



AT THE BEGINNING OF 2006,  
THE NUMBER OF  
ORANGE-HANDLED SCISSORS  
SOLD BY FISKARS TOTALLED

870 000 000



# 8

COMPETITIVENESS IMPROVED  
BY CHANGES TO PROCESSES AND  
STRUCTURE — PRESIDENT'S REVIEW



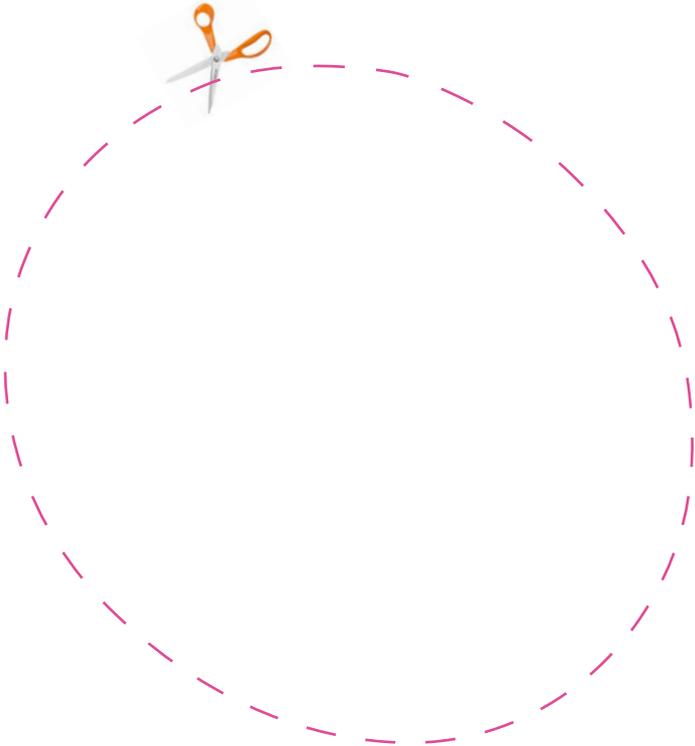
GARDENS INSPIRE US  
IN ALL SEASONS  
PAGE 12

ADVENTURE SPORTS  
REQUIRE THE RIGHT  
EQUIPMENT. PAGE 16



# Fiskars Brands

SCHOOL CRAFTS IMPROVE  
CHILDREN'S FINE MOTOR  
SKILLS. PAGE 11



ALL COOKS NEED  
WELL-DESIGNED UTENSILS  
PAGE 14

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# Buster



MORE WOMEN ARE  
TAKING THE HELM  
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# 23

THE HISTORY OF FISKARS



# Real Estate

MODERN ARTISANS FIND INSPIRATION  
IN A TRADITIONAL ENVIRONMENT. PAGE 20

DURING 2006 SALES OF SCISSORS ROSE BY 50,000,000. FISKARS ANNUAL REPORT 2006 GIVES THE FIGURES AND RESULTS. IT ALSO TELLS THE STORY OF THE ORIGINAL ORANGE SCISSORS. IN 1957, THE SCISSORS WERE THE RESULT OF AN UNPRECEDENTED AND PIONEERING WAY OF THINKING – THE SORT OF THINKING FOR WHICH FISKARS IS STILL RENOWN.

AT THE BEGINNING OF 2006,  
THE NUMBER OF  
ORANGE-HANDLED SCISSORS  
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# 870,000,000



# INFORMATION FOR SHAREHOLDERS

The Annual General Meeting of the Shareholders of Fiskars Corporation will be held on March 21, 2007 at 3.00 p.m. at the Finlandia Hall, Mannerheimintie 13 e, Helsinki.

Shareholders registered at March 9, 2007 in the shareholders' register maintained by the Finnish Central Securities Depository Ltd. (Suomen Arvopaperikeskus Oy) are entitled to participate in the meeting. Shareholders wishing to attend the meeting should inform Fiskars Corporation not later than 3 p.m. on March 15.

## PAYMENT OF DIVIDENDS

The Board of Directors proposes that the Annual General Meeting declare a dividend of EUR 0.60 per share of series A and EUR 0.58 per share of series K. The record date for the dividend is March 26, 2007 and the payment date April 2, 2007.



FISKARS ANNUAL GENERAL MEETING OF SHAREHOLDERS ON MARCH 21, 2007, WILL MAKE DECISIONS ON PAYMENT OF DIVIDENDS, AMONG OTHER THINGS.

## ANNUAL REPORT 2006

This Annual Report is published in Finnish, Swedish and English. The Annual Report is also available on the Fiskars Corporation website [www.fiskars.fi](http://www.fiskars.fi).

## INTERIM REPORTS IN 2007

The Interim Reports will be published as follows:

January – March	May 10, 2007
January – June	August 10, 2007
January – September	November 1, 2007

The Interim Reports are published in Finnish, Swedish and English on the website [www.fiskars.fi](http://www.fiskars.fi). They can also be ordered at [info@fiskars.fi](mailto:info@fiskars.fi) or by phone: +358 9 618 861 or fax: +358 9 604 053.

## STOCK EXCHANGE RELEASES

Stock Exchange Releases are published in Finnish, Swedish and English on the website [www.fiskars.fi](http://www.fiskars.fi).

## TREND OF FISKARS SHARE PRICE



Fiskars shares have been quoted on the Helsinki Stock Exchange since 1915. The company's shares are split into two series of shares and they are traded in the Nordic Mid Cap segment of the Helsinki Stock Exchange. The trading codes for the shares are FISAS (series A) and FIKS (series K).

# FISKARS CORPORATION IN BRIEF



Founded in 1649, today Fiskars is an international corporation which includes the subsidiaries Fiskars Brands, Inha Works, and the Real Estate Group. The associated company Wärtsilä Corporation is an important part of Fiskars Corporation. Fiskars employs some 3,000 people around the world.

**FISKARS BRANDS** has four consumer product divisions: Craft; Garden; Housewares; and Outdoor Recreation. Best-

known globally are the Fiskars® orange-handled scissors and a wide range of garden tools.

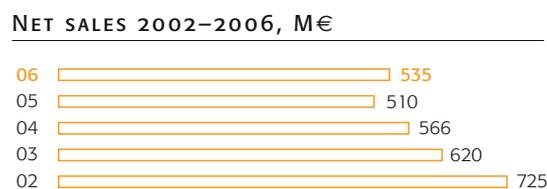
**INHA WORKS** manufactures Buster® aluminum boats, hinges, and forged products, which are sold mainly in the Nordic markets.

**THE REAL ESTATE GROUP** administers the company's holdings of approximately 15,000 hectares of land and buildings in south-western Finland, part of which is Fiskars Village.



KEY INDICATORS	FISKARS BRANDS		INHA WORKS		REAL ESTATE	
	2006	2005	2006	2005	2006	2005
Net sales, M€	490	472	37	32	10	9
Share of total net sales	92%	93%	7%	6%	2%	2%
Operating profit, M€	21	-6	4	3	8	2
Personnel	2,659	2,906	301	271	27	26

SUMMARY OF OPERATIONS <sup>*)</sup>	2006	2005
Net sales, M€	535	510
Operating profit, M€	86	23
Net profit, M€	82	62
Balance sheet total, M€	707	703
Equity ratio	60%	57%



SHARE DATA		
Earnings per share, €	1.06	0.80
Equity per share, €	5.45	5.20
Personnel at year end	3,003	3,220

<sup>\*)</sup> A complete summary is presented on page 72.

# THE YEAR 2006 IN BRIEF



Fiskars Stock Exchange Releases for fiscal year 2006 are available online at [www.fiskars.fi](http://www.fiskars.fi).

## FISKARS ACQUIRES SWEDISH SILVA AND INTRODUCES INTERESTING NEW PRODUCTS

The Fiskars Corporation subsidiary Fiskars Brands strengthened its Outdoor Recreation division and continued to realize its strategy of strong brands by acquiring the Swedish Silva Group and its US subsidiary the Brunton Company. Silva is known for its compasses, but is also a leading supplier of other fitness and recreation products, such as binoculars, pedometers and headlamps. Outdoor gear manufacturer Gerber Legendary Blades extended, among other things, its range of hunting and fishing knives, and its range of LED lights.

During 2006, Fiskars Brands continued its sizeable reorganization project in the US. Through measures such as increased subcontracting and a sharper focus on core products, the company seeks to make significant improvements in profitability and competitiveness.

In July, Fiskars Brands sold the US-based, non-core, Consumer Electronics accessories division's Power Sentry operations to Dutch Royal Philips Electronics.

During the year, Fiskars' business operations released several new products. Among the new releases, Fiskars Brands introduced the light-weight and long-handled Garden Light gardening tools, the small Power Gear Pruner PRO, the Universal Rake, and more than 300 new products for office and craft use. Among the new releases from the Housewares group, a new series of stainless steel Functional Form cooking utensils with non-slip silicone handles was introduced in the Nordic countries.

The Buster boat family increased with the release of the new Buster X in the popular five-meter boat category. In addition to the traditional rugged Buster features, the boat design this time focused specifically on adaptability.

# FISKARS SCISSORS TURN 40



Fiskars orange-handled Scissors are the scissors for which Fiskars is renown. Their story began 40 years ago in 1967. The scissors, designed by Olof Bäckström, began an era of combining user-friendly ergonomics and a revolutionary manufacturing process. The design drew on history, and Fiskars orange-handled scissors still resemble the shape of those used by late nineteenth-century tailors. Using die-cast plastic for the handles of the general-purpose scissors made them cheaper and available to all.

The orange color of the handles happened by chance. The machinist who had been requested to cast samples in various test colors had some orange left in the machine from a previous job, so to empty the container he first cast a pair of scissors with orange handles. Employees at the Fiskars office voted on the colors, and orange won. Fiskars Orange®, the color of the scissors, was registered as a trademark in Finland in 2003 and in the USA in January 2007.

OLAVI LINDÉN'S INVENTIVENESS IS NOT RESTRICTED TO OFFICE HOURS. HIS HOME WORKSHOP IS THE BIRTHPLACE OF MANY EXPERIMENTS AND SOLUTIONS. THE ENGINEER IS ALSO A MUSICIAN AND VIOLIN MAKER.



Over the years, the scissors have been developed: the ergonomics have been perfected and the manufacturing process improved. Today's scissors are the third generation. Left-handed scissors were introduced in 1972. Olavi Lindén is the designer behind many of the improvements.

A 40th anniversary edition of the tailor's scissors will be released during 2007.

## THE MAN BEHIND THE DESIGN

Olavi Lindén (born 1946) is responsible for many of the Fiskars scissors and garden tools. Lindén started working at Fiskars in 1971, and since 1984 he has been their Chief Designer.

According to Lindén, any design work starts with a problem; the design is the answer. Manufacturing technology, raw materials, and production costs are all part of the work process. Ease of use is important, because nobody needs beautiful tools that don't work. When a product, such as the Fiskars scissors, works and has a modern yet timeless design, its lifespan can last for decades.

Designing needs good team work. Everyone contributes their views and ideas, and innovation is born by thinking outside the box and in combining suggestions from many people to find the best result.

Lindén is much acclaimed for his design work. In 2002 he received the Finnish State Prize for Crafts and Design, in 2005 he was named Industrial Designer of the Year by the Finnish Association of Designers Ornamo, and in 2006 he was awarded the Kaj Franck Design Prize. Many of his tools, including the Universal Garden Cutter, Telescopic Pole Pruner, and Power Lever Hedge Shears, have also received prestigious international awards.



NATURE IS AN UNENDING SOURCE OF INSPIRATION FOR LINDÉN, BUT IT ALSO REMINDS HIM OF OUR OWN HUMAN LIMITATIONS. NATURE'S SOLUTIONS, ITS DEVELOPMENTAL LEAPS, ACCIDENTAL DESIGN; THE SECRET OF A SUCCESSFUL PRODUCT IS OFTEN SURPRISINGLY SIMPLE.



For more information: [www.fiskars.fi](http://www.fiskars.fi)

## COMPETITIVENESS IMPROVED BY CHANGES TO PROCESSES AND STRUCTURE



The fiscal year 2006 turned out as expected both for the scale of operations and the results. Corporate development in Fiskars, including acquisitions and divestitures, concentrated the Corporation's focus on its core business areas. All key parts of the significant restructuring program in the US, announced just over a year ago to improve competitiveness by increasing subcontracting, have been completed.

Net sales of the wholly-owned operations of Fiskars Corporation was evenly distributed between North America (48%) and Europe (48%). The slight shift towards Europe was due mainly to the divestiture of the Consumer Electronics division, and partly also to the weakened dollar. For Fiskars Brands, the European garden tools and houseware operations continued to develop favorably, whereas in the US the competitive situation continued to be tough.

### RESTRUCTURING CONTINUED

In the US, restructuring continued to bring significant changes to the production process. This year, increasingly more of the production will be outsourced.

The effects of these measures will gradually become visible within each division, but timing will vary according to the seasonal differences of each market. In this respect, the Crafts products have to date developed fastest – the main sales season for craft tools is the back-to-school-season in early fall. The Garden sector will respond to the change later because most of the products sold in the main spring selling season will have been manufactured at the old manufacturing facilities.

The extent of the change is also evident in how the number of Fiskars employees has decreased since the turn of the century. At the end of 1999, the Corporation employed more than 5,600 people and by the end of the 2006 fiscal year it only had around 3,000 employees. This trend is continuing in the first half of 2007.

### STRENGTHENING CORE BUSINESS

In 2006, two transactions were executed that will enable Fiskars to concentrate its energies on its core operations. The Fiskars Brands portfolio was streamlined through its divestiture of the Consumer Electronics division in the United States with favorable terms; while its acquisition of the Silva Group together with its subsidiary The Brunton Company strengthened Outdoor Recreation, which is one of the company's most important product divisions. We will continue to pursue this trend in 2007.

The past year was a challenging one for the kind of company Fiskars is, because sales and marketing of consumer goods is seasonal. In both the US and Europe, the spring sales season was shorter than usual, while the exceptionally warm fall weather had a negative impact on, for example, the demand for snow tools. However, some of the impact of the unseasonable weather was compen-

sated for outside the regular sales seasons, and the results show the organization rose satisfactorily to the challenges.

### SCISSORS TURN 40; BUSTER TURNS 30

Fiskars is most widely known for their orange-handled scissors, the 40th anniversary of which we celebrate this year. Around the success of Fiskars scissors, a craft tools business has grown up in the US. The crafting trend and Fiskars craft tools are now also gaining ground in Europe, starting with the English-speaking countries.

When it comes to garden tools, we are at our strongest in the hand-tool markets of Europe. In the Nordic countries, housewares are also selling particularly well.

Our Outdoor Recreation products are becoming more international and for us the successful integration of Gerber, Brunton and Silva will provide a cornerstone for the future.

Inha Works, particularly Buster boats whose 30th anniversary we also celebrate this year, continues its growth as a leading player in the Nordic boat market.

Responsibility and long-term planning are values Fiskars subscribes to in the care and development of the Corporation's Real Estate, including well-known Fiskars Village.

It is these businesses we are working together to develop realizing that with each product category there are still some small islands that are slightly off-focus either in their products or their geographical market area.

### GROWTH IN WÄRTSILÄ

The associate Wärtsilä developed very favorably in the 2006 and at year end its order stock was once again at a record high. Wärtsilä means more to Fiskars than just benefiting from a share of its profits and dividends, it also means taking responsibility. As the largest shareholder, Fiskars is committed to helping Wärtsilä evolve as a company.

I wish to thank our customers, our shareholders, and our partners for the past twelve months. For us at Fiskars, it has been a year of hard work and I wish to extend a particular thank you to all our employees. Challenges change, and changes will continue, but our ability to meet them has improved.

Helsinki, February 2007

HEIKKI ALLONEN  
President and CEO

# SKILLED HANDS AT WORK

Fiskars Brands is a consumer products company with operations in more than 20 countries. Headquartered in Madison, Wisconsin, the company's products are much appreciated by people who like crafting, gardening, cooking, and the outdoors.

The products and brands of Fiskars Brands represent segments of markets which are growing in various parts of the world, particularly because people today have increasing amounts of time to devote to an ever greater variety of leisure pursuits.

In 2006, Fiskars Brands concentrated on strengthening the brands associated with its core business while reorganizing its manufacturing in the United States. Acquir-

ing the Swedish Silva Group strengthened the Outdoor Recreation division range in both the European and US markets.

