel. We are investing in further developing our e-commerce capabilities, and have reached important milestones during the quarter. The improved capabilities bring greater efficiency to our operations and support our growth plans going forward.

Additionally, China is a key growth market for the Living business. We have already seen good progress, as the Wedgwood brand is gaining momentum in China. While China today is still a relatively small market for us, I am convinced that we have good opportunities there. Our growth plan will require commitment, focus and investments in the coming years.

The last quarter of the year is the most important season for us, in particular for the Living business. We are focused on driving sales together with our trade partners and making good progress in our own sales channels.

**Jaana Tuominen**  
President and CEO

**FISKARS**  
◆  
**GROUP**

**FISKARS®**  
◆  
**GERBER®**  
◆  
**iittala**  
◆  
**ROYAL COPENHAGEN**  
PURVEYOR TO HER MAJESTY THE QUEEN OF DENMARK  
◆  
**WATERFORD**  
◆  
**WEDGWOOD**  
ENGLAND 1759



## GROUP KEY FIGURES

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	2018
Net sales	248.7	255.8	-2.8%	782.4	794.5	-1.5%	1,118.5
Comparable net sales <sup>1)</sup>	248.7	257.7	-3.5%	778.6	805.4	-3.3%	1,106.6
EBITA	7.2	26.7	-73.0%	40.9	68.9	-40.6%	112.5
Items affecting comparability in EBITA <sup>2)</sup>	-6.2	-0.3		-14.6	-4.0		-9.2
Comparable EBITA	13.4	27.0	-50.2%	55.5	72.9	-23.8%	121.7
Operating profit (EBIT)	4.1	23.3	-82.3%	31.5	59.1	-46.6%	91.6
Profit before taxes	2.3	31.0		36.8	73.1		103.0
Profit for the period	3.7	27.7		31.2	55.0		81.7
Net change in the fair value of investment portfolio	-0.1	-1.3		-20.4	-24.3		-118.8
Earnings/share, EUR	0.04	0.34		0.37	0.67		1.00
Equity per share, EUR				9.18	15.40	-40.4%	14.80
Cash flow from operating activities before financial items and taxes	10.5	41.1	-74.4%	32.8	44.6	-26.5%	136.8
Equity ratio, % <sup>3)</sup>				55%	69%		70%
Net gearing, % <sup>3)</sup>				42%	16%		11%
Capital expenditure	8.9	12.2	-27.2%	27.4	32.0	-14.5%	46.2
Personnel (FTE), average	6,930	7,313	-5.2%	6,978	7,374	-5.4%	7,304

1) Using comparable exchange rates and excluding Leborgne divestment.

2) In Q3 2019, items affecting comparability consisted mainly of items related to the Living transformation program.

3) Figures impacted by the application of the IFRS 16 accounting standard and the distribution of the Wärttilä share dividend. Excluding these, the equity ratio in Q3 2019 would have been 70% and the net gearing 18%. The IFRS 16 accounting change had a positive impact of EUR 6.1 million on the cash flow from operating activities before financial items and taxes.

## CHANGES IN FISKARS GROUP REPORTING IN 2019

On January 1, 2019, the Group adopted IFRS 16 Leases. All the lessees' lease agreements are 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 adopted the standard with a cumulative catch-up transition method, without restating prior periods.

For the full year 2019, 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 by about EUR 22 million.

Interest expenses will be increased by approximately EUR 3 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 interim report.

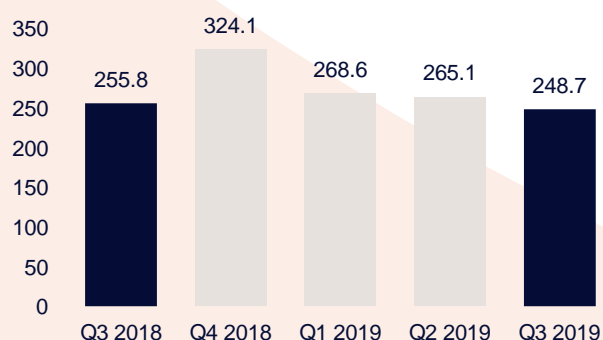


## GROUP PERFORMANCE

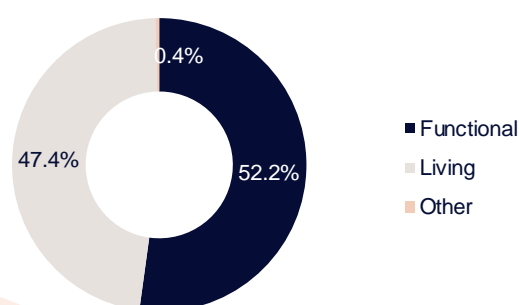
EUR million	Q3 2019	Q3 2018	Change	Comparable change*	Q1-Q3 2019	Q1-Q3 2018	Change	Comparable change*	2018
<b>Net sales</b>									
Group	248.7	255.8	-2.8%	-3.5%	782.4	794.5	-1.5%	-3.3%	1,118.5
Functional	129.8	134.6	-3.6%	-3.8%	449.9	446.8	0.7%	-1.3%	585.2
Living	117.9	120.0	-1.8%	-3.1%	329.7	344.9	-4.4%	-5.9%	529.6
Other	1.1	1.1	-4.2%	-4.1%	2.7	2.8	-2.5%	-2.5%	3.8
<b>Comparable EBITA</b>									
Group	13.4	27.0	-50.2%		55.5	72.9	-23.8%		121.7
Functional	6.3	19.1	-67.0%		53.0	66.4	-20.2%		75.5
Living	9.5	8.8	7.7%		12.2	14.5	-16.0%		57.0
Other	-2.3	-0.9			-9.6	-8.0	-20.7%		-10.8

\*Using comparable exchange rates and excluding the Leborgne divestment

### NET SALES, EUR MILLION



### NET SALES SPLIT BY SEGMENT, JANUARY-SEPTEMBER 2019



### FISKARS GROUP NET SALES IN Q3 2019

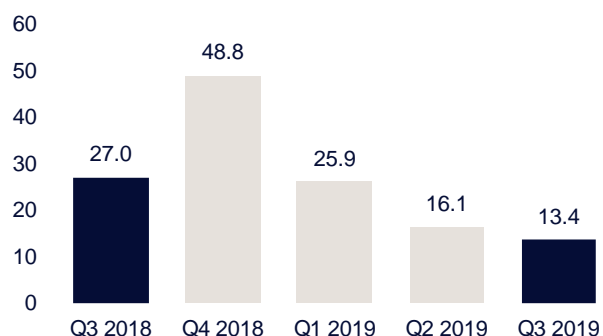
Fiskars Group's consolidated net sales decreased by 2.8% to EUR 248.7 million (Q3 2018: 255.8). Comparable net sales decreased by 3.5%, impacted by both the Functional and Living segments.

### FISKARS GROUP NET SALES IN JANUARY-SEPTEMBER 2019

Fiskars Group's consolidated net sales decreased by 1.5% to EUR 782.4 million (Q1-Q3 2018: 794.5). Comparable net sales decreased by 3.3%, impacted by both the Functional and Living segments.