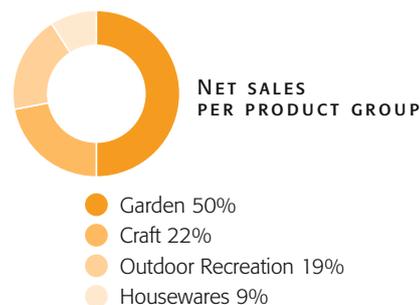
The company bases its future growth on strong customer relations and partnerships, designing innovative and pioneering products, supporting its strong brands, marketing, nurturing excellent relations through all channels of distribution, and on running a program to develop the staff's know-how.

### MANAGEMENT OF FISKARS BRANDS:

- JAMES S. PURDIN, President and CEO
- FRANCIS KINT, President – Fiskars Brands Europe & Garden
- JEROME L. KLEIN, Sr. Vice President – Finance & Accounting
- JASON R. LANDMARK, President – Outdoor Recreation
- WILLIAM J. NEE, Sr. Vice President – Human Resources
- CHAD T. VINCENT, President – Craft



KEY INDICATORS	2006	2005	NET SALES 2002–2006, M€
Net sales, M€	490	472	06  490
Share of total net sales	92%	93%	05  472
Operating profit, M€	21	-6	04  528
Personnel	2,659	2,906	03  589
			02  693





A PAIR OF CURVED SCISSORS, NEEDLE AND THREAD, A VARIETY OF COLORED FELT, AND SOME BUTTONS IS ALL YOU NEED TO CREATE SOME CHARACTERFUL FINGER PUPPETS. FOR INSTRUCTIONS AND MORE IDEAS, GO TO: [WWW.FISKARSCRAFTS.COM](http://WWW.FISKARSCRAFTS.COM) [WWW.FISKATEERS.COM](http://WWW.FISKATEERS.COM).

## INTERNET SUPPORT FOR CRAFTERS



Fiskars is one of the leading providers of tools for schools, offices, and crafting. In 2006, Fiskars introduced more than 300 new items for the growing US crafting market.

Crafting is a very popular pastime around the globe, with more and more people taking it up and rediscovering their ability to express themselves in a relaxing way. It is largely a hobby of the young in the USA, where about a dozen different TV shows about crafting are directed at them. Some estimates indicate the crafting market is now even bigger than the market for videogames and DVDs.

Innovative Fiskars office products, together with the craft items of Heidi Grace and Cloud 9 Design, acquired by Fiskars in 2005, are used with enthusiasm by crafters in the US. Fiskars has set up an internet community which is a popular source of crafting hints and provides a forum for

crafters. A community member can, for instance, follow the weekly online Fiskars TV episodes for advice on many things such as scrapbook creation.



HURRICANE KATRINA VICTIMS STARTING SCHOOL IN DALLAS, HOUSTON, BEAUMONT, ATLANTA, SAN ANTONIO, AND PHOENIX RECEIVED OVER 160,000 SCHOOL TOOLS DONATED BY FISKARS BRANDS.

DURING MARCH, FISKARS CELEBRATES NATIONAL CRAFT MONTH IN THE USA BY INTRODUCING A NEW CRAFT PROJECT EVERY DAY OF THE MONTH.



[www.heidigrace.com](http://www.heidigrace.com), [www.cloud9design.biz](http://www.cloud9design.biz)  
[www.gingher.com](http://www.gingher.com)



THE GARDEN – INSPIRATION  
FOR ALL SEASONS

A NOVEMBER DAY  
IN RHODE ST. GENÈSE.  
LISE AND PER OLE  
JENSEN FIND GARDENING  
BOTH REWARDING AND  
CREATIVELY INSPIRING.

Fiskars is one of the world's leading brands of garden tools. But for Fiskars the ultimate gardening experience means more than providing functional products – it means giving consumers high quality, ergonomic and easy-to-use garden tools that will inspire the green-fingered among them to realize their own dream garden.

THE CHELSEA  
FLOWER SHOW IN  
LONDON IS ABUZZ  
WITH NEW  
GARDENING IDEAS.



For more information about Fiskars garden tools go to [www.fiskars.com](http://www.fiskars.com)

In 2006 the Garden division further strengthened its position in the European markets. It launched new products, such as the Garden Light range, with garden spades half the weight of the traditional implements. The Garden Light range also includes various rakes, hoes, and a broom. Future challenges for the market are to meet the needs of an ageing population and the female gardener, which will require an emphasis on innovative and light-weight designs.

Fiskars cutting tools for the garden are acclaimed for being innovative: their unique power-transfer technology doubles cutting power while their ergonomic design guarantees ease of use. The range includes pruners, loppers, universal cutters, grass and hedge shears. Among the various models, every gardener will find a tool to fit their needs. In 2006, a long-handled version of the grass shears was introduced for gardeners who, to ease the strain on their back, prefer to work standing up. The product range also includes axes, other forestry tools, and snow tools.

In addition to Fiskars®, the division's brands are Sankey, Ebert, Werga, Zinck-Lysbro, and Wilkinson Sword.



SKILLFULLY MADE  
WOODEN FENCE  
AT THE CHELSEA  
FLOWER SHOW.



**PRUNING A FRUIT TREE** is best done in the spring. If a rival main branch has grown, it needs to be removed together with any other branches growing too close or inside the crown. Any unhealthy or damaged branches also need to be cut out. For more pointers on how to grow fruit trees, and other gardening tips, look online at [www.fiskars.com](http://www.fiskars.com).

### SHED THE STRESS

Gardening is rewarding, inspiring, and relaxing. So say gardening enthusiasts Lise and Per Ole Jensen. Despite the chilly November day, they are out pruning the plants in their garden in Rhode St. Genèse, south of Brussels. The few roses and camellias are the only colorful reminders of summertime.

'Springtime is indeed busy, but so is autumn. Trees, bushes, and roses all need pruning, we mulch the falling leaves and surround frost-sensitive plants with wood-chips,' Per Ole tells us.

The garden – its colors, textures, the scent of lavender and jasmine – appeals to all our senses. Where the lawn ends, a meadow begins, then there's the forest.

'We think ecologically,' says Per Ole. 'We use a minimum of chemicals, and recycle all garden waste. This is extremely important for us.'

Recently retired, Per Ole enjoys the extra time he can now devote to their garden. 'Part of the pleasure is in using well-designed and high quality garden tools. Good rose pruners and branch loppers are essential.'

MORE AMERICANS THAN EVER ARE INTERESTED IN GARDENING. A STUDY BY THE NATIONAL GARDEN ASSOCIATION, 2006, SHOWED THAT 83 PER CENT OF THE COUNTRY'S HOUSEHOLDS DO SOME FORM OF GARDENING.

### GARDENING – TODAY'S GREEN LUXURY



**IT'S IN TO BE OUT:** MAKE THE GARDEN AN EXTENSION OF YOUR LIVING ROOM, IT'S AN IDEAL PLACE FOR COOKING, RELAXING, OR

WORKING. • **TRY VERTICAL GARDENING:** EXPERIMENT BY GROWING YOUR GARDEN UPWARDS OR DOWNWARDS FROM THE BALCONY. • **GET BACK TO NATURE:** KICK-START A HEALTHY LIFESTYLE BY GROWING YOUR OWN VEGETABLES AND HERBS.

• **ENJOY YOUR GARDEN THROUGHOUT THE YEAR.**

## GOOD DESIGN HELPS ALL COOKS

Fiskars Housewares has a strong position in the European market. Its products — cookware, knives and cutlery — are essential tools for all chefs, whether they are professional or enthusiastic home gourmets.

With its innovative product development Fiskars aims to strengthen its position in the Nordic market and respond to future challenges by recognizing and reacting to the increasingly important role given to product design and durability.

During 2006, streamlining of production and logistics continued to drive a pan-European product range. The new Functional Form cookware also found its place in kitchens across Europe. It showcases the thinking, characteristic of Fiskars, that ensures each product incorporates the best of Nordic design and product safety.

### A FEELING FOR FORM

Danish designer Tobias Wandrup has worked with Fiskars for eight years. Recently, he's been working on his sixth series of Fiskars kitchen knives.

'Like the classic scissors, the knives are ergonomic to use. The narrow handle makes them easy to use and the non-slip material increases safety.'

Wandrup clearly has a passion for design. He particularly enjoys the hands-on aspect of his profession, the time when ideas become sketches, then models.

'The new generation of designers relies ever more on the computer. Handmade three-dimensional prototypes have become almost old-school, but I still think they are the only way to find the right ergonomics,' he says.



TOBIAS WANDRUP GOES FROM IDEAS TO SKETCHES AND ON TO THREE-DIMENSIONAL MODELS.



DANISH DESIGNER TOBIAS JACOBSEN IS A GRANDCHILD OF LEGENDARY DESIGNER ARNE JACOBSEN WHO, AMONG OTHER THINGS, WAS KNOWN FOR HIS CLASSIC CHAIR THE ANT.



EVERYWHERE, HOME COOKING HAS BECOME A POPULAR AND SOPHISTICATED CULINARY ART. AMAZON.COM OFFERS OVER 15,500 DIFFERENT BOOKS AND SOME 200 MAGAZINES ABOUT FOOD AND THE CULINARY ARTS, INCLUDING A RISING NUMBER OF BOOKS SPECIFICALLY ABOUT COOKING HEALTHY AND INTERESTING FOOD FOR CHILDREN AND FAMILIES. THE COOKERY BOOKS BOTH INSPIRE HOME COOKING AND REFLECT ITS EVER INCREASING POPULARITY.

Wandrup is a freelance designer who sees Fiskars from the outside. But when it comes to mentality and values, he feels like an insider. 'I believe absolutely in the Fiskars design policy. I applaud their focus on innovation and on using high-quality materials. It's what makes me especially happy to work with Fiskars.' The success of his collaboration with Fiskars is marked by the Red Dot Product Design Award, which was awarded to Tobias Wandrup for his range of Functional Form knives.

### SPOONS LIKE JEWELRY

Goldsmith and industrial designer Tobias Jacobsen is the man behind, among other things, the Functional Form cutlery range. He sees kitchenware as fast becoming another element of interior design.

'When we open up the kitchen to the living room, design becomes ever more important. Kitchenware can no longer be merely functional. A pot on the stove has become a new symbol of the ideal life — a life in which we take the time to enjoy home cooking.'

Jacobsen considers functionality to be essential, but his goldsmith's eye seeks beauty in every form.

'I work on all designs as if I am making jewelry. I want to create objects that are a pleasure to look at.'





IN MANY HOMES, COOKING HAS BECOME AN ACTIVITY THAT INTERESTS THE ENTIRE FAMILY.



NON-SLIP HANDLES  
MAKE FISKARS  
FUNCTIONAL FORM  
COOKWARE EASIER  
TO USE.



CAN'T WAIT FOR THE FRESH STRAWBERRIES OF SUMMERTIME? THEN HERE TO SATISFY YOUR GASTRONOMIC CRAVINGS IS A RECIPE FROM FINNISH CERAMICISTS ANNELI AND RISTO PAATERO OF FISKARS VILLAGE.

### STRAWBERRIES WITH ROSEMARY

MELT HONEY IN A SAUCEPAN, STIR IN SOME FINELY CHOPPED ROSEMARY, AND LET IT SIMMER BRIEFLY BEFORE ADDING WHOLE FROZEN STRAWBERRIES TO THE MIX. STIR, THEN SERVE IMMEDIATELY WITH WHIPPED CREAM OR ICE-CREAM.

WINE SUGGESTION: A GEWÜRZTRAMINER FROM ALSACE OR A PINOT GRIS.

From the cookbook *Ruukin Ruokaa* (Food from Fiskars Village) edited by Anna Paljakka.



BJÖRN RYDVALLE LEADS TEAM LUNDHAGS UP A SNOW-COVERED FELL IN SWEDISH LAPLAND.



GERBER ALSO MANUFACTURES HYDRATION PACKS, LIKE THE CALEO XC MODEL SHOWN HERE.

## RIGHT ON TRACK IN A NEW TERRAIN

Fiskars Outdoor Recreation division offers high quality, innovative, and dependable tools for people with a passion for outdoor sports and leisure. The product range includes hunting, fishing, and camping equipment by Gerber Legendary Blades, which holds a strong position in the US market, and the products of Swedish Silva and its subsidiary Brunton.

In 2006, Gerber once again launched several new products. They improved the ergonomics of their knife handles, and introduced new patented locking systems for their universal tools. Gerber's main market area is the United States.

Acquiring Silva means the Outdoor division takes off on new terrain. Its acquisition strengthens Fiskars' position in the leisure market, where the demand for technically advanced, top-quality products is growing.

With no duplication of products Silva neatly complements the Outdoor division's range. Core Gerber products include popular camping and universal tools, while Silva's core range offers orienteering and outdoor products, such as GPS locators, compasses, and mobile lighting. Some 60 percent of Silva's products are sold in Europe and the rest mainly in the US, where they are sold under the Brunton brand.



THE SILVA 5JET COMPASS IS BJÖRN'S FAVORITE GADGET.



(TOP) SPECTACULAR VIEWS REWARD HIKERS IN THE ITALIAN ALPS.  
(BOTTOM) GERBER'S TOP-QUALITY KNIVES ARE POPULAR WITH HUNTERS.

### SAFETY FIRST



GERBER KNIVES AND UNIVERSAL TOOLS WITH PATENTED LOCKING SYSTEMS AND ERGONOMIC HANDLES ARE RELIABLE AND SAFE TO USE.

### MULTISPORT, A TOUGH CHALLENGE

Blood, sweat, and tears are all part of the adventure activity known as multisport. However, there's more to it than that. Crucial to multisport are strategic thinking, orienteering skills, and the choice of route. Originally founded in New Zealand, multisport is an endurance activity in which teams find their way through new terrain by running, climbing, cycling, and kayaking. The most demanding challenges severely test the skills of every team in races that can last for several days.

Swedish multisporting Team Lundhags is lead by 25-year-old environmental engineer Björn Rydval, who lets map, compass, and altimeter guide him.

'You have to interpret the map and know how to apply the information to the surrounding environment,' Björn explains. 'Outdated maps are part of the game, so you need several reference points to reliably find your way. Over twenty years, small ponds and streams can dry up, whereas mountains and bigger rivers are more permanent points to look for.'

'An altimeter is an indispensable gadget in bad weather conditions and in hilly terrain, so I really recommend you learn to use it. In the long run you'll also learn to find the best route by trusting your own instincts rather than following in the footsteps of others,' Björn advises.

### RAID GAULOISES

THE FIRST AND STILL MOST DEMANDING CHALLENGE FOR ADVENTURE TEAMS IS THE RAID GAULOISES. THE RACE, NOW KNOWN AS THE RAID WORLD CHAMPIONSHIP, WAS FOUNDED IN 1989 BY FRENCHMAN ALAIN GAIMARD. FIND OUT ABOUT THIS YEAR'S RACE ON [WWW.THERAID.ORG](http://WWW.THERAID.ORG)

SILVA GPS NAVIGATORS HELP OUTDOOR ENTHUSIASTS FIND THEIR WAY.



www.brunton.com



www.gerbergear.com



www.silva.se





CAREFREE BUSTER BOATS  
ARE A NATURAL IN THE ARCHIPELAGO

BUSTER BOATS ARE AT THEIR BEST IN ARCHIPELAGO AND COASTAL WATERS.

Buster® boats are the most popular aluminum boats in the Nordic countries. Their main market area includes Finland, Scandinavia and the other countries around the Baltic Sea. In 2006, the introduction of the Buster X increased the Buster range.



A CLEAN BOAT stays shiny longer if you polish it with car wax.

We have increasingly more leisure time, but when it comes to boats we still want quality rather than quantity, and require our boats to be both reliable and carefree. The average size of leisure boats is also increasing, and the demand for aluminum boats is growing faster than for other boats. The large fleet of Buster boats meets these changing needs. Today, buying a boat is more often likely to be a decision made by the whole family. Versatility is clearly one of the many advantages of the new Buster X model launched in 2006.

Versatility is an essential starting point in new boat design, especially since boat use varies throughout the Nordic countries. For instance, Norwegians and Swedes mostly use their boats for recreation and outings, whereas, in addition to the recreational use of a boat, fishing and



KERSTIN JOHANSSON HAS RUN THE FAMILY-OWNED ENGHOLM CONFERENCE CASTLE SOUTH OF STOCKHOLM FOR TWENTY YEARS.

ferrying are important to Finns. Buster's strength is its strong brand and wide range of models, all of unsurpassed quality.

**BUSTER IN THE ROSLAGEN ARCHIPELAGO**

In summer, Kerstin Johansson is often to be found boating in the Roslagen archipelago north of Stockholm. She says, 'Our Buster is a family boat which works as a bus when I ferry people to our cottage on the island; as a dinghy when we go fishing; and at other times just as a recreational boat.'



BUSTER X IS UNIQUELY NOVEL IN THE POPULAR 5-METER CLASS.



Check out the latest boat models and maintenance tips on [www.buster.fi](http://www.buster.fi)



Kerstin's family bought their Buster XXL five years ago. 'I had an ahaa-experience: can a boat be this stable, yet still be so nimble? That feeling has never left me and not once have I felt uncomfortable in the boat.' For Kerstin, ease of use and durability are important qualities in a boat which she often handles alone or with her son. 'At times this rocky archipelago can be tricky. When the sea is particularly rough, I am glad to know my boat is made of aluminium!' Kerstin Johansson runs the Engsholm Conference Castle near Stockholm and only uses her boat in the summer months, even though it would still handle well during the fall. 'Launching the boat signals the beginning of my holidays!'



A FAIR WIND IS BLOWING AS BUSTER CELEBRATES ITS 30TH ANNIVERSARY IN 2007. • SINCE 1977, MORE THAN 70,000 BUSTERS HAVE BEEN MADE.

- MORE THAN HALF THE BOATS ARE EXPORTED. • TODAY THE BUSTER COLLECTION CONSISTS OF SEVEN BOATS OF VARYING SIZES: THE BUSTER MAGNUM, THE BUSTER XXL, THE BUSTER XL, THE NEWCOMER BUSTER X, THE BUSTER L, THE BUSTER M, THE BUSTER XS AND THE BUSTER S.



NET SALES PER MARKET AREA

- Finland 51%
- Scandinavia 38%
- Other 11%

### INCREASED EXPORT OF HINGES AND RAIL FASTENERS

INHA WORKS IS KNOWN NOT ONLY FOR ITS BUSTER BOATS, BUT ALSO AS A MANUFACTURER OF HINGES AND RAIL FASTENERS. THE EXPORT OF FISKARS HINGES TO SCANDINAVIA AND THE BALTIC STATES INCREASED. THE COMPANY IS ALSO WORKING TO INCREASE EXPORTS TO THE RUSSIAN MARKETS THROUGH NEW PRODUCTS AND INCREASED EFFICIENCY IN DISTRIBUTION.



THE DEMAND FOR RAIL FASTENERS MADE GOOD USE OF THE FACTORY'S CAPACITY THROUGHOUT THE YEAR.



## FISKARS VILLAGE IS FISKARS' BIRTHPLACE

**TWO NINETEENTH-CENTURY WORKERS' TENEMENTS, DESIGNED BY C.L. ENGEL AND J.E. WIIK, SEEN FROM THE AIR IN SPRING.**

The village of Fiskars, founded in 1649, is the birthplace of Fiskars Corporation. With the surrounding land and forests owned by the company, the ironworks village forms a key part of the Fiskars Real Estate Group. The 15,000 hectares of real estate is located in and around Fiskars Village and on the Hanko peninsula.

The land and real estate have belonged to the Corporation since the founding of the ironworks. Even after the industrial operations moved elsewhere, the old ironworks village remained company property and has been preserved as a wholly unified cultural environment. Fiskars Village is a desirable place to live and work, as well as extremely interesting for tourists to visit. Fiskars continues to make the most of the possibilities inherent in the former ironworks village, while also protecting its heritage. In 2006, in accordance with this development work, Fiskars began an overhaul of the existing plans for the area.

The surrounding forests also provide a significant financial resource. For centuries, Fiskars has taken its responsibility

for forestry, and treated the economic but environmentally respectful development of the forests as an important issue. Timber is also milled in the village, and the Lautupuu (Quality Wood) sawmill in Fiskars Village supplies high-quality specialist woods for many cabinetmakers.

The old ironworks village has become an internationally acclaimed and thriving centre of art, design and craft. The Artisans, Designers and Artists of Fiskars Co-operative was founded in 1996 and today it has more than a hundred members. Fiskars has also started a residency program to promote the exchange of international artists. All year round, the historical and rich natural environment of the ironworks village, together with its changing exhibitions and events, offer both Finnish and foreign visitors an inspirational place to visit.

### HOME TO ARTISTS AND A LIVING COMMUNITY

Karin Widnäs's summer exhibition "Kotona" (At home) is the latest example of how this internationally respected ceramic artist is thinking. Establishing a home gallery gave Karin's artist colleagues a place to show their work, while simultaneously creating a new, personal place to visit in Fiskars Village.

Karin moved to Fiskars in the 1990s and the Hasselbacka lot gave her the chance to make her dream come true: to build a house that would be both studio and home. Karin wanted to contribute as much as possible herself – ceramic art conjoins with architecture, and various exciting brick and tile walls as well as tiled stoves have brought Karin's work into the house. The wooden house, designed by architect Tuomo Siitonen, is full of details that display local building knowledge. The wood is also local from the specialty sawmill in Fiskars Village. Nothing went to waste: odds and ends of wood left-over from planks were burned by Karin to heat the house. The ashes she used to create a black glaze for the kitchen tiles.

The building and its garden generate the very atmosphere that made Karin choose the spot and engage in the demanding building project that took her more than decade to complete. Guests from all over the world admire the view from the terrace that surrounds the house. 'The community and the life here works; people even come all the way from Japan to learn how we do things,' Karin sums up.



THE OLD GRANARY OFFERS A UNIQUE SETTING FOR THE HIGH-QUALITY EXHIBITIONS.



KARIN WIDNÄS MAKES INTERNATIONALLY ACCLAIMED CERAMIC ART WHICH IS MUCH SOUGHT AFTER FOR INTERIOR DESIGN.

### FISKARS NATURE



THE IRONWORKS, FOUNDED IN 1649, WAS BUILT IN THE FISKARS RIVER VALLEY, A PLACE OF UNIQUE NATURAL BEAUTY. CENTURIES-OLD BROADLEAF TREES GIVE THE AREA A SPECIAL CHARACTER AND MORE THAN 30 SPECIES OF TREES GROW ALONG THE TREE PATH THAT MEANDERS THROUGH FISKARS VILLAGE. THE WOOD WALK, HOWEVER, IS AN EXCELLENT WAY TO GET TO KNOW THE HISTORY OF THE AREA, AS ALONG ITS ROUTE YOU CAN SEE DIFFERENT TYPES OF WOODS AND ANCIENT DWELLINGS RIGHT BACK TO THE IRON AGE.



## PITCH-BLACK LAND GIVES BIRTH TO NEW LIFE

**BURNING OFF WOODLAND IS A PLANNED FORESTRY PROCEDURE IN WHICH THE FOREST FLOOR IS SET ON FIRE; AGAINST THE WIND AND UNDER CONTROLLED CONDITIONS.**

Environmental issues are intrinsic to Fiskars corporate operations and to the care of its forests. Burning off is one of the ways the Corporation protects the environmental value of its commercial and natural forests.

A forest area on the Hanko peninsula which was burned off in the summer of 2006 exemplifies the kind of project that Fiskars Corporation sets up to ensure the diversity of their woodlands and that they remain home to many species. Burning off a forest is part of the pilot project of the Forest Stewardship Council (FSC) certificate for sustainable forestry, which began in the 4,000 hectare forests owned by Ferraria, a Fiskars subsidiary, in 2005. The FSC certificate requires the flora and fauna of an area to be preserved for example through burning off.

When a forest area has been burned off, new life grows in the fuliginous and nitrogenous soil and rare species are attracted to the area. The soil is also suitable for growing young conifers. Historically, the method was primarily used to improve forests, but today it is used to create the living conditions needed by certain species, as

many endangered plants and some insect species thrive on burned land.

### BURNING OFF

- Around the world burning off is used to improve forest quality, and in the US and Australia it is also done to prevent bush fires.
- Generally speaking, burning off improves the ecological properties of various habitats by releasing nitrogen, an essential element for plant growth.
- Burning off is always done by professionals who forewarn the local fire authorities.

### SPACE FOR RARE SPECIES

Throughout 2006, Fiskars continued the grove protection and restoration project that was begun in 2004 in the Corporation's conservation areas in Kisko. In recent years, the conifers have been thinned out to create a suitable habitat in the woods for precious broadleaf trees such as elm and linden. Thinning out also provides more sites for the area's valuable lime rock vegetation. Among the rarest plants is the red helleborine, which is found on the southern lime slopes of the Kisko conservation area.



**RED HELLEBORINE (CEPHALANTHERA RUBRA)** • A purple-flowered orchid, very rare in Europe and Asia • Found at only 20 sites in Finland, one of them being Fiskars conservation area in Kisko • A long-lived perennial, it hides underground • First produces leaves up to six years after germination and doesn't bloom until the plant is about ten years old.

PETER THORWÖSTE'S SIGNATURE

# HISTORY OF INNOVATION

The story of Fiskars began in 1649 with the founding of an ironworks in the Fiskars valley, where the river rapids provided an abundance of water power. Many of the first industrial machines made for Finland and Europe started life in Fiskars Village.

**1649** FINLAND IS PART OF SWEDEN, WHEN DUTCH BUSINESSMAN PETER THORWÖSTE IS GRANTED A PRIVILEGE PERMITTING HIM TO START AN IRONWORKS IN FISKARS. BAR IRON IS SHIPPED FROM FISKARS TO STOCKHOLM



**1776** JULY 4, USA GAINS INDEPENDENCE

**1809** FINLAND BECOMES AN AUTONOMOUS GRAND DUCHY UNDER THE RUSSIAN TSAR

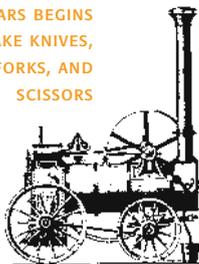


PHARMACIST J. JULIN BUYS FISKARS

**1822**

**1830**

FISKARS BEGINS TO MAKE KNIVES, FORKS, AND SCISSORS



**1837**

FISKARS FOUNDS FINLAND'S FIRST MACHINE WORKSHOP



**1848**

FISKARS VILLAGE AND IRONWORKS



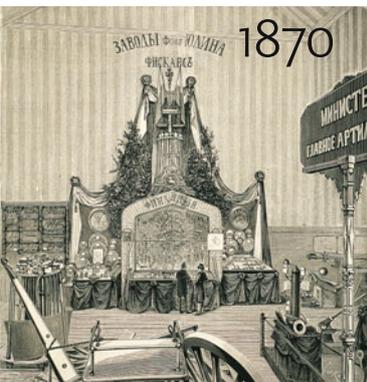
**1850**

GALLEY PRESS MADE IN THE FISKARS MACHINE WORKSHOP



**1851**

FINLAND'S FIRST STEAMBOAT MAJAVA IS BUILT AT FISKARS



**1870**

THE FISKARS STAND AT AN INDUSTRIAL EXHIBITION IN ST. PETERSBURG



FISKARS START MAKING PLOWS IN THE LATE 1800S

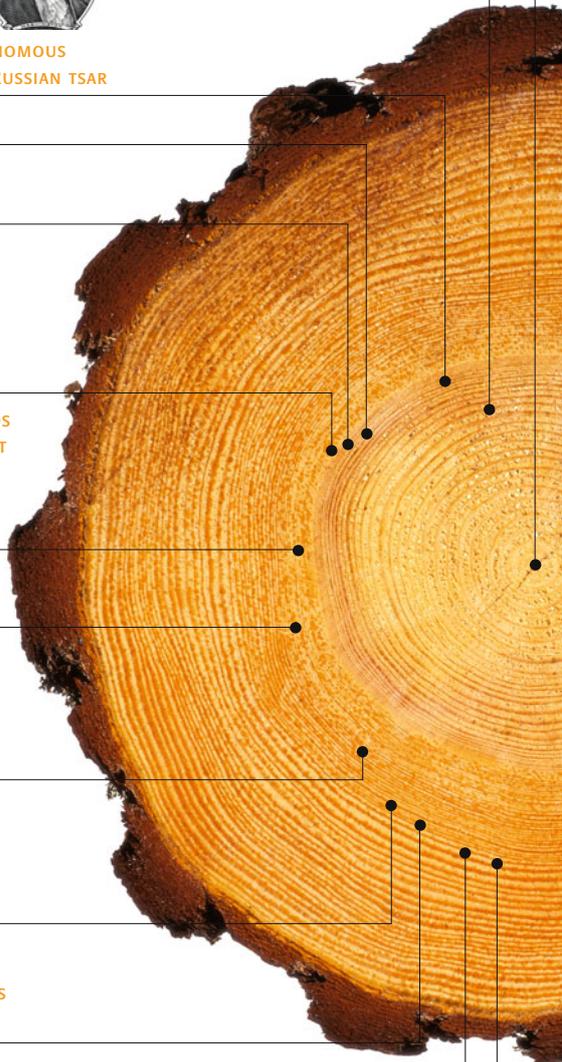
**1880**

FISKARS TAILOR'S SCISSORS



**1883**

FISKARS BECOMES A LIMITED COMPANY



# ... HISTORY OF INNOVATION

Throughout the twentieth century, Fiskars launches many unique and successful products.



FISKARS BECOMES  
A LISTED COMPANY

1915



FINLAND GAINS  
INDEPENDENCE

1917



1921 INHA WORKS BECOME  
PART OF FISKARS



FISKARS IS AMONG THE FIRST  
IN EUROPE TO PRODUCE  
MICROWAVE OVENS

1965



FISKARS INTRODUCES THE FIRST  
ORANGE-HANDLED SCISSORS

1967



FISKARS OPENS  
A FACTORY TO MAKE  
SCISSORS IN THE USA

1977



1977  
FISKARS BEGINS  
TO MANUFACTURE  
BUSTER BOATS



1984 FISKARS, INC.  
IS FOUNDED IN THE USA

1984



FISKARS BECOMES  
A SIGNIFICANT SHARE-  
HOLDER IN WÄRTSILÄ

1990



1999  
FISKARS CELEBRATES ITS 350TH ANNIVERSARY

1999



More about Fiskars history: [www.fiskars.fi](http://www.fiskars.fi)

## ASSOCIATED COMPANY WÄRTSILÄ

The associated company Wärtsilä Corporation is a key part of Fiskars Corporation. Fiskars is Wärtsilä's biggest single shareholder, owning at the end of 2006 16.6% of Wärtsilä shares and 30.4% of the votes.

Wärtsilä Corporation is a global supplier of marine and energy equipment solutions and services. Wärtsilä enhances the business of its customers by providing complete life-cycle solutions, and by developing technologies that benefit both its customers and the environment.

In shipping, Wärtsilä is a leading provider of energy equipment for ships and offshore applications. It manufactures engines and generating sets, reduction gears, propulsion equipment, control systems and sealing solutions.