### FISKARS GROUP COMPARABLE EBITA, EUR MILLION



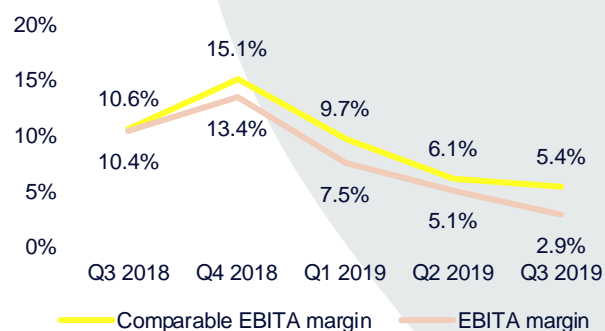
### FISKARS GROUP COMPARABLE EBITA IN Q3 2019

Fiskars Group's comparable EBITA decreased by 50.2% to EUR 13.4 million (27.0). The comparable EBITA decreased in the Functional segment while it increased in the Living segment.

Comparable EBITA in the Functional segment decreased as a result of lower volumes in the U.S. and increased product costs, due to e.g. increased tariffs.

In the Living segment, the increase was driven by the English & Crystal Living business. In the Scandinavian Living business, the comparable EBITA remained close to the previous year's level.

### FISKARS GROUP COMPARABLE EBITA MARGIN AND EBITA MARGIN



### FISKARS GROUP COMPARABLE EBITA IN JANUARY-SEPTEMBER 2019

Fiskars Group's comparable EBITA decreased by 23.8% to EUR 55.5 million (72.9). The comparable EBITA decreased in both the Functional and Living segments

Comparable EBITA decreased in the Functional segment. The business has faced challenges in the Americas, as unfavorable weather conditions during the first half of the year, lower volumes and the increased tariffs have impacted profitability.

Comparable EBITA in the Living segment decreased from the previous year's level. Increased operative efficiencies were partly offset by decreased volumes.

## REPORTING SEGMENTS

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

SBU Functional provides tools for use in and around the house as well as outdoors. SBU Functional consists of the Fiskars, Gilmour and other brands in the Americas and Europe, as well as the Outdoor business consisting of the Gerber brand.

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.

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

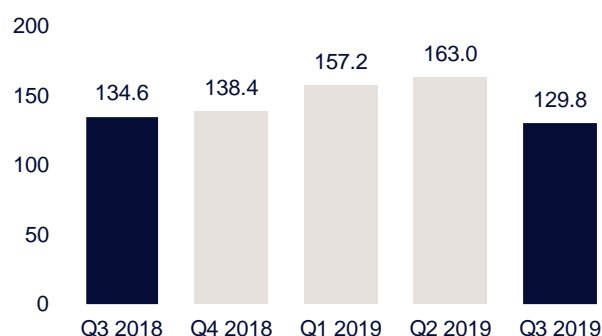


## FUNCTIONAL SEGMENT

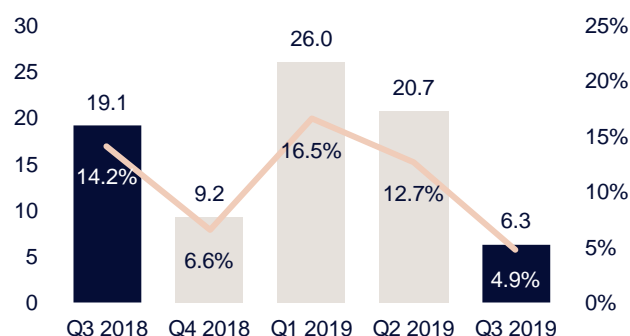
EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	2018
Net sales*	129.8	134.6	-3.6%	449.9	446.8	0.7%	585.2
Comparable EBITA	6.3	19.1	-67.0%	53.0	66.4	-20.2%	75.5
Capital expenditure	4.7	6.1	-22.1%	11.8	13.2	-11.0%	18.9

\*Using comparable exchange rates and excluding the Leborgne divestment, net sales decreased by 3.8% in Q3 2019 and by 1.3% in Q1-Q3 2019

### NET SALES, EUR MILLION



### COMPARABLE EBITA (EUR MILLION) AND COMPARABLE EBITA MARGIN



### OPERATING ENVIRONMENT IN Q3 2019

The operating environment weakened in some of the key markets of the Functional segment.

In the U.S., consumer confidence did not materially change during the quarter. The decision by the U.S. to increase tariffs on imports from China continued to weigh on consumer confidence. However, the U.S. economy remained strong and unemployment low.

In Europe, the uncertainties regarding the economic outlook continued, including Brexit. The sentiment in the retail trade continued fairly unchanged in our main markets. In the Nordics, consumer confidence declined during the quarter. Despite the uncertainties in Europe, demand in the key categories and markets remained stable.



## FUNCTIONAL SEGMENT IN Q3 2019

Net sales in the Functional segment decreased year-on-year by 3.6% to EUR 129.8 million (Q3 2018: 134.6). Comparable net sales decreased by 3.8%.

In Europe, comparable net sales increased driven by the gardening and cooking categories. Net sales in the indirect e-commerce channel continued to grow.

Comparable net sales decreased in the school, office and craft category in the Americas, particularly as a result of weak sales during the back-to-school -season. Net sales in the watering category did not recover from the soft first half of the year. However, net sales in the gardening category and in the indirect e-commerce channel continued to grow.

Comparable net sales for the Outdoor business decreased, due to decreased government orders and the timing of campaigns.

Comparable EBITA for the Functional segment decreased during the third quarter, and amounted to EUR 6.3 million (19.1). Comparable EBITA was held back by decreased volumes, U.S. tariff costs, costs related to increased inventories and increased logistics costs.

## FUNCTIONAL SEGMENT IN JANUARY-SEPTEMBER 2019

Net sales in the Functional segment increased year-on-year by 0.7% to EUR 449.9 million (Q1-Q3 2018: 446.8). Comparable net sales decreased by 1.3%.

The comparable net sales increased in Europe. Growth was supported by cooking and gardening categories as well as snowtool sales during the first quarter. Additionally, watering products were launched in France and Spain during the first half of 2019.

Comparable net sales decreased in the Americas, with adverse weather conditions impacting the watering category in particular. The weak back-to-school –season and an overall decrease in the school, office and craft category weighed on net sales during the third quarter.

Comparable net sales in the Outdoor business decreased. Challenges in the Americas, particularly the government channel, offset the positive net sales development in Europe.

Comparable EBITA for the Functional segment decreased during the first nine months of the year and amounted to EUR 53.0 million (66.4). Comparable EBITA decreased due to U.S. tariff costs, costs related to increased inventories and increased logistics costs as well as the impact of decreased volumes in the Americas and the Outdoor business.





## MARKETING HIGHLIGHTS

The Fiskars brand took steps forward in growing the direct retail channel, in line with the Group's strategic priorities. In the cooking category, Fiskars opened its first cooking shop-in-shop in Oslo. The new in-store concept has now been tested and can be expanded to other locations.

In the Americas, Fiskars continued to build its direct consumer contact by attending several crafting events in the U.S. The Fiskars brand's new e-commerce site in the U.S. was launched after the third quarter, providing an upgraded direct channel in this important market.

In Germany, Fiskars launched the watering concept at the Spoga trade show in Cologne. The watering products will be available on the German market from next spring.

Gerber participated at iCAST, which is the world's largest sportfishing trade show. At the show, Gerber launched five new products extending the line of fishing products. The new products supplement the previous series of fishing-related tools that are optimized for use in saltwater environments.