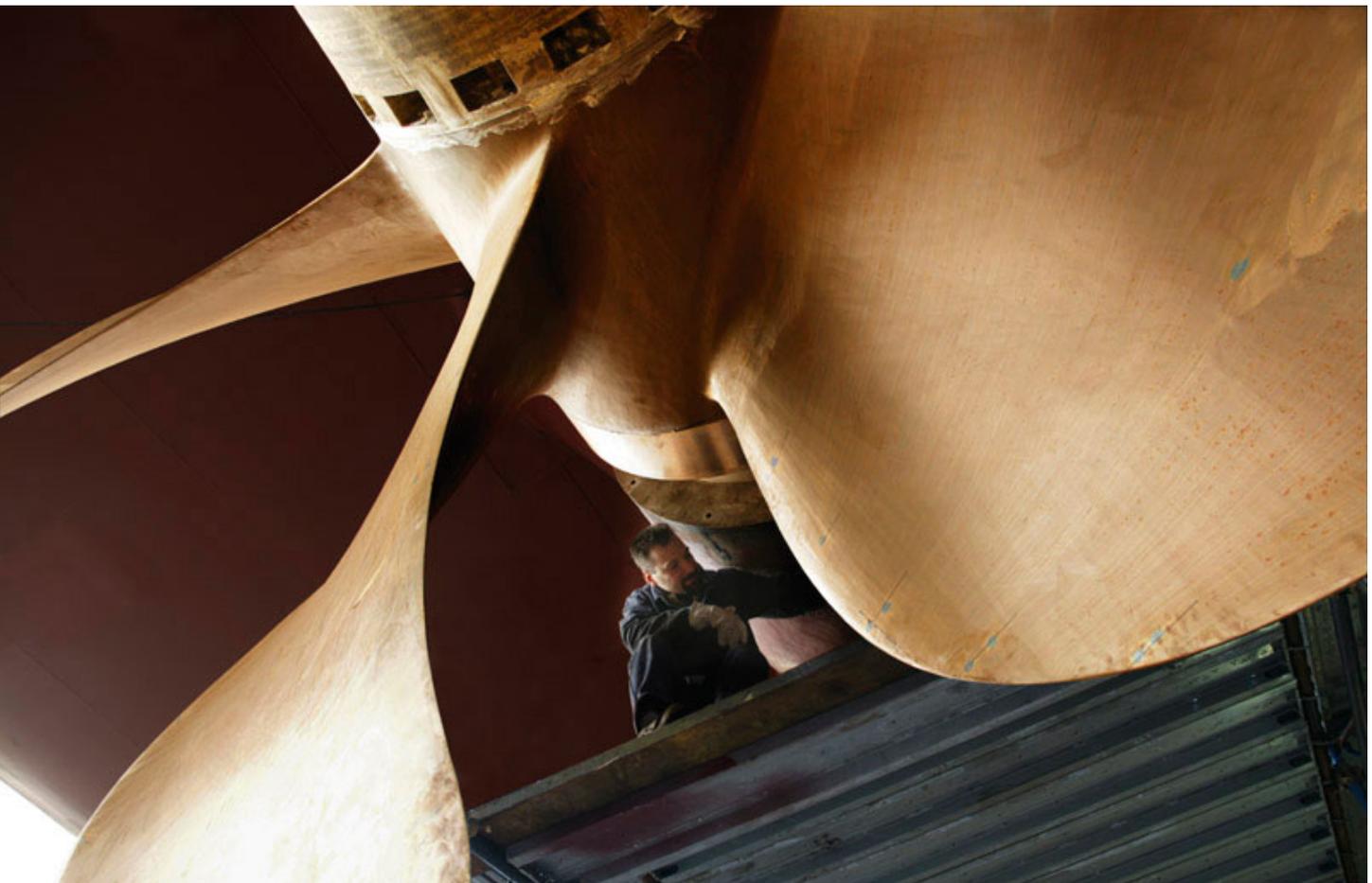
In energy, Wärtsilä is an important supplier of solutions for decentralized power generation. Wärtsilä offers power plants based on oil, gas, multiple fuel engines, and biopower.

Wärtsilä's comprehensive service operations support the system deliveries throughout their entire life-cycle.

Through innovative products and support services, Wärtsilä aims to be the most valued business partner to all its customers. Wärtsilä employs more than 14,000 professionals at over 130 offices in about 70 countries around the world.

WÄRTSILÄ INCREASES  
PRODUCTION  
IN CHINA  
IN RESPONSE TO  
MARKET DEMANDS.

KEY FIGURES	2006	2005
Corporate net sales, million €	3,189.6	2,638.8
Operating profit, million €	261.6	224.3
Earnings/share, € (diluted)	3.71	1.78
Personnel	14,346	12,000



## BOARD OF DIRECTORS



**Kaj-Gustaf Bergh**  
Chairman



**Alexander Ehrnrooth**  
Vice Chairman



**Paul Ehrnrooth**  
Vice Chairman



**Ilona Ervasti-Vaintola**



**Gustaf Gripenberg**



**Karl Grotenfelt**



**Olli Riikkala**

**Kaj-Gustaf Bergh** (1955)  
M.Sc. (Econ.), LL.M. Chairman since October 6, 2006, elected to the Board in 2005. CEO of Föreningen Konst-samfundet r.f., Chairman of the Board of Aktia Savings Bank plc, Finaref Group Ab and Hufvudstadsbladet Ab and Member of the Board of Ramirent Plc and Julius Tallberg Oy Ab. Holds 5,000 Fiskars shares.

**Alexander Ehrnrooth** (1974)  
M.Sc. (Econ.) and MBA. Vice Chairman, elected to the Board in 2005. CEO of Atine Group Oyj and Virala Ltd. Chairman of the Board of Oral Hammaslääkärit Plc. Member of the Board of Tiimari Plc and Turvatiimi Corporation. Holds 5,930 Fiskars shares.

**Paul Ehrnrooth** (1965)  
M.Sc. (Econ.) Vice Chairman, elected to the Board in 2004. Chairman of the Board of Savox Ltd and Finance Link Ltd. Holds 10,100 Fiskars shares.

**Ilona Ervasti-Vaintola** (1951)  
LL.M. Elected to the Board in 2004. Chief Counsel of Sampo Group and Member of the Group Executive Committee. Member of the Boards of OMX Exchanges Ltd, Stockholmsbörsen AB and Finnish Literature Society. Holds 14,000 Fiskars shares.

**Gustaf Gripenberg** (1952)  
D.(Eng.) Professor, Helsinki University of Technology. Elected to the Board in 1986. Holds 236,600 Fiskars shares.

**Karl Grotenfelt** (1944)  
LL.M. Elected to the Board in 2005. Chairman of the Board of Famigro companies. Member of the Board of UPM-Kymmene Corporation and Ahlström Capital Oy. Holds 11,680 Fiskars shares.

**Olli Riikkala** (1951)  
M.Sc. (Eng.), B.Sc. (Econ.) and MBA. Chairman from March 20 till October 5, 2006, elected to the Board in 2002. Member of the Board of TietoEnator Corporation. Chairman of the Board of Comptel Corporation, Oriola-KD Corporation, PaloDEX Group Oy and Helvar Merca Oy Ab. Holds 2,550 Fiskars shares.

## CORPORATE MANAGEMENT

## FISKARS CORPORATION



**Heikki Allonen** (1954)  
President and CEO  
M.Sc. (Eng.)  
Management Team Member  
Employed 2003  
Holds 21,355 Fiskars shares



**Ingmar Lindberg** (1945)  
Executive Vice President,  
Real Estate  
B.Sc. (Econ.)  
Management Team Member  
Employed 1985  
Holds 3,544 Fiskars shares



**Maija Elenius** (1956)  
Vice President,  
Corporate Controller  
B.Sc. (Econ.)  
Management Team Member  
Employed 2003  
Holds 980 Fiskars shares



**Leena Kahila-Bergh** (1959)  
Vice President,  
Corporate Communications  
M.Sc. (Econ.)  
Management Team Member  
Employed 1989  
Holds 1,127 Fiskars shares



**Jutta Karlsson** (1963)  
General Counsel  
LL.M.  
Employed 2006  
Holds no Fiskars shares



**Juha Rauhala** (1954)  
Vice President,  
Corporate Finance  
B.Sc. (Econ.)  
Management Team Member  
Employed 1989  
Holds 13,995 Fiskars shares

## FISKARS BRANDS, INC.

## BOARD OF DIRECTORS

**Heikki Allonen** (1954)  
Chairman  
**Ralf R. Böer** (1948)  
Chairman and CEO, partner,  
Foley & Lardner LLP  
Holds 5,677 Fiskars shares  
**David J. Drury** (1948)  
President and Partner,  
Poblocki Sign Company LLC  
**Alexander Ehrnrooth** (1974)  
**Clas Thelin** (1954)  
**James S. Purdin** (1949)  
President and CEO

## MANAGEMENT



**James S. Purdin** (1949)  
President & CEO, Employed 2003

**Francis Kint** (1962)  
President – Fiskars Brands Europe  
and Garden  
Employed 2004

**Jerome L. Klein** (1957)  
Sr. Vice President – Finance &  
Accounting, Employed 2002

**Jason R. Landmark** (1967)  
President – Outdoor Recreation  
Employed 2001

**William J. Nee** (1960)  
Sr. Vice President – Human  
Resources  
Employed 2004

**Chad T. Vincent** (1961)  
President – Craft  
Employed 2001

## INHA WORKS LTD.

## BOARD OF DIRECTORS

**Heikki Allonen** (1954)  
Chairman  
**Maija Elenius** (1956)  
**Ingmar Lindberg** (1945)

## MANAGEMENT



**Jukka Suonperä** (1952)  
President  
M.Sc. (Eng.)  
Employed 2003  
Holds 770 Fiskars shares

## REAL ESTATE

## PARENT COMPANY'S REAL ESTATE

**Ingmar Lindberg** (1945)

## FERRARIA OY AB

## BOARD OF DIRECTORS

**Heikki Allonen** (1954)  
Chairman  
**Elsa Fromond** (1942)  
Ph.D.  
Holds 1,086,382 Fiskars shares  
**Fredrik von Limburg Stürm**  
(1974)  
M.Sc. (Agriculture and Forestry)  
Holds 260,178 Fiskars shares  
**Ingmar Lindberg** (1945)  
President



SEVERAL FISKARS PRODUCTS HAVE BEEN AWARDED PRESTIGIOUS INTERNATIONAL DESIGN PRIZES, SUCH AS THE REDDOT AWARD, THE IF-DESIGN PRIZE AND THE GOOD DESIGN AWARD.



FISKARS ACCOUNT BOOKS FROM THE 1750S. THE OLDEST GENERAL LEDGER THAT HAS SURVIVED DATES TO 1734.



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The consolidated financial statements presented in this Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS). During 2006, Fiskars divested its Power Sentry division. Power Sentry has therefore been classified as discontinued operations, and in the income statement the results for Power Sentry are reported separately from the results for continuing operations. The figures of the 2005 income statement have been adjusted to be comparable,

but this has not been done for earlier years.

Graphics and tables for the years 2004–2006 are presented according to IFRS, and for the years prior to that according to the generally accepted Finnish accounting principles (Finnish GAAP).

Because all figures in the Annual Report are rounded off, the sum of individual sets of figures may differ from the presented total sum.

# REPORT BY THE BOARD OF DIRECTORS

## 2006

Net sales of Fiskars Corporation increased by 4.9% in the fiscal year and was EUR 534.9 million (509.9). A total of 47.7% (43.1) of net sales were generated in Europe, and 44.1% (49.6) in the United States. The shift towards Europe was due to divestment and acquisition transactions, general development of the market and, to a lesser extent, to changes in currency exchange rates.

The costs of reorganizing the US operations of the Corporation's largest division, Fiskars Brands, announced in the Fall of 2005, were booked and totaled EUR 50.3 million, in accordance with the original plans.

The number of employees at the end of the year was 3,003 (3,220). The number of employees decreased particularly in the US, where three production plants were closed and two turned into predominantly packing and distribution centers. Outsourcing increased, particularly in the United States, and the newly launched products have been well received. Of the products for sale during early spring in 2007, however, a considerable proportion has been manufactured using production capacity that has subsequently been closed. The cost-effectiveness of outsourcing will not become visible until after the first quarter.

The Corporation's operating profit was EUR 85.8 million (22.7). The reported non-recurring costs related to the reorganization were at the estimated level, EUR 10.6 million (39.7). Operating profit from wholly-owned operations before non-recurring items was EUR 37.8 million (33.8). Comparable profitability measured in operating profit percentage improved to 7.1% (6.6).

The Fiskars Corporation income from associate Wärtsilä results was EUR 58.6 million (28.6).

The profit before taxes for the fiscal year was EUR 76.7 million (65.4). The profit for 2005 includes EUR 49.8 million in gains from the sale of Wärtsilä shares.

The Power Sentry operations divested during the fiscal year is now reported under discontinued operations, separate from continuing operations, and the Income Statement for 2005 has been adjusted accordingly.

The profit for the fiscal year was EUR 82.0 million (62.1). The earnings per share for the parent company shareholders was EUR 1.06 (0.80).

The key figures for operations over a longer period are available under Five Years in Figures in the Notes section on page 72.

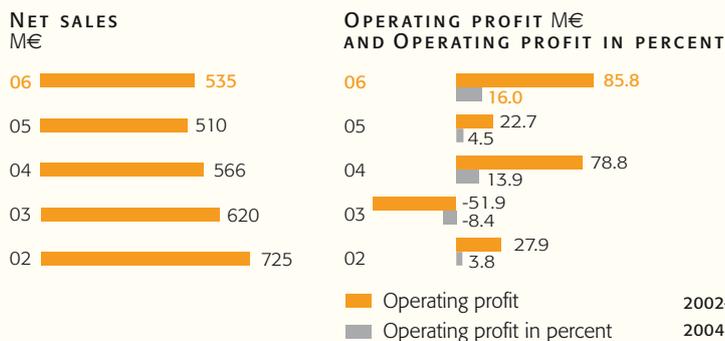
### OPERATIONS

#### FISKARS BRANDS, INC.

##### STRUCTURAL CHANGES

At the end of June, Fiskars Brands sold the Power Sentry division, which marketed accessories for home appliances in the United States. The transaction was part of Fiskars Brands' strategy of focusing on core operations. The division had its own brands, and there was no significant operational connection to other operations of Fiskars Brands. Net sales for the Power Sentry division in 2005 were EUR 41.9 million, the number of employees 42, and the capital tied up in its operations was EUR 5.5 million. Gains from the sale of the division, together with the accrued profits for the first half of the year, totaling EUR 15.2 million (3.9), reported in discontinued operations. The Power Sentry division was sold for cash; the transaction was final, and at the end of the fiscal year there were no open items relating to the sale.

The acquisition of the Swedish Silva Group was closed at the end of August 2006. The transaction comprised Silva Sweden AB, its US subsidiary The Brunton Company; the Group's European sales companies in the United Kingdom, France and Germany; and a majority in a production company in China. The investment was EUR 25.6 million. The Silva Group's annual net sales have



2002–2003 figures according to the Finnish Accounting Standards (FAS)  
 2004–2006 figures according to the International Accounting Standards (IFRS)

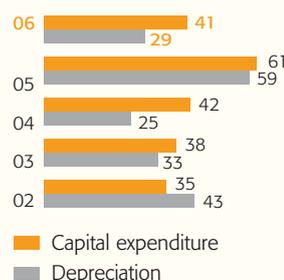
been in excess of EUR 30 million. Silva and Brunton have strengthened the Fiskars Outdoor Recreation division by extending its product range to include, in particular, hiking products. The acquisition also brings Fiskars Brands new customers and distribution channels, particularly in the European markets. The wide product range of Silva and Brunton, including compasses, headlamps, and binoculars, are well respected brandnames with a good reputation. The figures for the Silva Group have been consolidated from the beginning of September.

The downsizing of the company's own manufacturing capacity, which was part of the reorganization begun in the US in the Fall, 2005, has in practice been completed, with non-recurring costs for the measures during the 2006 fiscal year totaling EUR 10.6 million (39.7). Of these, some EUR 3.8 million were costs related to the reduction of personnel, with the remaining EUR 6.8 million being write-downs of fixed assets. The effects of the streamlining measures will become evident gradually during the first half of the year. As part of the reorganization scheme, Fiskars Brands discontinued manufacturing and marketing garden hoses and floor mats, and the two plants used for their manufacture were closed in the summer. The combined net sales of these operations in 2005 was some EUR 21 million and they employed 130 people.

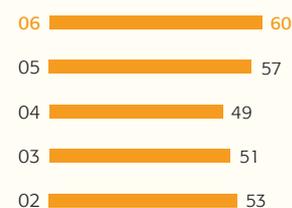
Fiskars Brands has outsourced the manufacturing in the US of most of its craft products and a significant proportion of its garden tools. In future, the Craft and Garden divisions will focus more on product development and marketing. In these product categories, one plant has been closed down while two other factories have been converted into packaging and distribution centers.

As a part of the streamlining of the Fiskars corporate structure, a holding company in Sweden was liquidated at the end of the fiscal year; and Fiskars Brands Europe

#### CAPITAL EXPENDITURE AND DEPRECIATION M€



#### EQUITY RATIO %



Aps, which owns Fiskars Brands European subsidiaries, was transferred into direct ownership by the parent company. At the end of the fiscal year, a sales company was founded in Spain.

#### FISKARS BRANDS OPERATIONS

Fiskars Brands net sales grew by 3.8% and were EUR 489.9 million (472.0). In the main market areas, sales in Europe totaled EUR 214.3 million (185.6), with EUR 233.5 million (254.9) in the United States. The European share of sales increased, being 43.7% (39.3), while the US share was 47.7% (54.0). The Silva Group's contribution to the increase of net sales was EUR 12.5 million.

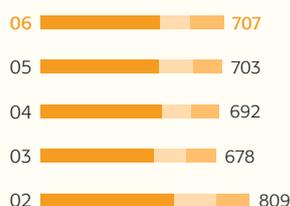
Fiskars Brands operating profit was EUR 21.1 million (-5.6). The non-recurring costs of the reorganization project totaled EUR 10.6 million (39.7). Excluding the non-recurring costs the operating profit was, as predicted, at last year's level at EUR 31.7 million (34.1). Related to sales, the operating profit was EUR 4.3% (-1.2).

Competition in the Fiskars product categories continued to be keen. In the US and the largest retail chains, there were some changes in the emphasis of product selection, not all of which were favorable to Fiskars. The shelf space of everyday commodities and perishables in the distribution channel is growing, while the space reserved for seasonal consumer goods is being reduced.

More effort than in previous years was put into developing and marketing new products during the fiscal year and marketing was brought closer to the consumers, particularly in the crafts sector. The supply chain has changed and become more demanding, so more was done to ensure the functionality of the supply chain while maintaining high quality. The costs of these measures had an effect on profitability during the fiscal year.

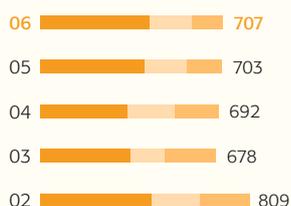
European markets developed favorably; more than 10% of the 16% increase in sales was organic growth. Sales increased both in the traditionally strong market

#### BALANCE SHEET ASSETS M€



- Non-current assets
- Inventories
- Financial assets

#### BALANCE SHEET EQUITY AND LIABILITIES M€



- Equity
- Long-term liabilities
- Current liabilities

areas and in the countries of eastern central Europe. The favorable development of sales also showed in increased profitability. In other significant markets, such as Canada and Australia, sales grew and profitability improved.

Of the EUR 37.5 million (24.1) capital expenditure made by Fiskars Brands, the investment in the Silva Group was the largest at EUR 25.6 million. In 2005, some EUR 11.9 million were spent on acquisitions. The remaining capital expenditure was mostly in tooling for new products, logistics centers, and the maintenance of production facilities. Due to the fact that more and more of the manufacturing is subcontracted, Fiskars aims to own the strategic tools and molds used in the manufacturing processes.

Research and development costs totaled EUR 5.5 million (4.9), which was some 1.1% of net sales (1.0). Capitalized product development cost totaled EUR 0.4 million (0.5). The most important new product innovations in garden tools were developed at the R&D unit in Billnäs, Finland, whereas most of the product development work done in the US is for new Craft and Outdoor Recreation products.

Fiskars Brands goodwill, which was increased by the acquisition of the Silva Group, totaled EUR 22.4 million at the end of the fiscal year (12.8). Goodwill impairments tests based on future cash flows are carried out annually for each of the cash generating units.

On the basis of the calculations, there was no need for impairment. In 2005, the goodwill of the Garden division in the US was impaired by EUR 19.7 million.

### INHA WORKS

Net sales for Inha Works increased by 14.5%, totaling EUR 37.2 million (32.4). The operating profit was EUR 3.7 million (3.5). Profitability was constrained by continued sharp increase in the price of aluminum. The operat-

ing profit percentage was 9.9 (10.8). The demand for boats continued to grow healthily in the main market areas and the demand for Buster boats increased especially in Finland, Scandinavia, and Russia.

Production capacity was in full use throughout the year and the smaller boat models were contact manufactured. A new boat model, the Buster X, was launched in the Fall and sales got off to a good start. The new model has a variety of different layout options, and in size it comes between the earlier Buster L and Buster XL models.

Buster boats celebrate their 30th anniversary in 2007.

The sales of other Inha Works products, hinges and forged products, continued satisfactorily, as did the profitability of the operations.

During the year, capital expenditure of some EUR 1.2 million (3.4) was made, mostly in developing production and tools for new boat models. Research and development costs were EUR 0.6 million (0.5) or 1.6% of net sales (1.6). The costs were mostly related to the development of the boat range.

### REAL ESTATE GROUP

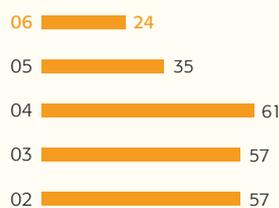
In addition to leasing real estate to corporate and external customers, the Real Estate Group manages the Corporation's forests. The change in market value of biological assets is reported in profits from operating activities. During the 2006 fiscal year, the price of standing timber increased, whereas it had decreased during 2005. The value of standing timber increased by EUR 4.8 million (-0.8) over the year. The net sales for the Real Estate Group, of which the increase in the value of biological assets formed a significant part, was EUR 10.3 million (8.9) and the operating profit was EUR 7.6 million (2.0). Capital expenditure during the fiscal year totaled EUR 1.9 million (2.9).

### ASSOCIATE WÄRTSILÄ

Income from Fiskars associate Wärtsilä was EUR 58.6 million (28.6). The considerable increase was due both to the favorable development of Wärtsilä's operations and the non-recurring gains the associated company made through transactions. The latter were mostly gains from the sale of shares in Assa Abloy and Wärtsilä associate Ovako, their contribution to Fiskars' share of the profits being EUR 28.6 million (1.9).

At the end of the fiscal year, Fiskars share of Wärtsilä capital was 16.55% (16.81) and its share of the votes

#### NET GEARING %



#### EARNINGS PER SHARE DIVIDEND PER SHARE €



■ Dividend per share  
■ Earnings per share  
\* Board proposal

30.44% (30.58). Wärtsilä's share capital and number of votes changed during the year, as holders of Wärtsilä options exercised their right to acquire shares. During the 2006 fiscal year, Fiskars did not trade in Wärtsilä stock; in 2005, selling Wärtsilä shares generated a gain of EUR 49.8 million.

Wärtsilä paid Fiskars a total of EUR 47.5 million in dividends (17.1). The book value of the Fiskars Wärtsilä holding at the end of the year was EUR 239.1 million (231.9), of which EUR 37.7 million was goodwill (38.1). The equity of Fiskars Corporation includes Fiskars' share of the fair value reserve included in Wärtsilä's consolidated shareholders' equity, totaling EUR 21.6 million at the end of the year (24.7). The market value of Fiskars shares in Wärtsilä was EUR 645 million at the end of the year (394).

### CORPORATE PROFIT AND TAXES

The operating profit of the Corporation, including Fiskars' income from associate Wärtsilä, was EUR 85.8 million (22.7). Net financial costs were EUR 9.1 million (7.1) and included investment income totaling EUR 0.8 million (2.5). Financial costs were at the same level as in the previous fiscal year.

Profit after financial items was EUR 76.7 million (65.4).

Taxes on continuing operations for the fiscal year were EUR 9.8 million (7.3).

The gain from the sale of the Power Sentry division less the deferred tax assets are reported in discontinued operations together with the accumulated pre-sale profit from the Power Sentry operations. The income statement from the previous year was adjusted accordingly.

Profit for the fiscal year was EUR 82.0 million (62.1). The share of new minority owners in the profits was negligible.

Earnings per share were EUR 1.06 (0.80) and continuing operations represented EUR 0.86 of that (0.75).

### BALANCE SHEET AND FINANCING

Cash flow from operations was EUR 99.0 million (58.6). Working capital decreased compared to the previous financial year. Inventories decreased by EUR 7.6 million despite that inventory tends to grow with a longer supply chain and supply periods. The inventory management process was improved during the fiscal year. The restructuring costs influenced cash flow by EUR 3.8 million (1.0). Once again, dividends from Wärtsilä totaling EUR 47.5 million (17.1) were an important source of corporate cash flow.

Capital expenditure totaled EUR 45.5 million (30.7). Of these, some EUR 26.0 million (11.9) were acquisitions and at EUR 19.5 million (18.8) capital expenditure in non-current assets was less than the depreciation. The investment cash flow was EUR 10.1 million (52.0) negative.

The Corporation's interest-bearing net debt decreased by EUR 38.1 million and was EUR 101.9 million (140.0) at the year end. The capital loan of EUR 45.1 million at the end of 2004 is reported in interest-bearing long-term liabilities.

The Corporation's liquidity remained good. Cash at the end of the year totaled EUR 44.9 million (21.7), in addition to which there are considerable unused credit limits at hand.

Consolidated shareholders' equity was EUR 421.8 million (402.7) at the end of the year. Dividends paid during the year totaled EUR 57.1 million (22.8). The return on equity was 19.9% (16.8). The equity to assets ratio increased and was 60% (57). Net gearing continued to decrease and was 24% (35).

Total assets were on the previous year's level at EUR 707.2 million (702.7). Non-current assets amounted to EUR 460.0 million (458.5). Non-current tax assets decreased by EUR 13.6 million to EUR 30.4 million (44.0). Fiskars consolidated goodwill of EUR 22.4 million was entirely related to Fiskars Brands. All the biological assets of EUR 35.0 million (29.9) are in Finland. Investment properties comprise of buildings leased to external parties by the Real Estate Group as well as those leased by Fiskars Brands in the United States that were no longer used by the operating units. The fixed assets of the two plants, closed down as part of the Fiskars Brands reorganization, have been sold during the fiscal year. The fixed assets of the two factories changed into logistics centers bear a book value of EUR 7.7 million; the management's assessment is that there is no need for a write-off.

### PERSONNEL

Corporate personnel numbered 3,003 employees at the end of the fiscal year (3,220). The comparable figure does not include the 42 people who worked in Power Sentry. Most of the planned changes in personnel caused by the restructuring of manufacturing at Fiskars Brands were realized during the 2006 year, decreasing the number of personnel by 400. Acquisition of the Silva Group increased the corporate staff by 273. The number of employees at the Billnäs plant in Finland decreased to 435 (529), while the number of employees at Inha Works

increased by 30 to a total of 301 (271). The average number of employees was 3,167 (3,426), a decrease of 259.

During the fiscal year, a total of EUR 121.3 million (125.9) were paid in wages, salaries and benefits.

Figures for longer period of time are available under Five Years in Figures in the Notes section on page 72.

### **CORPORATE MANAGEMENT**

Mr. Heikki Allonen was CEO and President. Ms. Jutta Karlsson was appointed general counsel for Fiskars Corporation and secretary to the Board on June 14, 2006. In 2006, the Board of Directors defined the basis for a 3-year bonus program for the CEO. The program is based on the development of the share price and it is capped.

### **CORPORATE GOVERNANCE**

Fiskars complies with the administrative and corporate governance rules for stock exchange listed entities published by the Helsinki Exchanges, the Central Chamber of Commerce, and the Confederation of Finnish Industries, effective in 2004.

Fiskars also complies with the new insider rules of Financial Supervision and Helsinki Exchanges adopted on January 1, 2006. The Corporation further applies internal insider guidelines as adopted on July 1, 2006.

### **MANAGEMENT OF RISKS AND UNCERTAINTIES**

Fiskars most important operational risks relate to supply chain control, structural changes in the retail business environment and also partly to the development of raw-material prices. Supply chain control has been improved through increased quality control, close ties with suppliers and control of immaterial rights. Structural changes in distribution channels represents a risk mainly in the US. The impact of those changes is minimized through flexibility in marketing and careful forecasting. Changes in the cost of raw materials directly influences the cost of the company's own manufacturing processes and indirectly outsourcing. The Corporation has not used raw-material derivative instruments, but strives to make long-term contracts with key suppliers of raw materials. In order to generate growth, the ability to produce innovative new products responding to the needs of the customers is of particular importance.

The development of associate Wärtsilä's profitability has a significant impact on Fiskars' results, with the asso-

ciated company's ability to pay dividends influencing Fiskars' cash flow. A significant decrease in Wärtsilä share prices might result in an impairment of the Corporation's book value.

Fiskars hedges its financial risks in accordance with the practice approved by the Corporation's Board of Directors. Investments are made only in solid financial institutions and other low-risk companies or funds. Other receivables mainly consist of trade receivables and are relatively widely spread geographically and between customers. The credit ratings of major customers are generally high. No significant credit losses have materialized during the fiscal year.

Insurance policies are used to cover property risks and significant operational risks. Other risks associated with balance sheet values are estimated to be minor.

A closer description of the Corporation's risks and risk management can be found in the Notes section on page 69.

### **PURCHASE AND SALE OF OWN SHARES**

The Board of Directors had an authorization to purchase and sell the Corporation's shares until the Annual General Meeting on March 20, 2006, provided that the total nominal value of such shares and the votes carried by them did not exceed five percent (5%) of the share capital and the total votes in the company.

At the Annual General Meeting, the Board was authorized to purchase and sell the Corporation's shares provided that the total number of such shares or of the votes carried by them did not exceed ten percent (10%) of the share capital and the total votes in the company. The Board did not exercise its authorization during the review period.

At December 31, 2006, the company held in total 127,512 of its own A-shares and 420 K-shares. The holding has not changed during the review period, and the number of shares equals 0.2% of the entire share capital of the company and 0.03% of the votes.

### **ANNUAL GENERAL MEETING 2006**

Fiskars Corporation Annual General Meeting held on March 20, 2006 decided to distribute a dividend of EUR 0.45 per share of Series A, totaling EUR 24,667,641, and EUR 0.43 per share of Series K, totaling EUR 9,703,073.84.

It was decided that the number of Board members be seven. Mr. Kaj-Gustaf Bergh, Mr. Alexander Ehrnrooth, Mr. Paul Ehrnrooth, Ms. Ilona Ervasti-Vaintola, Mr. Gustaf

Gripenberg, Mr. Karl Grotenfelt, and Mr. Olli Riikkala were elected. The term of the Board members will expire at the end of the Annual General Meeting in 2007.

KPMG Oy Ab was elected auditor.

The Annual General Meeting authorized the Board of Directors to acquire or divest a number of the company's own shares at the Helsinki Exchanges in a proportion deviating from the shareholders' existing proportionate holdings at share prices quoted on the Helsinki Exchanges at the time of such acquisition or divestment, provided that the total nominal value of such shares and the votes carried by them do not exceed ten percent (10%) of the share capital and the total votes in the company, whereby the authorization concerns a maximum of 5,494,449 of the company's own Series A shares and a maximum of 2,256,570 of Series K. The authorization is valid for a period of one year from March 20, 2006.

### CONSTITUTIVE MEETING OF THE BOARD OF DIRECTORS

Convening after the Annual General Meeting, the Board elected Olli Riikkala its Chairman, and Alexander Ehrnrooth and Paul Ehrnrooth as Vice Chairmen. The Board appointed Gustaf Gripenberg Chairman of the Audit Committee and Alexander Ehrnrooth, Paul Ehrnrooth, and Ilona Ervasti-Vaintola as its other members. The Board appointed Olli Riikkala Chairman of the Compensation Committee and Kaj-Gustaf Bergh and Karl Grotenfelt as its other members.

On October 4, 2006, the Chairman of the Board Olli Riikkala notified the company that he would be on sick leave until the end of the year. At a meeting on October 5, 2006, the Board elected Kaj-Gustaf Bergh its Chairman for the remainder of the fiscal year.

On December 13, 2006, the Board decided to create a Nomination Committee. Kaj-Gustaf Bergh was elected

Chairman of the Nomination Committee, and Alexander Ehrnrooth and Paul Ehrnrooth its other members.

### EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of Fiskars Corporation on December 12, 2006, decided to distribute an extra dividend for the fiscal year ending December 31, 2005. An extra dividend of EUR 0.30 per share of Series A, totaling EUR 16,445,094.00, and EUR 0.28 per share of Series K, totaling EUR 6,318,280.64 was distributed.

### SHARES AND SHARE PRICES

At the end of the 2006 fiscal year, Fiskars Corporation's share capital totaled EUR 77,510,200 and there were no changes in the share capital or number of shares during the year. The Corporation has two series of shares, the A Series and the K Series, both of which are quoted on the Nordic List of the Helsinki Stock Exchange. The shares of Series A have one vote per share and the shares of Series K have 20 votes per share. The dividend per share paid out per share of Series A shall according to the Corporation's Articles of Association be a minimum of 2% higher than the dividend paid per a share of Series K.

On December 31, 2006, the number of shares of Series A was 54,944,492 while the number of shares of Series K was 22,565,708, totaling 77,510,200 shares. The shares of Series A had 54,944,492 votes and the shares of Series K had 451,314,160 votes, totaling 506,258,652 votes.

At the end of December, the price of Fiskars A shares on the Helsinki Stock Exchange was EUR 12.29 (9.60 at the beginning of the year) and of K shares EUR 12.11 (9.90). The market value of the Corporation's share capital increased by 26% during 2006 and was EUR 947 million at the end of the year (750).