### Cooking in-store concept



### New Gerber fishing category tools

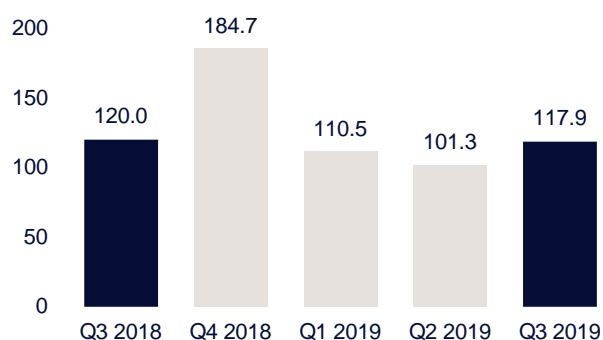


## LIVING SEGMENT

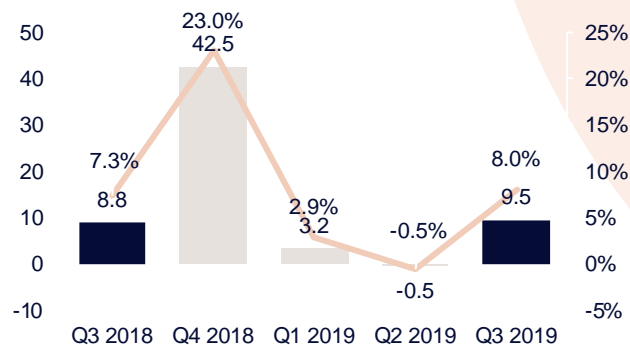
EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	2018
Net sales*	117.9	120.0	-1.8%	329.7	344.9	-4.4%	529.6
Comparable EBITA	9.5	8.8	7.7%	12.2	14.5	-16.0%	57.0
Capital expenditure	3.7	5.4	-31.4%	12.5	16.5	-24.1%	23.8

\*Using comparable exchange rates, net sales decreased by 3.1% in Q3 2019 and by 5.9% in Q1-Q3 2019

### NET SALES, EUR MILLION



### COMPARABLE EBITA (EUR MILLION) AND COMPARABLE EBITA MARGIN



### OPERATING ENVIRONMENT IN Q3 2019

The operating environment continued to weaken in many of the key markets of the Living segment.

In the U.S., consumer confidence did not materially change during the quarter. The decision by the U.S. to increase tariffs on imports from China continued to weigh on consumer confidence. However, the U.S. economy remained strong and unemployment low. The department store channel continued to be challenged.

In Europe, the UK market continued to struggle and the uncertainties regarding the economic outlook continued, including Brexit. The UK retail and consumer spending remained weak. The Nordic markets also faced headwinds, as consumer confidence declined.

In the key Asian markets, the operating environment remained fairly stable.



## LIVING SEGMENT IN Q3 2019

Net sales in the Living segment decreased year-on-year by 1.8% to EUR 117.9 million (Q3 2018: 120.0). Comparable net sales decreased by 3.1%. Overall, the direct channel remained unchanged from the previous year's level. Net sales in the direct e-commerce, stores and concessions increased. However, the net sales in the outlet channel decreased in line with the strategic priorities, with the aim to improve profitability.

Comparable net sales in the Scandinavian Living business decreased from the previous year's level. The biggest deviation was in Finland, as a result of the timing of campaigns. Comparable net sales increased in Japan, driven by the Iittala brand.

In the English & Crystal Living business, the comparable net sales decreased. In Asia-Pacific, the net sales increased despite continued challenges in the outlet channel in Australia. The growth was driven by the development in Japan and China, where the Wedgwood brand grew in particular. Net sales decreased in the Americas, as the rationalization of the outlet network continued as planned.

Comparable EBITA for the Living segment increased during the third quarter and amounted to EUR 9.5 million (8.8). In the Scandinavian Living business the comparable EBITA remained at the previous year's level. While the channel mix improved, the decrease in volume had an adverse impact on profitability. In the English & Crystal Living business, the comparable EBITA increased as a result of efficiency measures.

## LIVING SEGMENT IN JANUARY-SEPTEMBER 2019

Net sales in the Living segment decreased year-on-year by 4.4% to EUR 329.7 million (Q1-Q3 2018: 344.9). Comparable net sales decreased by 5.9%.

Comparable net sales in the Scandinavian Living business remained close to the previous year's level. The growth was fueled by the Asia-Pacific region, particularly Japan, whereas comparable net sales decreased in Europe.

In the English & Crystal Living business, comparable net sales decreased as a result of challenges in the Americas and Europe. This reflects both challenging market conditions as well as the actions taken in the Transformation program, where the retail network is being optimized. In the Asia-Pacific region comparable net sales remained close to the previous year's level, as the positive development in China and Japan was offset by the challenges in Australia.

Comparable EBITA for the Living segment decreased from the previous year's level and amounted to EUR 12.2 million (14.5). Comparable EBITA increased in the Scandinavian Living business. In the English & Crystal Living business the comparable EBITA decreased, as lower volumes impacted profitability. The impact from decreased net sales was partly mitigated by efficiency measures.



## MARKETING HIGHLIGHTS

Royal Copenhagen launched a new tableware collection called HAV. The series contains nine pieces and was made available exclusively in Royal Copenhagen stores and online. The collection was also named "Design of the Year" at the Design Awards 2019 in Denmark.

Wedgwood presented an exclusive gift to Her Majesty Queen Elizabeth II. The theme of the gift was "Queen's Commonwealth Canopy", an initiative by the Commonwealth to unite and use their collective expertise and resources to save the forests. The hand-painted bowl was presented in conjunction with a cricket match.

Wedgwood started to collaborate with one of the top key opinion leaders in China. These kind of collaborations are a part of growing business in China, and the aim is to build brand awareness and increase store traffic and sales.

The expansion of the Vintage service was announced in July. Since October, the service has been available in all Iittala stores in Finland. Business models based on circular economy provide Fiskars Group with new opportunities to create value and grow.

### HAV by Royal Copenhagen



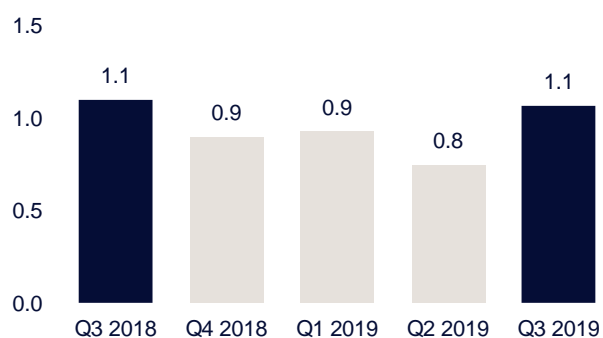
### Wedgwood in China



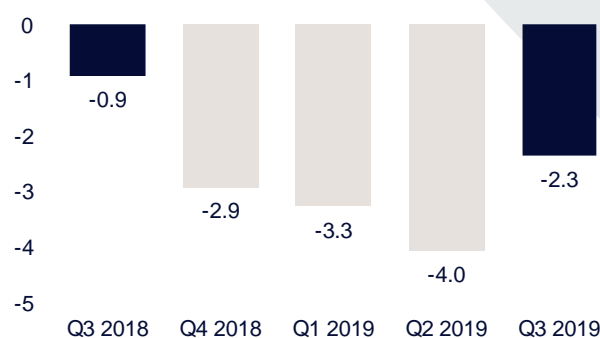
## OTHER SEGMENT

EUR million	Q3 2019	Q3 2018	Change	Q1-Q3 2019	Q1-Q3 2018	Change	2018
Net sales	1.1	1.1	-4.2%	2.7	2.8	-2.5%	3.8
Comparable EBITA	-2.3	-0.9		-9.6	-8.0	-20.7%	-10.8
Capital expenditure	0.5	0.8	-38.0%	3.1	2.3	35.0%	3.5

### NET SALES, EUR MILLION



### COMPARABLE EBITA, EUR MILLION



### OTHER SEGMENT IN Q3 2019

Net sales in the Other segment amounted to EUR 1.1 million (Q3 2018: 1.1), consisting of timber sales and rental income. The comparable EBITA for the Other segment amounted to EUR -2.3 million (-0.9).

### OTHER SEGMENT IN JANUARY-SEPTEMBER 2019

Net sales in the Other segment amounted to EUR 2.7 million (Q1-Q3 2018: 2.8), consisting of timber sales and rental income. The comparable EBITA for the Other segment amounted to EUR -9.6 million (-8.0).



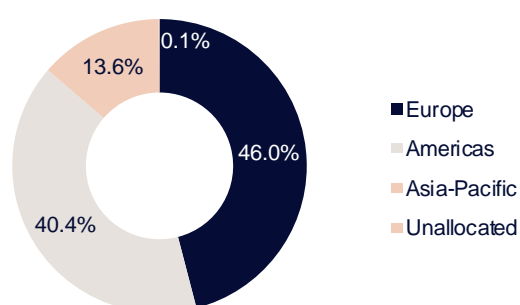
## NET SALES BY GEOGRAPHY

EUR million	Q3 2019	Q3 2018	Change	Comparable change*	Q1-Q3 2019	Q1-Q3 2018	Change	Comparable change*	2018
Europe	114.3	119.4	-4.2%	-1.4%	365.2	369.1	-1.1%	0.9%	531.2
Americas	100.4	104.1	-3.6%	-7.6%	321.0	332.4	-3.4%	-8.9%	444.4
Asia-Pacific	33.8	29.1	16.0%	12.8%	95.9	93.0	3.1%	0.8%	141.7
Unallocated**	0.2	3.2			0.3	0.0			1.3

\*Using comparable exchange rates and excluding the Leborgne divestment

\*\*Geographically unallocated exchange rate differences

### FISKARS GROUP NET SALES SPLIT BY GEOGRAPHY, Q3 2019



### NET SALES IN Q3 2019

Net sales in Europe decreased by 4.2% and amounted to EUR 114.3 million (Q3 2018: 119.4). Comparable net sales decreased by 1.4%, weighted by the Living business.

Net sales in the Americas decreased by 3.6% to EUR 100.4 million (104.1). Comparable net sales decreased by 7.6%, as both the Functional segment and the English & Crystal Living business faced challenges.

Net sales in Asia-Pacific increased by 16.0% and amounted to EUR 33.8 million (29.1). Comparable net sales increased by 12.8%, supported by the Living segment.

### NET SALES IN JANUARY-SEPTEMBER 2019

Net sales in Europe decreased by 1.1% and amounted to EUR 365.2 million (Q1-Q3 2018: 369.1). Comparable net sales increased by 0.9%, supported by the Functional segment.

Net sales in the Americas decreased by 3.4% to EUR 321.0 million (332.4). Comparable net sales decreased by 8.9%, as both the Functional segment and the English & Crystal Living business faced challenges.

Net sales in Asia-Pacific increased by 3.1% and amounted to EUR 95.9 million (93.0). Comparable net sales increased by 0.8%, driven by the Scandinavian Living business.



## RESEARCH AND DEVELOPMENT

The Group's research and development expenditure totaled EUR 4.5 million (Q3 2018: 3.9) in the third quarter of 2019, equivalent to 1.8% (1.5%) of net sales. During the first three quarters of the year, research and development expenses totaled EUR 13.3 million (Q1–Q3 2018: 13.2), equivalent to 1.7% (1.7%) of net sales.

## PERSONNEL

The average number of full-time equivalent employees (FTE) was 6,930 (Q3 2018: 7,313) in the third quarter. At the end of the quarter, the Group employed 7,284 (7,761) employees, of whom 1,118 (1,120) were in Finland. The year-on-year change was mainly related to the Living transformation program and the divestment of the Leborgne business.

## LIVING TRANSFORMATION PROGRAM

In October 2018, Fiskars Group launched a Transformation program in its Living segment 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 17.0 million had been recorded by the end of the third quarter of 2019. 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.

In March, the company announced plans to reduce complexity across its operations in Barlaston, UK. Manufacturing operations in Barlaston will focus on hand crafted, high-end products that are core to the brand and

production of some tableware products will be consolidated to other existing manufacturing sites. The changes aim to protect and support the core of the Wedgwood business.

## FINANCIAL ITEMS AND NET RESULT IN Q3 2019 AND JANUARY-SEPTEMBER 2019

During the second quarter of 2019, Fiskars Group distributed an extra share dividend in the form of Wärtsilä shares held by the company. Following the distribution, Fiskars Group no longer holds shares in Wärtsilä (Q3 2018: 32,645,343 shares).

The net change in the fair value of investments through other comprehensive income amounted to EUR -0.1 million (-1.3) during the third quarter of 2019.

Other financial income and expenses amounted to EUR -1.9 million (-7.2) in the third quarter of 2019, and EUR 5.1 million (12.7) during the first nine months of the year including EUR 7.8 million (22.5) in dividends received on Wärtsilä shares and EUR -0.1 million (-0.3) of foreign exchange differences.

Profit before taxes was EUR 2.3 million (31.0) in the third quarter of 2019 and EUR 36.8 million (73.1) for the first nine months of the year. Income taxes for the third quarter were EUR 1.4 million (-3.2) and EUR -5.6 million (-18.0) for the first nine months of the year. Earnings per share were EUR 0.04 (0.34) and EUR 0.37 (0.67) for Q1-Q3 2019.

## CASH FLOW, BALANCE SHEET AND FINANCING IN Q3 2019 AND JANUARY-SEPTEMBER 2019

The third-quarter cash flow from operating activities before financial items and taxes amounted to EUR 10.5 million (Q3 2018: 41.1). The change was primarily due to the change in current liabilities and the application of the IFRS 16 standard. Cash flow from financial items and taxes amounted to EUR -1.7 million (-2.3). Applying IFRS 16, repayments of lease liabilities of EUR 5.3 million are reported in cash flow from financing activities. Previously these used to be reported under cash flow from operating activities. Cash flow from investing activities was EUR -14.2 million (-4.2), including EUR -8.9 million of capital expenditure on fixed assets. Cash flow from financing activities was EUR 3.8 million (-33.6), including EUR 37.0 million of change in current debt and EUR -28.9 million of dividends paid. The comparison





figure from Q3 2018 included EUR -0.9 million of change in current debt and EUR 29.4 million of dividends paid.

Capital expenditure for the third quarter totaled EUR 8.9 million (12.2), mainly relating to facility expansions and IT solutions. Depreciation, amortization and impairment were EUR 14.7 million (9.3) in the third quarter. The increase in depreciation is a result of the application of the IFRS 16 accounting standard.