### EURO EXCHANGE RATES

	Income Statement		Balance Sheet	
	2006	2005	2006	2005
USD	1,256	1,244	1,317	1,180
GBP	0,682	0,684	0,672	0,685
DKK	7,459	7,452	7,456	7,461
SEK	9,254	9,282	9,040	9,389
NOK	8,047	8,009	8,238	7,985
CAD	1,424	1,509	1,528	1,373

### EURO IN USD



## THE BOARD OF DIRECTORS' PROPOSAL FOR THE ANNUAL GENERAL MEETING

According to the consolidated balance sheet on December 31, 2005, the distributable equity amounts to 287,874,854.39 euro, of which EUR 60,258,394.35 is profit from the fiscal year.

The Board of Directors proposes to the Annual General Meeting of the shareholders convening on March 21, 2007, that a dividend of EUR 0.60 per outstanding share of Series A and EUR 0.58 per outstanding share of Series K be paid. Thus the dividend distribution would be:

	EUR per share	EUR total
on 54,816,980 A shares,	0.60	32,890,188.00
on 22,565,288 K shares,	0.58	13,087,867.04
Total dividend distribution		45,978,055.04

Unused distributable funds of 241,896,799.35 euro remain in shareholders' equity.

Since the end of the 2006 fiscal year, no significant changes have occurred in the Corporation's financial position. The Corporation's liquidity is strong and the proposed distribution of equity does not in the Board's view endanger corporate liquidity.

## OUTLOOK

The net sales and operating profit from Fiskars wholly-owned operations is expected to be on last year's levels during the first few months of the year. Net sales will increase slightly for the whole year and the result is expected to top the result for 2006 from the spring onwards.

Once again, the associated company Wärtsilä forms an important part of the Corporation's profit.

## FORMULAS FOR CALCULATION OF RATIOS

KEY FIGURES FOR 2002–2006 ARE AVAILABLE ON PAGE 72

Earnings before depreciation and amortization and income from associate =	Operating profit + depreciation and amortization + impairment - income from associate
Return on investment in percent =	$\frac{\text{Profit for the period} + \text{tax} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest bearing debt (average of beginning and end of year amounts)}} \times 100$
Return on equity in percent =	$\frac{\text{Profit for the period attributable to equity holders of the parent company}}{\text{Shareholders' Equity attributable to equity holders of the parent company (average of beginning and end of year amounts)}} \times 100$
Equity ratio in percent =	$\frac{\text{Shareholders' Equity, total}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Net gearing in percent =	$\frac{\text{Interest bearing debt} - \text{cash and bank}}{\text{Shareholders' Equity, total}} \times 100$
Earnings per share =	$\frac{\text{Profit attributable to equity holders of the parent company}}{\text{Weighted average number of outstanding ordinary shares Dec. 31}}$
Earnings per share from continuing activities =	$\frac{\text{Profit from continuing activities attributable to equity holders of the parent company}}{\text{Weighted average number of outstanding ordinary shares Dec. 31}}$
Nominal dividend per share =	The dividend per share approved at the shareholders' meeting adjusted for emissions
Equity per share =	$\frac{\text{Shareholders Equity attributable to equity holders of the parent company}}{\text{Number of outstanding ordinary shares Dec. 31}}$
Adjusted average share price =	$\frac{\text{Value of shares traded during the period}}{\text{Number of shares traded during the period, adjusted for emissions}}$
Market capitalization =	Number of shares Dec. 31 x market quotation Dec. 31
Price per earnings (P/E) =	$\frac{\text{Market quotation Dec. 31}}{\text{Earnings per share}}$
Dividend per earnings in percent =	$\frac{\text{Dividend paid}}{\text{Profit attributable to equity holders of the parent company}} \times 100$
Dividend per share =	$\frac{\text{Dividend paid for the series}}{\text{Number of outstanding shares Dec. 31 in the series}}$
Dividend yield in percent =	$\frac{\text{Dividend per share}}{\text{Market quotation Dec. 31 adjusted for emissions}} \times 100$

## BUSINESS AREAS

NET SALES BY BUSINESS AREA	2006		2005		2004		change 06/05%
	M€	%	M€	%	M€	%	
Fiskars Brands	490	92	472	93	528	93	4
Inha Works	37	7	32	6	29	5	15
Real Estate	10	2	9	2	11	2	15
Eliminations	-2		-3		-3		
Corporate total	535	100	510	100	566	100	5



RESULT BY BUSINESS AREA	2006		2005		2004		change 06/05 M€
	M€		M€		M€		
Fiskars Brands	21.1		-5.6		48.5		26.7
Inha Works	3.7		3.5		3.6		0.2
Real Estate	7.6		2.0		5.2		5.6
Income from associate Wärtsilä	58.6		28.6		26.7		29.9
Eliminations and other oper.	-5.2		-5.8		-5.2		
Operating profit	85.8		22.7		78.8		63.1
Gain on sale of Wärtsilä shares			49.8				
Financial income and expenses	-9.1		-7.1		-3.8		-2.0
Result after financial items	76.7		65.4		75.0		11.3

NET SALES BY MARKET AREA	2006		2005		2004		change 06/05 %
	M€	%	M€	%	M€	%	
Finland	43	8	44	9	41	7	-1
Other Europe	208	39	176	34	177	31	18
USA	235	44	253	50	311	55	-7
Other	48	9	37	7	36	6	31
Corporate total	535	100	510	100	566	100	5



Export from Finland	59	11	55	11	56	10	6
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PERSONNEL BY BUSINESS AREA	DEC 31, 2006		DEC 31, 2005		DEC 31, 2004		change 06/05 %
		%		%		%	
Fiskars Brands	2 659	89	2 906	90	3 105	90	-8
Inha Works	301	10	271	8	248	7	11
Real Estate	27	1	26	1	78	2	4
Corporate management	16	1	17	1	17	0	-6
Corporate total	3,003	100	3,220	100	3,448	100	-7



PERSONNEL BY GEOGRAPHICAL AREA	2006		2005		2004		change 06/05 %
		%		%		%	
Finland	779	26	843	26	915	27	-8
Other Europe	975	32	832	26	822	24	17
USA	1,025	34	1,394	43	1,586	46	-26
Other	224	7	151	5	125	4	48
Corporate total	3,003	100	3,220	100	3,448	100	-7



Personnel for 2004 and 2005 stated without personnel in discontinued businesses.

## Income Statement

		2006 M€		2005 M€	
<b>Net sales</b>		<b>534.9</b>	<b>100%</b>	509.9	100%
Cost of goods sold		-375.4		-364.2	
<b>Gross profit</b>		<b>159.6</b>	<b>30%</b>	145.6	29%
Other operating income	(6.1)	1.3		2.3	
Sales and marketing expenses		-73.3		-65.9	
Administration expenses		-45.3		-45.3	
Research and development costs		-6.1		-5.3	
Other operating expenses	(6.3)	-9.0		-37.4	
Income from associate		58.6		28.6	
<b>Operating profit</b>		<b>85.8</b>	<b>16%</b>	22.7	4%
Gain on sale of Wärtsilä shares				49.8	
Financial income	(6.9)	1.8		4.1	
Financial expenses	(6.9)	-10.9		-11.2	
<b>Profit before taxes</b>		<b>76.7</b>	<b>14%</b>	65.4	13%
Income taxes	(6.10)	-9.8		-7.3	
<b>Profit from continuing operations</b>		<b>66.9</b>	<b>12%</b>	58.2	11%
Profit from discontinued operations	(6.11)	15.2		3.9	
<b>Profit (loss) for the period</b>		<b>82.0</b>	<b>15%</b>	62.1	12%
<b>Minority share</b>		<b>0.0</b>			
<b>Profit attributable to equity holders of the parent company</b>		<b>82.0</b>	<b>15%</b>	62.1	12%
<b>Earnings for equity holders of the parent company</b>					
<b>per share, euro</b>		<b>1.06</b>		0.80	
continuing operations		0.86		0.75	
discontinued operations		0.20		0.05	

Earnings per share is undiluted. The company has no open option programs or other earnings diluting financial instruments.

## Balance Sheet

		Dec 31, 2006 M€		Dec 31, 2005 M€	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	(9.1)	19.2		13.5	
Goodwill	(9.2)	22.4		12.8	
Tangible assets	(9.3)	98.7		110.9	
Biological assets	(9.4)	35.0		29.9	
Investment property	(9.5)	8.7		9.4	
Investment in associate	(9.6)	239.1		231.9	
Other shares	(9.7)	5.0		4.8	
Other investments	(9.8)	1.5		1.3	
Other long-term tax receivables	(7)	5.5		9.0	
Deferred tax assets	(7)	24.9		35.0	
<b>Non-current assets total</b>		<b>460.0</b>	65%	458.5	65%
<b>Current assets</b>					
Inventories	(9.9)	114.6		129.3	
Trade receivables	(9.10)	82.7		86.9	
Other receivables	(9.11)	5.0		6.4	
Cash in hand and at bank	(9.12)	44.9		21.7	
<b>Current assets total</b>		<b>247.2</b>	35%	244.2	35%
<b>Assets total</b>		<b>707.2</b>	100%	702.7	100%
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>	<b>(10.1)</b>	<b>421.8</b>	<b>60%</b>	<b>402.7</b>	<b>57%</b>
<b>Non-current liabilities</b>					
Interest bearing debt	(10.2)	120.7		124.5	
Non-interest bearing debt	(10.3)	2.6		2.7	
Deferred tax liabilities	(7)	20.8		17.6	
Pension liability	(8)	12.8		15.5	
Provisions	(10.4)	4.2		2.9	
<b>Non-current liabilities total</b>		<b>161.1</b>	23%	163.1	23%
<b>Current liabilities</b>					
Interest bearing debt	(10.5)	26.1		37.2	
Trade payable and other non-interest bearing debt	(10.6)	92.6		94.6	
Income tax payable	(10.7)	5.7		5.1	
<b>Current liabilities, total</b>		<b>124.4</b>	18%	136.9	19%
<b>Shareholders' equity and liabilities total</b>		<b>707.2</b>	100%	702.7	100%

## Statement of Cash Flows

	2006 M€	2005 M€
<b>Cash flows from operating activities</b>		
Net profit before taxes	76.7	65.4
Adjustments for		
Depreciation	28.6	58.5
Income from associate	-58.6	-28.6
Investment income	-0.8	-52.3
Interest expense	9.9	9.5
Change in value of biological assets	-5.0	0.5
Cash generated before working capital changes	50.8	53.1
Change in working capital		
Change in interest free assets	-5.4	8.1
Change in inventories	7.6	-7.8
Change in interest free liabilities	7.6	3.0
Cash generated before financing and taxes	60.6	56.4
Dividends received from associate	47.5	17.1
Dividends received, other	3.6	0.1
Financial items paid / received (net)	-7.4	-8.2
Taxes paid	-5.1	-6.7
<b>Net cash flow from operating activities A</b>	<b>99.0</b>	<b>58.6</b>
<b>Cash flows from investing activities</b>		
Acquisitions	-26.0	-11.9
Net change in shares in associate	0.0	74.4
Capital expenditure	-19.3	-18.8
Proceeds from sale of fixed assets	5.4	2.9
Sales of other shares and I/t investments	2.2	1.7
Purchase of other shares and I/t investments	-5.3	-0.2
<b>Cash flows from discontinued operations</b>	<b>33.0</b>	<b>3.9</b>
<b>Net cash used in investing activities B</b>	<b>-10.1</b>	<b>52.0</b>
Cash flows from financing activities		
Proceeds from I/t borrowings	15.0	
Repayment of I/t borrowings	-4.6	-32.8
Proceeds from (payment of) s/t borrowings	-21.4	-39.8
Payment of financial lease liabilities	-2.8	-3.7
Cash flows from other financing items	0.1	-3.1
Dividends paid	-57.1	-22.8
<b>Net cash used in financing activities C</b>	<b>-70.8</b>	<b>-102.3</b>
<b>Change in cash (A+B+C)</b>	<b>18.2</b>	<b>8.4</b>
Cash at beginning of period	21.7	15.6
Translation adjustment	5.0	-2.3
Cash at end of period	44.9	21.7

## Statement of Changes in Shareholders' Equity

M€	Equity holders of the parent company:					Monority interest	Total
	Share capital	Own shares	Other reserves	Translation adjustm.	Retained earnings		
<b>Dec 31, 2004 IFRS</b>	<b>77.5</b>	<b>-0.9</b>	<b>0.0</b>	<b>-1.4</b>	<b>260.5</b>	<b>0.0</b>	<b>335.8</b>
Adoption of IAS 39 and IAS 32							
Fiskars Corporation			-0.4		0.4		0.1
Associate Wärtsilä			37.8				37.8
<b>Jan 1, 2005 IFRS</b>	<b>77.5</b>	<b>-0.9</b>	<b>37.5</b>	<b>-1.4</b>	<b>261.0</b>	<b>0.0</b>	<b>373.7</b>
Translation differences				1.4			1.4
Change in fair value reserve			0.4				0.4
Change in investment in associate			-6.9				-6.9
Other changes in associate			-6.3	1.2	-0.1		-5.2
<b>Net income recognised directly in equity</b>			<b>-12.8</b>	<b>2.6</b>	<b>-0.1</b>	<b>0.0</b>	<b>-10.3</b>
Net profit for the period					62.1		62.1
<b>Total recognised income and expense for the period</b>			<b>-12.8</b>	<b>2.6</b>	<b>62.0</b>	<b>0.0</b>	<b>51.8</b>
Dividend distribution					-22.8		-22.8
<b>Dec 31, 2005 IFRS</b>	<b>77.5</b>	<b>-0.9</b>	<b>24.7</b>	<b>1.2</b>	<b>300.3</b>	<b>0.0</b>	<b>402.7</b>
Translation differences				-2.0			-2.0
Change in fair value reserve, associate			-3.1				-3.1
Other changes in associate				-0.7	-0.1		-0.8
Other changes						0.0	0.0
<b>Net income recognised directly in equity</b>			<b>-3.1</b>	<b>-2.7</b>	<b>-0.1</b>	<b>0.0</b>	<b>-5.9</b>
Net profit for the period					82.0	0.0	82.0
<b>Total recognised income and expense for the period</b>			<b>-3.1</b>	<b>-2.7</b>	<b>81.9</b>	<b>0.0</b>	<b>76.2</b>
Dividend distribution					-57.1		-57.1
<b>Dec 31, 2006 IFRS</b>	<b>77.5</b>	<b>-0.9</b>	<b>21.6</b>	<b>-1.5</b>	<b>325.0</b>	<b>0.0</b>	<b>421.8</b>

Fiskars shares of associate Wärtsilä's fair value reserve and its changes are specified in the other reserves above.

# Notes to the Consolidated Financial Statements, IFRS

## 1. Accounting principles, IFRS

### Description of business

Fiskars Oyj Abp is a Finnish public limited liability company listed in Finland with domicile in Pohja. Fiskars Group comprises Fiskars Brands that manufactures and markets branded consumer products globally, manufacturing and marketing of aluminium boats under Inhan Tehtaat, real estate operations and a strategic shareholding in Wärtsilä Oyj Abp qualifying as an investment in an associate.

### Statement of compliance

The consolidated financial statements of Fiskars Corporation ("Fiskars" or "the Corporation") are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements comply with the SIC and IFRIC interpretations valid on December 31, 2006. The International Financial Reporting Standards refer to standards and related interpretations in accordance with the Finnish Accounting Act and the provisions issued pursuant to them and which have been approved for application within the EU according to the procedures provided for in the EU regulation (EC) No. 1606/2002. The Notes to the Consolidated Financial Statements also comply with Finnish accounting and corporate legislation.

The consolidated financial statements are prepared on the historical cost basis except for assets available for sale, financial assets and liabilities at fair value through profit or loss and derivative agreements at fair value. The consolidated financial statements are presented in millions of euros with one decimal.

As of January 1, 2006, Fiskars complies with the following amended and new IFRS standards:

IAS 39 Financial instruments: Recognition and Measurement: Amendments after March 31, 2004:

- Cash flow hedges of forecast intragroup transactions, issued April 14, 2005; effective from January 1, 2006
- Financial guarantee contracts; issued August 18, 2005; effective from January 1, 2006

The adoption of these amendments has not had any significant impact on the consolidated financial statements.

IAS 19 Employee benefits: amendment of actuarial gains and losses, group plans and disclosures; issued December 16, 2004; effective from January 1, 2006.

The amendment introduces an alternative option regarding the recognition of actuarial gains and losses for defined benefit pension plans and also adds new disclosure requirements.

Since the Corporation has not changed the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the annual financial statements.

IFRIC 4 interpretation: Determining whether an arrangement contains a lease; issued December 2, 2004; effective from January 1, 2006.

The adoption of this interpretation has no significant impact on the consolidated quarter financial statements.