Fiskars Group's working capital totaled EUR 242.0 million (232.2) at the end of September. The equity ratio was 55% (69%) and net gearing was 42% (16%). The increase in net gearing is a result of the application of the IFRS 16 accounting standard and the distribution of the Wärtsilä share dividend. Excluding these, the equity ratio in Q3 2019 would have been 70% and the net gearing 18%.

Cash and cash equivalents at the end of the period totaled EUR 9.1 million (15.6). Net interest-bearing debt amounted to EUR 317.1 million (203.8). The increase in interest-bearing debt is a result of the application of the IFRS 16 accounting standard. As a result of the IFRS 16 application, the net debt increased by EUR 100.1 million in Q3 2019 compared to Q3 2018.

Short-term borrowing totaled EUR 75.3 million (69.1) 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 August 6, 2019, Fiskars Group announced that Ulla Lettijeffer, President of SBU Living, has resigned. Jaana Tuominen, President and CEO, Fiskars Group assumed an interim position to lead the Living business in addition to her duties as the CEO. On February 19, 2019, Fiskars Group announced the appointment of Michael Halak (MBA) as President, SBU Functional and member of the FGLT from March 1, 2019. He reports to the Group's President and CEO Jaana Tuominen.

The FGLT now consists of eight members:

- Jaana Tuominen, President and CEO, Interim President, SBU Living
- Sari Pohjonen, Chief Financial Officer and Deputy to the

CEO

- Risto Gaggl, Chief Supply Chain Officer
- Michael Halak, President, SBU Functional
- Tuomas Hyryläinen, Chief Growth Officer
- Niklas Lindholm, Chief Human Resources Officer
- Maija Taimi, SVP, Corporate Communications and Sustainability
- Päivi Timonen, General Counsel

## OTHER SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### Extra share dividend

The Annual General Meeting of Fiskars Corporation held on March 13, 2019 resolved to authorize the Company's Board of Directors to resolve, in its discretion, on the distribution of up to 32,645,343 shares in Wärtsilä Corporation ("Wärtsilä") held by the Company as an extra dividend to shareholders (the "Authorization"). The full Authorization can be found in the stock exchange release published by the Company on March 13, 2019.

On June 6, 2019, based on the Authorization, the Board of Directors of the Company resolved to distribute up to 32,616,653 Wärtsilä shares held by the Company as an extra dividend to shareholders using the ratio 5:2 whereby each shareholder received two (2) Wärtsilä shares for each five (5) shares held in the Company. Due to rounding differences, the final amount of whole Wärtsilä shares that were distributed to shareholders was determined on the share dividend payment date and was slightly less than the maximum amount that the Board of Directors had resolved to distribute. Fractional entitlements to Wärtsilä shares resulting from the distribution ratio were compensated to shareholders in cash from the Company's funds.

The final amount of Wärtsilä shares distributed was 32,614,026 and thereby a minor amount of Wärtsilä shares remained in the Company's ownership following the distribution. The final value of the share dividend and fractional entitlements paid in cash was EUR 433.0 million (calculated based on the volume weighted average price of Wärtsilä's share on June 11, 2019 on the Nasdaq Helsinki Ltd).

According to the Board of Directors' resolution, the record date for the share dividend was June 10, 2019, the share dividend payment date was June 11, 2019 and the payment date for the fractional entitlements paid in cash was





June 17, 2019. The ex-dividend date for the share dividend was June 7, 2019.

In accordance with the Authorization, the Board of Directors also resolved to pay the transfer tax resulting from the distribution of the share dividend on behalf of shareholders following the payment of the share dividend. The transfer tax amounts to 1.6% of the value of the share dividend.

### **Record date and payment date of the additional cash dividend instalment**

The Board of Directors of Fiskars Corporation resolved on September 5, 2019 based on the Authorization by the Annual General Meeting, that the additional cash dividend instalment of EUR 0.27 per share was to be paid on September 16, 2019. The ex-dividend date for the dividend instalment was September 6, 2019 and the record date September 9, 2019.

## **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 371,677 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 third quarter was EUR 12.37 (Q3 2018: 18.32). At the end of September, the closing price was EUR 12.42 (EUR 17.66) per share and Fiskars had a market capitalization of EUR 1,012.6 million (1,441.5). The number of shares traded on Nasdaq Helsinki and in alternative market places from July to September was 3.3 million (0.8), which represents 4.1% (1.0%) of the total number of shares. The total number of shareholders was 23,073 (19,809) at the end of September 2019.

### **Flagging notifications**

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

### **Purchase of own shares**

On August 26, 2019, 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 13, 2019.

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 August 28, 2019, and will end by the end of the next Annual General Meeting in 2020, at the latest.

## **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](http://www.fiskarsgroup.com/investors).

Fiskars Group imports and exports products from/to the UK. A 'no deal' scenario in the UK's withdrawal from the EU, may have an adverse impact on Fiskars Group's comparable net sales and comparable EBITA in 2019. It can also be assumed that costs would increase, additional workload would emerge on both sides and exports and imports would be disrupted by tariffs and regulatory barriers. The 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 a 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, will be appealed against by the company to the Administrative Court, and 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.

## EVENTS AFTER THE REPORTING PERIOD

On October 16, 2019, Fiskars updated its outlook for comparable net sales in 2019.

## OUTLOOK FOR COMPARABLE NET SALES 2019 UPDATED (OCTOBER 16, 2019)

In 2019, Fiskars expects the comparable net sales and comparable EBITA to be below the previous year's level.

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 continued material risks relating to changes in the operating environment, e.g. Brexit and potential further increases to 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.

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

### Previous outlook for 2019 (May 17, 2019)

Previously Fiskars expected the Group's comparable net sales to be at the same level as in 2018 and comparable EBITA to be below the previous year's level.

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 continued material risks relating to changes in the operating environment, e.g. Brexit and potential further increases to 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.

Helsinki, Finland, October 30, 2019

**FISKARS CORPORATION**  
Board of Directors



## CONSOLIDATED INCOME STATEMENT

EUR million	Q3 2019	Q3 2018	Change %	Q1–Q3 2019	Q1–Q3 2018	Change %	Q1–Q4 2018
<b>Net sales</b>	248.7	255.8	-3	782.4	794.5	-2	1,118.5
Cost of goods sold	-155.1	-147.5	-5	-468.2	-451.7	-4	-633.5
<b>Gross profit</b>	93.6	108.3	-14	314.2	342.7	-8	485.1
Other operating income	0.1	2.1	-93	0.9	3.5	-75	5.2
Sales and marketing expenses	-64.6	-61.9	-4	-206.5	-201.3	-3	-281.4
Administration expenses	-20.5	-22.3	8	-63.9	-73.0	13	-90.1
Research and development costs	-4.5	-3.9	-15	-13.3	-13.2	0	-18.4
Goodwill and trademark amortization and impairment	-0.0			-0.0			-8.6
Other operating expenses	-0.0	1.0	104	0.1	0.2	28	-0.2
<b>Operating profit (EBIT)*</b>	4.1	23.3	-82	31.5	59.1	-47	91.6
Change in fair value of biological assets	0.1	0.5		0.2	1.3		2.0
Other financial income and expenses	-1.9	7.2		5.1	12.7		9.4
<b>Profit before taxes</b>	2.3	31.0		36.8	73.1		103.0
Income taxes	1.4	-3.2		-5.6	-18.0		-21.1
<b>Profit for the period</b>	3.7	27.7		31.2	55.0		81.7
Attributable to:							
Equity holders of the parent company	3.5	27.7		30.6	54.9		81.6
Non-controlling interest	0.2	0.0		0.6	0.1		0.2
Earnings for equity holders of the parent company per share, euro (basic and diluted)	0.04	0.34		0.37	0.67		1.00
*Comparable EBITA (detailed in notes)	13.4	27.0	-50	55.5	72.9	-24	121.7