### Use of estimates

The preparation of financial statements in conformity with IFRSs, requires management to make judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other justified assumptions that are believed to be reasonable under the circumstances at the balance sheet date. These estimates form the basis for judgments of the items in financial statements. Actual results may differ from these estimates. Such estimates mainly affect provisions for inventory obsolescence, restructuring plans, valuation of assets, the measurement of pension obligations and the probability of deferred tax assets being recovered against future taxable profits.

### Principles of consolidation

The consolidated financial statements include the parent company, Fiskars Oyj Abp, and all companies in which it holds directly or indirectly over 50% of voting rights or over which it has control. Acquired or established subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Investments in associates (voting rights 20% - 50% and for which Fiskars has significant influence, but not control) are accounted for on an equity accounted basis. In accordance with the exemption under IFRS 1 the investment in Wärtsilä is measured at the carrying amount on the date of transition to IFRSs.

All intragroup transactions, distribution of profits, receivables, liabilities and unrealised margins are eliminated in the consolidation. Minority interests have been separated from the results for the financial period. In the consolidated balance sheet, minority interest is entered as a separate item under Shareholders' equity.

Acquisitions of subsidiaries are accounted under the purchase method of accounting. Identifiable assets and liabilities are measured at their fair values at the acquisition date, the excess of the cost of acquisition over the fair value of the net assets acquired is recorded as goodwill. In accordance with the exemption under IFRS 1, acquisitions prior to the IFRS transition date have not been restated but the goodwill is recognised in the balance sheet at carrying amount consistent with previous GAAP since the estimated recoverable amounts did not indicate any impairment losses as of December 31, 2003. Under IFRSs, goodwill shall not be amortized but its recoverable amount and the possible need for impairment are tested annually. Impairment is recognized in the Income Statement.

### Determining the fair value of assets acquired in a business combination

Fair value of intangible assets has been determined based on estimates of cash flows generated by the assets. For tangible assets, comparisons have been made to the market value of corresponding assets with estimated decrease due to age, wear, and other such factors.

### Foreign operations / subsidiaries

In the consolidated accounts all items in the income statement accounts of foreign operations / Group companies are translated into euros at the average foreign exchange rates for the period and the balance sheet items at foreign exchange rates ruling at the balance sheet date. Translation differences are recognised in consolidated equity. All translation differences arising after the date of transition to IFRSs are presented as a separate component of equity. Pre-transition translation differences have been debited to the retained earnings as allowed by the exemption under IFRS 1 and they are not included in the income statement at a later divestment of the subsidiary either. Exchange rate differences resulting from the translation of income statement items at the average rate and the balance sheet items at the closing rate are recognised as a separate item in equity.

### Transactions in foreign currencies

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities at closing are translated using the exchange rate prevailing at the balance sheet date. Foreign exchange differences arising from translation are recognised in the income statement. Foreign exchange gains and losses associated with financing are included under financial income and expenses.

### Net sales and revenue recognition principles

Net sales is defined as invoiced sales less indirect taxes, rebates and exchange rate adjustments on sales denominated in foreign currency. Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, i.e. when a product has been delivered to the client in accordance with the terms of delivery. There are no such long-term deliveries in the Group for which the revenue would be recognised using the percentage-of-completion (POC) method.

The change in value of biological assets resulting from the net increase of standing timber and the change in the fair value are recognised in turnover. The cash flows from the sales of standing timber reduce the carrying value of biological assets and the net increase of standing timber.

### Research and Development

Research and development costs are expensed as they are incurred, except for development projects that are capitalized if the Group can reliably demonstrate that they will generate probable future economic benefits and also other criteria in IAS 38 is met as the product is regarded technically and commercially feasible. Capitalized development costs consisting of mainly direct labour costs and external services are recognized as intangible assets.

### Operating profit

IAS 1 Presentation of Financial Statements does not give a definition for operating profit. Associate Wärtsilä is one of the business

segments in Fiskars Corporation reporting. Therefore income from associate Wärtsilä is included in the operating profit in the same manner as the other business segments profits. Income from associate is included in operating profit as from Jan.1, 2006 and comparable income statement has been adjusted accordingly.

### Pension obligations

The Group companies have various pension plans in accordance with local conditions and practices in the countries in which they operate. The plans are classified as either defined contribution plans or defined benefit plans. Most of these schemes are defined contribution plans and contributions are charged to the income statement in the period to which the contributions relate. The costs for pension schemes that are classified as defined benefit plans are calculated and recognised under the terms of the plan based on actuarial calculations. The pension obligation is measured as the present value of the estimated future cash outflows deducted by the fair value of plan assets at the balance sheet date. All cumulative actuarial gains and losses were recognized at the date of transition to IFRSs in accordance with the exemption permitted in IFRS 1. All actuarial gains and losses (after the transition date) are recognised in profit or loss. Changes in the estimates in the actuarial calculations may influence reported pension obligations and pension costs.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if applicable. Revaluations included to the land areas in accordance with Finnish GAAP, amounting to EUR 9.8 million, have been reversed in the transition to IFRSs. The land areas have been re-measured applying the exemption allowed under IFRS 1, i.e. the value of forest areas only comprises the soil and some of revaluations previously made to fair value have been allocated to zoned sites. These values represent the deemed cost for the land areas under IFRS 1. Property, plant and equipment of acquired subsidiaries are measured at their fair values at the time of acquisition. Depreciations are charged to the income statement on a straight-line basis over the estimated useful lives of the assets. The useful lives are reassessed annually.

The estimated useful lives are as follows:

Buildings	20–40 years
Property, plant and equipment	3–10 years
Land areas	are not depreciated.

### Leased assets

In accordance with the criteria for finance leases in IAS 17, lease contracts in terms of which the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized in the balance sheet as assets at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments at inception of the lease. The associated obligations are included in interest bearing liabilities. The lease payments are divided into finance cost and amortization of

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

lease liability. Lease payments under an operating lease are recognized as an expense as incurred.

### Investment Property

The properties that are not owner-occupied are classified as investment property. Part of the revaluation that was allocated to land according to the prior GAAP is assigned to assets classified as investment property. Land has been revaluated when applying the exemption of IFRS 1 and to the zoned sites have been allocated some previously made revaluations based on the fair values. These values have been taken as deemed cost for land complying with IFRS.

The properties are carried at their cost less accumulated depreciations and accumulated impairment losses. Investment property is depreciated within 20-40 years. The fair value of investment property is disclosed in the notes. The real estate in Fiskars Village is deemed to be unique and therefore the fair value cannot be determined reliably.

### Goodwill and other intangible assets

The excess of the acquisition cost for a business combination over fair value of the net assets acquired is allocated to goodwill. Goodwill has been allocated to cash-generating units and each unit's recoverable amount is compared annually with its carrying amount to determine potential impairment loss. Goodwill related to the associated companies is included in the carrying amount of the investment in the associate.

Other intangible assets are: patents, capitalized development costs, software and other intangible assets acquired in a business combination. Intangible assets are stated at cost less accumulated amortization and impairment losses. When intangible assets are acquired related to a business combination they are stated at fair value at inception.

Intangible assets are amortized on a straight-line basis over the period of their known or expected useful lives as follows:

Development costs	3–6 years
Software	3–6 years
Other	3–10 years

Intangible assets with an indefinite useful life like trademarks or brand names obtained in a business acquisition are not amortized but they are tested systematically for impairment on an annual bases.

### Biological assets

Biological assets consist of wood resources in Finland. These assets are recognized at fair value less estimated point-of-sale costs. Measurement is based on the price for standing timber at the balance sheet date, on wood species-specific quantitative and qualitative information included in the forestry plans as well as on realized point-of-sale costs. The change in fair value of standing timber resulting from growth, felling and fluctuation of prices and expenses is included in operating profit.

### Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories comprise direct costs of purchase, costs of conversion and related production overheads. The cost is determined by FIFO-method.

### Financial instruments

The Corporation has implemented the standard "Financial instruments: recognition and measurement" since January 1, 2005. Financial assets have been classified in the manner prescribed into the following categories: financial assets at fair value through profit or loss; loans and other receivables; and available-for-sale financial assets. Assets are designated a category at inception on the basis of the management's intent at the date of purchase. Transaction costs are included in the original book value of assets when an item is not measured at fair value through profit or loss. All transactions of financial assets are booked on the transaction date.

### Investments in debt and equity securities

The publicly traded shares of Fiskars Oyj Abp are classified as financial assets and stated at fair value through profit or loss. Changes in fair value are reported in the profit or loss account as financial income or expenses and the results will be included when calculating changes in deferred tax liabilities. Unlisted shares are carried at lower of cost or net realisable value because their fair values cannot be measured reliably.

Other investments include long-term receivables that are stated at cost at inception. At closing an estimate is made for doubtful receivables based on the risks of single items and they are recorded at fair value.

### Assets available for sale

Assets classified as available-for-sale financial assets are those that have specifically been placed in this group or that have not been placed in any other group. Available-for-sale assets are measured at fair value and changes in fair value adjusted for tax effects are recognized directly in shareholders' equity, until the investment is sold or otherwise disposed of, which time they are released into the income statement. Permanent write-down of assets is booked in the income statement.

### Derivatives

Derivative financial instruments are classified as financial assets at fair value through profit and loss. Derivative financial instruments are recognized initially at cost, which is their fair value at inception.

Subsequent to initial recognition, derivative financial instruments are stated at fair value. Regardless of that derivatives comply with the Corporation's risk management policy's requirements for effective hedging and that they can be regarded as economically effective the Group does not apply hedge accounting under IAS 39 and therefore changes in fair value are recognized immediately through profit and loss.

Fair values of interest rate swaps, the futures and forwards are measured by using discounted cash flow analyses. Fair values of currency forwards are based on quoted market prices at the balance sheet date.

#### **Trade and other receivables**

Trade receivables are carried at the original invoice amount. The estimate made for doubtful receivables is based on the risks of single items and they are recorded at highest to their probable value.

#### **Cash and cash equivalents**

Bank and cash in the balance sheet consist of cash at bank and in hand. Cash equivalents comprise liquid available-for-sale investments with maturity of three months or less. Bank overdrafts are included in short-term borrowings under current liabilities.

#### **Financial liabilities**

Financial liabilities comprise balance-sheet liabilities other than tax liabilities, trade payables and accruals and deferred income.

The liabilities are classified as non-current and current, with all liabilities to be paid within the next 12 months classified as current.

Financial liabilities are stated at fair value based on the consideration received. The transaction costs are included in the original book value of financial liabilities. All financial liabilities are later valued at the amortized cost using the effective interest method.

#### **Non-current assets held for sale and discontinued operations**

An operation is classified as sold or held for sale when the company has sold or, on the basis of a specific discontinuation plan, decides to discontinue – such discontinuation being held to be likely – a separate and significant division which has assets, liabilities and financial results that can be separated physically, operationally, and for financial reporting purposes. The net operational profit and the net result of the sale or discontinuation of such operations are entered as a separate item in the income statement. The income statement of the comparable period is similarly adjusted. The assets and liabilities of major operations sold, classified as held for sale or classified as to be discontinued are presented separately in the balance sheet after the decision has been made. The operating profit of such operations as well as the net result arising from their sale or discontinuation, are presented in the income statement separately from the profit for the period from continuing operations. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell.

#### **Impairment**

The Group operations have been divided into cash-generating units (CGU) that are smaller than segments. The carrying amounts of the assets relating to these CGUs are regularly reviewed. To determine a potential impairment the capital employed by a CGU is compared against the discounted future cash flows expected to be derived

from that CGU or against the net disposal price. An impairment loss is recognized for an asset when its carrying amount exceeds its recoverable amount. An impairment loss previously recognized for items of property, plant and equipment as well as for intangible assets other than goodwill is reversed, if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation or depreciation, if no impairment loss had been recognized for the asset in prior years. An impairment loss recognized for goodwill is not reversed.

#### **Provisions**

A provision is recognized in the balance sheet if the entity as a result of past event has a present legal or constructive obligation, the counterparty is aware of the commitment and a reliable estimate can be made of the amount of the future obligation. For example restructuring costs may fall under the provisions. A provision for restructuring is recognized when a detailed formal plan has been approved and when there is a valid expectation that the plan will be carried out.

#### **Income Taxes**

The Group income taxes include Group companies current taxes based on taxable profit for the financial period according to local tax regulations, adjustments to prior year taxes and deferred taxes.

Deferred tax liability or asset are determined on temporary differences arising between the tax bases and their carrying amounts using tax rates enacted at the balance sheet date. Temporary differences arise i.a. from tax loss carry-forwards, depreciation differences, provisions, defined pension benefit plans, revaluation of derivative financial instruments at fair value, eliminated inventory margins as well as the assessed fair value of assets in connection with business acquisitions. The tax effect of undistributed earnings of subsidiaries is recorded as a deferred tax liability if a dividend payout is probable and it will result in tax consequences. A deferred tax asset is recognized as a result of tax loss carry-forwards and other temporary differences to the extent that it is probable that they can be utilized in future financial periods.

Deferred tax liabilities are provided for in full and deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

#### **Dividends**

Dividends proposed by the Board of Directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

#### **Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

### Lawsuits and legal processes

The Corporation is party to lawsuits and legal processes involving the Corporation's business enterprise. The accounts make suitable preparations for expenses caused by these processes when the amounts can be assessed and they seem likely to be realized. The final results may differ from these estimates.

### New IFRS standards and interpretations

The IASB has published and the EU has approved some changes to existing standards as well as some new interpretations. The standards described below, together with interpretations of and amendments to them, have been issued but they have not yet come into force and the Corporation has not applied these regulations before they come into force. From 2007, the Corporation will implement the following new or amended IASB standards and interpretations issued in 2005 and 2006:

- *IFRS 7 Financial Instruments: Disclosures* (effective for annual periods beginning on or after January 1, 2007). IFRS 7 requires additional disclosures about the influence of financial instruments on the entity's financial situation and results. The standard prescribes presentation of information about the nature and extent of risks arising from financial instruments and contains minimum requirements for disclosures on credit risk, liquidity risk, and market risk. In addition, it prescribes sensitivity analysis of each type of market risk to which the entity is exposed. The Corporation estimates that implementation of IFRS 7 will mainly influence future Notes to the Consolidated Financial Statements.
- The amendment to the IAS 1 standard, *IAS 1 Presentation of Financial Statements – Capital Disclosures* (effective for annual periods beginning on or after January 1, 2007). After the amendment, the IAS 1 requires disclosure of information about the entity's capital and the management of that capital during the financial period. The Corporation estimates that implementation of the IAS 1 amendment will mainly influence future Notes to the Consolidated Financial Statements.
- *IFRIC 9 Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 requires entities that become party to a contract to assess whether any embedded derivatives are contained in the contract and whether they should be separated from the host contract and accounted for as if they were stand-alone derivatives. The assessment cannot be made again at a later date unless the contract is changed in such a manner that the original cash flows are significantly modified. The Corporation estimates that this interpretation will not influence its consolidated financial statements, as no company within the Corporation has changed contract stipulations as indicated by the interpretation.
- *IFRIC 10 Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 states that an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. The Corporation estimates that this interpretation will not influence its consolidated financial statements.

## 2. Segment Information

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. The Group's accounting principles are applied for calculating segment information.

### Business segments

**Fiskars Brands:** The segment's revenues are derived from sales of consumer goods to the retail stores. Sales focused in the North American and European markets.

**Inha Works:** The major part of the segment's revenues come from selling aluminum boats to retailers in Finland and other Nordic countries.

**Real Estate:** The segment is active in Finland, with external leasing income coming from the Fiskars Village area in Finland. Forestry is part of the segment's business activities.

**Associate Wärtsilä:** Income from associate is reported as the segment's revenues. Business activities between the segments are limited, Real Estate owns real estate in Finland and leases it to subsidiaries in Finland for use as production facilities.

### Geographical segments

USA

Europe

Rest of the World

Net sales for the segment is reported based on the geographical location of customers. Segment assets and liabilities are based on geographical location of the assets. Sales between the segments is insignificant.