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q3 2019	Q3 2018	Q1–Q3 2019	Q1–Q3 2018	Q1–Q4 2018
<b>Profit for the period</b>	3.7	27.7	31.2	55.0	81.7
<b>Other comprehensive income for the period</b>					
Items that may be reclassified subsequently to profit or loss					
Translation differences	9.4	1.9	19.6	13.2	8.3
Cash flow hedges	-0.0	0.1	0.0	0.3	0.2
Items that will not be reclassified to profit or loss					
Net change of investments at fair value through comprehensive income, net of tax	0.0	-1.0	-24.3	-19.3	-95.0
Defined benefit plan, actuarial gains (losses) net of tax	0.1	-0.0	-0.0	-0.4	0.5
Other comprehensive income for the period net of tax total	9.5	1.0	-4.8	-6.1	-86.0
<b>Total comprehensive income for the period</b>	13.2	28.6	26.4	48.9	-4.2
Attributable to:					
Equity holders of the parent company	12.8	28.5	25.5	48.7	-4.4
Non-controlling interest	0.4	0.2	0.9	0.2	0.2

Note: After the publication of this report, the split of attributable total comprehensive income for the period for equity holders and non-controlling interest has been corrected for Q1-Q3 2019.



## CONSOLIDATED BALANCE SHEET

EUR million	Sep 30 2019	Sep 30 2018	Change %	Dec 31 2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	220.3	223.8	-2	217.4
Other intangible assets	288.1	287.3	0	280.5
Property, plant & equipment	160.9	155.9	3	159.8
Right-of-use assets	98.0			
Biological assets	43.8	42.9	2	43.6
Investment property	3.8	5.1	-26	3.9
Financial assets				
Financial assets at fair value through profit or loss	35.9	28.4	26	25.3
Other investments	8.2	9.4	-13	8.8
Deferred tax assets	28.1	31.2	-10	30.2
<b>Non-current assets total</b>	<b>887.0</b>	<b>784.2</b>	<b>13</b>	<b>769.4</b>
<b>Current assets</b>				
Inventories	246.5	237.5	4	219.9
Trade and other receivables	194.4	198.4	-2	220.4
Income tax receivables	36.4	30.5	20	31.3
Interest-bearing receivables	0.0	0.0	-50	0.0
Investments at fair value through other comprehensive income	0.0	548.1	-100	453.6
Cash and cash equivalents	9.1	15.6	-42	24.4
<b>Current assets total</b>	<b>486.5</b>	<b>1,030.0</b>	<b>-53</b>	<b>949.8</b>
<b>Assets total</b>	<b>1,373.5</b>	<b>1,814.3</b>	<b>-24</b>	<b>1,719.2</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity attributable to the equity holders of the parent company	748.4	1257.0	-40	1207.0
Non-controlling interest	3.5	2.5	39	2.7
<b>Equity total</b>	<b>752.0</b>	<b>1,259.5</b>	<b>-40</b>	<b>1,209.7</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	151.3	151.4	0	151.3
Lease liabilities	78.9			
Other liabilities	4.7	7.2	-35	6.8
Deferred tax liabilities	33.1	67.4	-51	43.9
Pension liability	12.6	14.1	-10	12.7
Provisions	4.4	5.5	-20	5.1
<b>Non-current liabilities total</b>	<b>285.0</b>	<b>245.5</b>	<b>16</b>	<b>219.9</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	75.3	69.1	9	9.6
Lease liabilities	21.7			
Trade and other payables	226.3	222.6	2	268.2
Income tax liabilities	9.1	11.5	-20	6.5
Provisions	4.0	6.0	-33	5.4
<b>Current liabilities total</b>	<b>336.5</b>	<b>309.2</b>	<b>9</b>	<b>289.7</b>
<b>Equity and liabilities total</b>	<b>1,373.5</b>	<b>1,814.3</b>	<b>-24</b>	<b>1,719.2</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Q3 2019	Q3 2018	Q1-Q3 2019	Q1-Q3 2018	Q1-Q4 2018
<b>Cash flow from operating activities</b>					
Profit before taxes	2.3	31.0	36.8	73.1	103.0
Adjustments for					
Depreciation, amortization and impairment	14.7	9.3	44.1	27.1	43.8
Gain/loss on sale and loss on scrap of non-current assets	-0.1	-1.7	-0.3	-2.0	-1.9
Other financial items	1.8	-7.2	-4.9	-12.6	-9.4
Change in fair value of biological assets	-0.1	-0.5	-0.2	-1.3	-2.0
Change in provisions and other non-cash items	1.6	-3.6	-1.3	-6.0	-9.4
<b>Cash flow before changes in working capital</b>	<b>20.2</b>	<b>27.3</b>	<b>74.2</b>	<b>78.2</b>	<b>124.1</b>
Changes in working capital					
Change in current assets, non-interest-bearing	14.6	14.3	34.4	17.6	-2.6
Change in inventories	-2.7	-4.2	-23.3	-27.2	-8.5
Change in current liabilities, non-interest-bearing	-21.6	3.7	-52.4	-24.0	23.8
<b>Cash flow from operating activities before financial items and taxes</b>	<b>10.5</b>	<b>41.1</b>	<b>32.8</b>	<b>44.6</b>	<b>136.8</b>
Financial income received and costs paid	0.1	-1.0	-2.5	-3.7	-4.7
Taxes paid	-1.8	-1.2	-14.0	-16.8	-26.2
<b>Cash flow from operating activities (A)</b>	<b>8.8</b>	<b>38.8</b>	<b>16.3</b>	<b>24.1</b>	<b>105.9</b>
<b>Cash flow from investing activities</b>					
Investments in financial assets	-5.5	0.0	-8.0	-0.1	-0.9
Capital expenditure on fixed assets	-8.9	-12.2	-27.4	-32.0	-46.2
Proceeds from sale of fixed assets	-0.2	1.8	0.7	2.8	2.7
Proceeds from sale of investments at fair value through other comprehensive income	0.4	-0.0	0.4	-0.0	0.0
Other dividends received	0.0	7.5	7.8	15.0	15.0
Cash flow from other investments	0.0	-1.3	0.1	0.0	1.5
<b>Cash flow from investing activities (B)</b>	<b>-14.2</b>	<b>-4.2</b>	<b>-26.3</b>	<b>-14.3</b>	<b>-28.0</b>
<b>Cash flow from financing activities</b>					
Purchase of treasury shares	-0.1	-1.0	-0.7	-1.9	-2.8
Change in current receivables	0.0	-2.6	0.0	20.0	20.0
Borrowings of non-current debt	0.1	0.2	0.6	-29.5	0.6
Repayment of non-current debt	-0.2	-0.1	-0.4	-0.2	-30.3
Change in current debt	37.0	-0.9	60.6	45.4	-12.8
Payment of lease liabilities	-5.3	-0.1	-15.9	-0.2	-0.3
Cash flow from other financing items	1.1	0.3	1.4	0.3	0.5
Dividends paid	-28.9	-29.4	-51.0	-59.3	-59.5
<b>Cash flow from financing activities (C)</b>	<b>3.8</b>	<b>-33.6</b>	<b>-5.5</b>	<b>-25.3</b>	<b>-84.6</b>
<b>Change in cash and cash equivalent (A+B+C)</b>	<b>-1.6</b>	<b>1.0</b>	<b>-15.5</b>	<b>-15.4</b>	<b>-6.6</b>
Cash and cash equivalent at beginning of period	11.0	31.1	24.4	31.1	31.1
Translation difference	-1.9	-16.5	0.1	0.0	0.0
Cash and cash equivalent at end of period	9.1	15.6	9.1	15.6	24.4



## CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million	Attributable to the equity holders of the parent company							Non-controlling interest	Total
	Share capital	Treasury shares	Cumul. transl. diff.	Fair value reserve	Actuarial gains and losses	Financial assets at FVTOCI	Retained earnings		
<b>Opening Balance Jan 1, 2018</b>	<b>77.5</b>	<b>-3.2</b>	<b>3.0</b>	<b>-0.6</b>	<b>-4.4</b>		<b>1,196.5</b>	<b>2.8</b>	<b>1,271.6</b>
Total comprehensive income for the period			13.1	0.3	-0.4	-19.3	54.9	0.2	48.9
Purchase of treasury shares		-1.6							-1.6
Dividend distribution							-58.8	-0.5	-59.3
<b>Sep 30, 2018</b>	<b>77.5</b>	<b>-4.8</b>	<b>16.0</b>	<b>-0.3</b>	<b>-4.8</b>	<b>-19.3</b>	<b>1,192.6</b>	<b>2.5</b>	<b>1,259.5</b>
<b>Opening Balance Jan 1, 2019</b>	<b>77.5</b>	<b>-6.0</b>	<b>11.1</b>	<b>-0.4</b>	<b>-3.9</b>	<b>-95.0</b>	<b>1,223.6</b>	<b>2.7</b>	<b>1,209.7</b>
Total comprehensive income for the period			19.2	0.0	0.0	-24.3	30.6	0.9	26.4
Purchase and issue of treasury shares		-0.7					0.7		0.0
Dividend distribution						119.3	-603.3	-0.1	-484.1
<b>Sep 30, 2019</b>	<b>77.5</b>	<b>-6.7</b>	<b>30.3</b>	<b>-0.4</b>	<b>-3.9</b>	<b>0.0</b>	<b>651.6</b>	<b>3.5</b>	<b>752.0</b>



## 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.

### APPLICATION OF NEW AND REVISED ACCOUNTING PRONOUNCEMENTS UNDER IFRS

#### IFRS 16 Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases. Majority of the lease agreements reported as operating leases in 2018 were converted to lease agreements recognized on balance sheet on the adoption of IFRS 16. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group transitioned to IFRS 16 in accordance with the modified retrospective approach, and comparatives for the 2018 financial year have not been restated. In applying the modified retrospective approach, The Group has taken advantage of the following practical expedients: leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases and lease payments are recognized as an expense, initial direct costs have not been included in the measurement of the right-of-use assets at the date of initial application, lease component and associated non-lease component is accounted as a single lease component, and a single discount rate has been applied to portfolios of leases with reasonably similar characteristics.

Majority of the contracts that are booked on the balance sheet are consisting of the lease contracts of stores, offices and warehouses as well as some machinery and equipment and company cars. The lease term corresponds to the non-terminable period completed, if necessary, by renewal options whose exercise by the Group are reasonably certain. The discount rate used to calculate the lease debt is determined, for each asset, according to the incremental borrowing rate on commencement of the contract. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security

the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

The preparation of the financial statements in accordance with IFRS 16 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	Q3 2019	Q3 2018	Change %	Q1–Q3 2019	Q1–Q3 2018	Change %	Q1–Q4 2018
<b>Net sales</b>							
Functional	129.8	134.6	-4	449.9	446.8	1	585.2
Living	117.9	120.0	-2	329.7	344.9	-4	529.6
Other	1.1	1.1	-4	2.7	2.8	-2	3.8
<b>Group total</b>	<b>248.7</b>	<b>255.8</b>	<b>-3</b>	<b>782.4</b>	<b>794.5</b>	<b>-2</b>	<b>1,118.5</b>
<b>Operating profit (EBIT)</b>							
Functional	5.3	17.8	70	48.6	61.8	-21	58.8
Living	1.7	7.0	-76	-7.0	8.1	-187	46.8
Other	-2.8	-1.5	-90	-10.0	-10.9	8	-14.1
<b>Group total</b>	<b>4.1</b>	<b>23.3</b>	<b>-82</b>	<b>31.5</b>	<b>59.1</b>	<b>-47</b>	<b>91.6</b>
<b>Depreciation, amortization and impairment</b>							
Functional	5.7	3.9	48	16.5	11.2	47	23.8
Living	8.0	5.1	57	23.6	15.2	55	19.0
Other	0.9	0.3	264	4.0	0.7	486	1.0
<b>Group total</b>	<b>14.7</b>	<b>9.3</b>	<b>59</b>	<b>44.1</b>	<b>27.1</b>	<b>63</b>	<b>43.8</b>
<b>Capital expenditure</b>							
Functional	4.7	6.1	-22	11.8	13.2	-11	18.9
Living	3.7	5.4	-31	12.5	16.5	-24	23.8
Other	0.5	0.8	-38	3.1	2.3	35	3.5
<b>Group total</b>	<b>8.9</b>	<b>12.2</b>	<b>-27</b>	<b>27.4</b>	<b>32.0</b>	<b>-14</b>	<b>46.2</b>

## NET SALES BY GEOGRAPHY

EUR million	Q3 2019	Q3 2018	Change %	Q1–Q3 2019	Q1–Q3 2018	Change %	Q1–Q4 2018
<b>Net sales</b>							
Europe	114.3	119.4	-4	365.2	369.1	-1	531.2
Americas	100.4	104.1	-4	321.0	332.4	-3	444.4
Asia-Pacific	33.8	29.1	16	95.9	93.0	14	141.7
Unallocated	0.2	3.2		0.3	0.0		1.3
<b>Group total</b>	<b>248.7</b>	<b>255.8</b>	<b>-3</b>	<b>782.4</b>	<b>794.5</b>	<b>-2</b>	<b>1,118.5</b>

## OPERATING PROFIT AND COMPARABLE EBITA

EUR million	Q3 2019	Q3 2018	Change %	Q1–Q3 2019	Q1–Q3 2018	Change %	Q1–Q4 2018
<b>Operating profit (EBIT)</b>	<b>4.1</b>	<b>23.3</b>	<b>-82</b>	<b>31.5</b>	<b>59.1</b>	<b>-47</b>	<b>91.6</b>
Amortization	-3.1	-3.4		-9.4	-9.9		-20.9
<b>EBITA</b>	<b>7.2</b>	<b>26.7</b>	<b>-73</b>	<b>40.9</b>	<b>68.9</b>	<b>-41</b>	<b>112.5</b>
<b>Items affecting comparability in EBITA</b>							
Personnel-related costs		0.0		0.0	1.8		1.8
Ebertsankey related provisions and impairments				0.0			0.4
Alignment program	0.0	0.3		-0.1	2.2		2.9
Living transformation	6.5			14.5			2.5
Leborgne divestment	-0.2			0.6			2.5
Other adjustments to operating profit				-0.3			-0.8
<b>Total items affecting comparability in EBITA</b>	<b>6.2</b>	<b>0.3</b>		<b>14.6</b>	<b>4.0</b>		<b>9.2</b>
<b>Comparable EBITA</b>	<b>13.4</b>	<b>27.0</b>	<b>-50</b>	<b>55.5</b>	<b>72.9</b>	<b>-24</b>	<b>121.7</b>





## INTANGIBLE AND TANGIBLE ASSETS

EUR million	Sep 30 2019	Sep 30 2018	Dec 31 2018
<b>Intangible assets and goodwill</b>			
Book value, Jan 1	497.9	501.5	501.5
Currency translation adjustment	5.6	6.7	5.3
Additions	10.8	11.9	50.4
Amortization and impairment	-9.4	-9.4	-21.4
Decreases and transfers	3.6	0.4	-37.9
<b>Book value at end of period</b>	<b>508.4</b>	<b>511.1</b>	<b>497.9</b>
Investment commitments for intangible assets	0.0	2.2	0.0
<b>Tangible assets and investment property</b>			
Book value, Jan 1	163.4	158.1	159.0
Currency translation adjustment	3.6	0.0	1.1
Additions	15.3	20.3	28.8
Depreciation and impairment	-17.5	-16.6	-22.8
Decreases and transfers	0.0	-0.6	-2.4
<b>Book value at end of period</b>	<b>164.7</b>	<b>161.0</b>	<b>163.6</b>
Investment commitments for property, plant and equipment	4.7	6.0	4.3
<b>Right-of-use assets</b>	<b>Real estate</b>	<b>Other</b>	<b>Total</b>
Book value, Jan 1	115.6	3.7	119.3
Currency translation adjustment	1.5	0.1	1.4
Additions	3.8	1.7	5.5
Depreciation	-15.8	-1.3	-17.1
Decreases	-11.1	-0.1	-11.2
<b>Book value at end of period</b>	<b>94.0</b>	<b>4.0</b>	<b>98.0</b>

## CONTINGENCIES AND PLEDGED ASSETS

EUR million	Sep 30 2019	Sep 30 2018	Dec 31 2018
<b>As security for own commitments</b>			
Lease commitments*		90.0	89.5
Guarantees	18.4	20.3	18.4
Other contingencies**	5.5	12.0	11.9
<b>Contingencies and pledged assets total</b>	<b>23.9</b>	<b>122.3</b>	<b>119.8</b>

\*Operating lease obligations have been reported according to IFRS 16 since January 1, 2019

\*\*Other contingencies include a commitment of USD 3 million to invest in private equity funds.

### Tax risks

In March 2019, Fiskars Oyj Abp received a negative decision from the Board of Adjustment in the Finnish Large Taxpayers' Office to the company's adjustment claim regarding a tax reassessment resulting from a tax audit carried out in 2014. The reassessment concerns intra-group loans forgiven by the company in 2003 and their tax treatment in subsequent tax years. Fiskars Oyj Abp was obliged to pay EUR 28.3 million in additional tax, interest and punitive increases during the third quarter of 2016.

Fiskars Group has disclosed the ongoing tax appeal in the earlier Annual Reports and Interim Reports. Fiskars Oyj Abp has appealed the Adjustment Board's decision to the Administrative Court. The company and its external advisors continue to consider the decision unfounded and do not recognize the related taxes and other costs in the income statement.



## DERIVATIVES

EUR million	Sep 30 2019	Sep 30 2018	Dec 31 2018
<b>Nominal amounts of derivatives</b>			
Foreign exchange forwards and swaps	342.6	230.6	276.9
Interest rate swaps	50.0	50.0	50.0
Electricity forward agreements	0.1	0.7	0.5
<b>Fair value of derivatives</b>			
Foreign exchange forwards and swaps	0.3	-0.3	-0.4
Interest rate swaps	-0.4	-0.5	-0.6
Electricity forward agreements	0.1	0.4	0.4
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	-36.0	19.1	-11.9	14.9	17.3	-14.0	13.5	14.6
Exchange rate sensitivity of the operations*	3.6	-1.9	1.2	-1.5	-1.7	1.4	-1.4	-1.5

\*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 Group 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

**Sep 30, 2019**

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss			35.9	35.9
Investments at fair value through other comprehensive income	0.0			0.0
Other investments	0.4		7.8	8.2
Derivative assets		0.1		0.1
<b>Total assets</b>	<b>0.4</b>	<b>0.1</b>	<b>43.7</b>	<b>44.1</b>
Derivative liabilities		0.1		0.1
<b>Total liabilities</b>		<b>0.1</b>		<b>0.1</b>

**Sep 30, 2018**

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	548.1		28.4	576.5
Investments at fair value through other comprehensive income				
Other investments	0.4		9.0	9.4
Derivative assets		0.4		0.4
<b>Total assets</b>	<b>548.5</b>	<b>0.4</b>	<b>37.4</b>	<b>586.2</b>
Derivative liabilities		0.9		0.9
<b>Total liabilities</b>		<b>0.9</b>		<b>0.9</b>



## 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 EUR million	FVTOCI	FVTPL	Other		Total
	Level 1	Level 3	Level 1	Level 3	
<b>Book value, Sep 30, 2018</b>	<b>548.1</b>	<b>28.4</b>	<b>0.4</b>	<b>9.0</b>	<b>585.8</b>
Additions		0.8			0.8
Decreases				0.0	0.0
Change in fair value	-94.5	-3.9	0.0	-0.5	-98.9
<b>Book value, Dec 31, 2018</b>	<b>453.6</b>	<b>25.3</b>	<b>0.4</b>	<b>8.4</b>	<b>487.7</b>
Additions		7.9			7.9
Decreases	-433.3				-433.3
Change in fair value	-20.3	2.7	-0.0	-0.7	-18.3
<b>Book value, Sep 30, 2019</b>	<b>0.0</b>	<b>35.9</b>	<b>0.4</b>	<b>7.8</b>	<b>44.1</b>

Investments at fair value through other comprehensive income (FVTOCI) consist of holdings in Wärtsilä Corporation and investments at fair value through profit or loss (FVTPL) of 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). The fair value of unlisted funds is based on the market value reported by the fund (level 3) and changes are recognized in the income statement.

In June 2019 Fiskars distributed 32,614,026 of its Wärtsilä shares as an extra dividend to shareholders. Market value of the shares on the date of distribution was EUR 432.9 million and the change of the value has been reported in other comprehensive income. Fiskars Group no longer holds Wärtsilä shares.

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

### Acquisitions and divestments in 2019

On January 15, 2019, Fiskars Group 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 was completed on April 1, 2019. The transaction was structured as an asset sale and included the Leborgne brand, inventory, fixed assets and personnel working for the business. The sale does not have a significant impact on Fiskars Group's net sales and EBITA.

### Acquisitions and divestments in 2018

There were no acquisitions or divestments during the year 2018.



FISKARS  
♦  
GROUP

FISKARS®



iittala®



WATERFORD



WEDGWOOD  
ENGLAND 1759