### Unallocated items

The unallocated items of the Income Statement contains corporate-level costs and income. Discontinued operations also fall under unallocated items. Unallocated assets comprise items related to corporate administration, tax receivables, loan receivables and equity instruments. The unallocated liabilities comprise long- and short-term debt and tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

M€	Fiskars Brands	Inha Works	Real Estate	Associate Wärtsilä	Unallocated and eliminations	Corporate total
<b>2.1 Business segments</b>						
<b>2006</b>						
Net Sales, external	489.9	37.2	7.9			534.9
Net sales, inter-segment	0.0		2.4		-2.4	0.0
Net sales	489.9	37.2	10.3		-2.4	534.9
Income from associate Wärtsilä				58.6		58.6
Operating profit	21.1	3.7	7.6	58.6	-5.2	85.8
Financial income and expenses					-9.1	-9.1
Profit before taxes						76.7
Taxes					-9.8	-9.8
Profit from continuing operations						66.9
Profit from discontinued operations					15.2	15.2
Profit (loss) for the period						82.0
Assets	298.3	17.7	66.9	239.1	85.3	707.2
Liabilities	102.5	6.4	1.5		175.0	285.5
Capital expenditure	37.5	1.2	1.9		0.3	40.8
Depreciations	25.8	1.2	1.4		0.1	28.6
Impairment	0.4					0.4
Other non-recurring costs	10.2					10.2
<b>2005</b>						
Net Sales, external	472.0	32.4	6.4		-0.9	509.9
Net sales, inter-segment	0.1		2.5		-2.6	0.0
Net sales	472.0	32.4	8.9		-3.5	509.9
Income from associate Wärtsilä				28.6		28.6
Operating profit	-5.6	3.5	2.0	28.6	-5.8	22.7
Gain on sale of Wärtsilä shares				49.8		49.8
Financial income and expenses					-7.1	-7.1
Profit before taxes						65.4
Taxes					-7.3	-7.3
Profit from continuing operations						58.2
Profit from discontinued operations					3.9	3.9
Profit (loss) for the period						62.1
Assets	316.8	15.4	61.9	231.9	76.8	702.7
Liabilities	109.1	4.5	1.4		184.9	300.0
Capital expenditure	24.1	3.4	2.9	30.2	0.4	60.9
Depreciations	36.0	1.0	1.3		0.5	38.8
Impairment	19.7					19.7
Other non-recurring income	0.2					0.2

M€	Europe	USA	Rest of the world	Unallocated and eliminations	Corporate total
<b>2.2 Geographical segment</b>					
<b>2006</b>					
Net sales					
– based on customer location	256.2	235.2	43.5		534.9
– based on assets' location	269.7	258.5	35.5	-28.8	534.9
Segment assets	483.1	139.6	16.6	67.9	707.2
Capital expenditure	30.8	9.6	0.4		40.8
Operating profit					
– based on assets' location	86.3	-2.5	1.5	0.5	85.8
<b>2005</b>					
Net sales					
– based on customer location	219.3	253.3	37.3		509.9
– based on assets' location	234.8	271.4	31.8	-28.1	509.9
Segment assets	437.7	188.0	16.3	60.7	702.7
Capital expenditure	43.7	16.8	0.5		60.9
Operating profit					
– based on assets' location	44.4	-23.9	0.9	1.3	22.7

### 3. Restructuring costs

The strategy and structure of Fiskars Brands, Inc. was revised at the end of 2005. At the same time, it became apparent that there was an impairment of goodwill associated with one cash-generating unit (Garden US). The Board approved of two programs to streamline the operations and the total cost for the projects during 2005 and 2006 has been EUR 50.3 million. The first part of the costs has been booked in the closing accounts for the year 2005 and is mostly comprised of write-offs on inventories and fixed assets as well as goodwill impairment. During 2006 the costs were caused by personnel reductions and scrapping of fixed assets in factories being closed as well as extra depreciation of fixed assets.

The restructuring costs are included in expenses by function in the income statement as follows:

	2006 M€	2005 M€
Cost of goods sold		3.2
Sales and marketing expenses	0.4	
Other operating expenses	10.2	36.5
<b>Total</b>	<b>10.6</b>	<b>39.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

### 4. Acquisitions of businesses and operations

Acquisitions during the fiscal year consisted of the purchase of Silva Sweden AB and its subsidiaries, and an additional purchase price for the Superknife operations acquired in the US in 2005. The consolidated net sales of the Silva Group was EUR 12.5 million and the operating result EUR -0.9 million. Silva's full year pro forma net sales amounted to approximately EUR 30 million, which would make the net sales for Fiskars Corporation EUR 553 million in 2006.

Calculating the pro forma operating profit is not possible because all Silva Group operations were not acquired. A significant part of the acquisition cost was allocated to immaterial rights, some of which are amortized during their estimated economical lives. The Silva and Brunton brand names will, however, not be amortized, but they will be annually tested for impairment. All of the additional purchase price EUR 0.4 million paid for the Superknife operations acquired in 2005 were allocated into goodwill.

	2006	
Silva acquisition cost, specification	M€	
Purchase price paid in cash	25.6	
Fair value of acquired asset	-14.6	
Goodwill	11.1	
<b>Acquired assets and liabilities</b>	sellers book values	fair values
Non-current assets	1.9	10.8
Inventories	7.9	8.4
Receivables	5.3	5.3
Cash and bank	0.2	0.2
Minority interest	0.0	0.0
Deferred tax liability		-3.1
Non-current liabilities	-1.0	-1.0
Current liabilities	-6.0	-6.0
Total	8.3	14.6

#### 2005

Fiskars made only relatively small business acquisitions in 2005. Fiskars Brands, Inc. widened its operations by acquiring the manufacture and marketing of scissors under the Gingher brand in February, the scrapbooking product lines of the Heidi Grace and Cloud9 brands in November and December, respectively, and the SuperKnife brand of knives in September. All acquisitions were operations and not companies, and a significant part of the acquisition costs were allocated to immaterial rights: trademarks, client relationships and patents. Mainly the immaterial rights will be stated at cost less amortization but for some trademarks an economical life cannot be defined.

	2005
Acquisitions total	M€
Purchase price paid in cash	11.9
<b>Total acquisition cost</b>	<b>11.9</b>
Acquired assets	-11.1
Goodwill	0.7
<b>Acquired assets at fair value</b>	
Property, plant and equipment	0.2
Immaterial rights	7.9
Inventories	2.4
Receivables	1.7
Trade and other payables	-1.0
Total	11.1

## 5. Divestments

### 2006

At the end of June, Fiskars divested the Power Sentry division, which marketed accessories for electronic home appliances in the US. After deducting divestment-related costs and taxes of EUR 7.4 million, the gain on sale of division was EUR 13.0 million. Power Sentry's net sales in 2006 were EUR 25,2 (41.9), the operating profit was EUR 1.5 million (2.2) and the operating cashflow was EUR 1.8 million (2.4). The divested operations were part of a legal entity, so no financial costs, taxes or interest-bearing financial items have been separately reported for the Power Sentry division. After the divestment the business was classified as discontinued operations and it is reported separately from continuing operations. Items booked in the income statement have been specified in 6.11

The book values of the sold assets and liabilities at June 30, 2006	M€
Fixed assets	0.3
Immaterial assets	1.3
Inventories	7.8
Receivables	9.5
Current non-interest-bearing liabilities	-8.9
Total	10.0

### 2005

Fiskars divested Hangon Sähkö Oy – Hangö Elektriska Ab in November. The shares in the company were sold for cash. The sold assets were EUR 1.2 million and the total interest-free liabilities EUR 0.7 million.

	2006 M€	2005 M€
<b>6. Income statement specifications (foreign currency denominated income statements translated at average rate of exchange)</b>		
<b>6.1 Other operating income</b>		
Net gain on disposal of tangible assets	2.0	1.5
Other income	-0.7	0.8
Total	1.3	2.3
<b>6.2 Total expenses by kind</b>		
Materials and supplies	209.4	191.7
Change in inventory	8.1	-10.1
Personnel costs	121.3	125.9
Depreciation and amortization	28.6	38.8
Goodwill impairment	0.0	19.7
Other costs	144.9	150.5
Total	512.3	516.6
<b>6.3 Other operating expenses</b>		
Impairment in property, plant and equipment	2.8	15.9
Goodwill impairment	0.0	19.7
Other expenses	6.2	1.9
Total	9.0	37.4
<b>6.4 Personnel costs</b>		
Wages and salaries for time worked	83.9	86.3
Pension costs, defined contribution plans	7.9	7.9
Pension costs, defined benefit plans	0.1	2.5
Other social benefits	28.3	28.4
Other personnel costs	1.0	0.8
Total	121.3	125.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>6.5 Personnel costs by function</b>		
Cost of goods sold	63.6	73.0
Sales and marketing expenses	23.4	21.8
Administration expenses	25.9	25.9
Research and development costs	3.2	2.5
Other operating expenses	5.1	2.8
<b>Total</b>	<b>121.3</b>	<b>125.9</b>
<b>6.6 Authorized public accountant fees paid to Companies' Auditors</b>		
Audit fees	0.9	0.9
Consultation fees	0.2	0.4
<b>Total</b>	<b>1.1</b>	<b>1.3</b>
<b>6.7 Depreciation and amortization according to plan by function</b>		
Cost of goods sold	13.7	17.0
Sales and marketing expenses	2.5	0.9
Administration expenses	4.9	5.4
Research and development costs	1.5	1.3
Other operating expenses	6.1	33.9
<b>Total</b>	<b>28.6</b>	<b>58.5</b>
<b>6.8 Depreciation and amortization by non-current asset group</b>		
Buildings	3.8	10.0
Machinery and equipment	21.3	26.4
Intangible assets	3.5	2.4
Goodwill impairment	0.0	19.7
<b>Total</b>	<b>28.6</b>	<b>58.5</b>
<b>6.9 Financial income and expenses</b>		
Dividend distribution received	3.6	0.1
Interest income from long-term investments	0.0	0.0
<b>Financial income from long-term investments in total</b>	<b>3.6</b>	<b>0.1</b>
Interest income from short-term investments	0.9	0.8
Net gain (loss) from sale of investments	-3.0	1.3
Fair value of other shares	0.3	1.0
Net exchange gains		0.9
<b>Financial income from current investments total</b>	<b>-1.8</b>	<b>4.0</b>
<b>Financial income total</b>	<b>1.8</b>	<b>4.1</b>
Write-down of long-term investments	0.0	0.0
Interest expenses on debt	-7.8	-9.1
Interest cost on financial leasing	-1.1	-1.3
Derivative revaluation gains/losses	-0.1	0.6
Net exchange gains and losses	-1.0	-0.4
Other financial expenses	-0.8	-1.0
<b>Interest and other financial expense, total</b>	<b>-10.9</b>	<b>-11.2</b>

	2006 M€	2005 M€
<b>6.10 Income taxes from continuing operations</b>		
Current year taxes	-9.1	-7.9
Tax adjustments for prior years	-0.1	0.6
Change in deferred tax from temporary differences	-1.5	6.9
Change in deferred tax from change of tax rate	0.0	-0.6
Change in deferred tax valuation allowance	6.5	-5.2
Other changes in deferred tax	-5.6	-1.0
Income taxes per income statement	-9.8	-7.3

#### 6.11 Profit from discontinued operations

The corporation divested its Power Sentry division in the US in 2006. The operations were classified as discontinued operations and are reported as such in 2006 and 2005.

Profit from discontinued operations	2.2	3.9
Gain (loss) from sale of discontinued operations before taxes	20.4	
Taxes from discontinued operations	-7.4	
Profit from discontinued operations in the income statement	15.2	3.9

#### 6.12 Earnings per share

The undiluted result per share is the annual net profit attributable to ordinary shareholders of the parent company divided by the weighted average number of shares outstanding during the year. Fiskars Corporation does not have any current share option programs or other diluting financial instruments, so the diluted earnings per share is the same as the undiluted. The Corporation has a minority interest from 2006 onwards but the minority share in the profits for 2006 is really small.

Net Profit attributable to the ordinary shareholders of the parent company	82.0	62.1
Number of shares (1,000 pcs)	77,510	77,510
Weighted average number of shares outstanding (1,000 pcs)	77,382	77,382
Earnings per share, euro	1.06	0.80
Earnings per share (euro), continuing operations	0.86	0.75
Earnings per share (euro), discontinued operations	0.20	0.05

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>7. Effective income tax rate and deferred tax assets</b>		
Tax rate for the parent company	26%	26%
Profit before taxes	76.7	65.4
Income tax using the domestic corporation tax rate	-19.9	-17.0
Tax exempt revenues	17.2	20.6
Non-deductible expenses	-14.8	-7.8
Effect of tax rates in foreign jurisdictions	1.6	2.4
Effect of change of tax rates	0.0	0.2
Effect of tax losses not recognized as assets	-1.4	-7.0
Change in valuation of earlier tax assets	6.5	0.8
Income tax for prior years	-0.1	0.6
Tax booked against unbooked tax assets	1.2	0.0
Other items	-0.1	-0.1
Income taxes recognized in profit and loss	-9.8	-7.3

	Jan 1, 2006	booked in income statement	translation adjustment	acquisitions and divestments	Dec 31, 2006
<b>Deferred tax assets</b>					
Property, plant and equipment	12.3	-2.9	-0.6		8.7
Inventories	4.4	0.5	-0.6		4.4
Pension obligations	3.8	1.1	-0.4		4.4
Interest limited by thin-cap	10.3	-8.2	-1.1		1.0
Tax-loss carry forwards	40.2	0.5	-7.1		33.7
Valuation allowance of deferred tax assets	-44.2	0.6	7.2		-36.5
Other temporary differences	8.3	1.6	-0.7		9.2
Total	35.0	-6.7	-3.3		24.9
Other non-current tax receivables	9.0	-3.5	0.0		5.5
<b>Deferred tax liability</b>					
Tax provisions	1.1	-0.3	0.0	0.2	1.0
Biological assets	9.4	1.6	0.0		11.1
Property, plant and equipment	6.3	2.7	-0.7	3.0	8.3
Other temporary differences	0.8	-0.1	0.0		0.5
Total	17.6	3.9	-0.7	3.2	20.8
Deferred tax assets, net	26.4				9.7

No deferred tax liability has been booked based on the retained earnings in subsidiaries, as the corporation has full control of dividend distribution and it is not probable to happen in the near future. Associate Wärtsilä is a public company and its distribution is tax exempt for Fiskars. Tax exempt income consists mainly of income from associate Wärtsilä. No taxes have been recognized directly in equity. The corporation has available tax losses and the tax loss carry forwards amounted to EUR 33.7 million at the end of the fiscal year. The deferred tax asset valuation allowance is booked against these receivables and therefore the net book value is EUR 0. The tax loss carry forwards will survive beyond the following five years. Income taxes booked in the income statement are specified in note 6.10

## 8. Pension benefits and other post-employment benefits

Most of Fiskars Corporation's pension plans are defined contribution plans. There are some defined benefit plans in the US, Great Britain and Germany, among others. However, most of these pension plans have been closed, which means future pay increases will not affect the amount of liability. The Corporation also has certain supplementary pension plans which are classified as defined benefit plans. The numbers below are based on calculations made by approved actuaries. The Corporation is responsible for some post-employment benefits in Italy, but the liabilities booked are final and as such they are classified as defined contribution plans.

	2006 M€	2005 M€
Liabilities for post-employment benefits	2.3	2.2
Defined pension benefit liabilities	10.5	13.2
<b>Pension liability total</b>	<b>12.8</b>	<b>15.5</b>
<b>Amounts recognized in the balance sheet</b>		
Change in defined benefit obligation		
Defined benefit obligation at the beginning of the year	28.1	23.1
Translation difference	-0.4	1.2
Service cost	0.3	0.4
Interest cost	1.3	1.3
Actuarial (gain) or loss	-1.0	2.6
Settlements	0.0	0.0
Currency effects	0.0	0.0
Benefits paid	-0.7	-0.6
Defined benefit obligation at the end of the year	27.6	28.1
Changes in plan assets		
Fair value of plan assets at the beginning of the year	14.8	13.1
Translation difference	0.7	0.3
Expected return on plan assets	0.9	0.9
Actuarial gain or (loss)	0.2	0.6
Benefits paid	-0.5	-0.6
Employer contributions	1.0	0.9
Currency effects	0.0	-0.4
Fair value of plan assets at the end of the year	17.1	14.8
<b>Net defined pension benefit liability at December 31.</b>	<b>10.5</b>	<b>13.2</b>
<b>Amounts recognized in the income statement</b>		
Current service cost	0.3	0.3
Interest cost	1.3	1.3
Effect of settlement and curtailments	0.0	0.0
Expected return on plan assets	-0.9	-0.8
Net actuarial gain(-) / loss (+) recognized during the year	-1.6	1.7
Amortization of past service cost	-0.1	0.2
Expense(+) income (-) in the income statement	-1.0	2.6
Expenses in the Income Statement are booked in the following lines:		
Cost of goods sold	0.0	0.0
Sales and marketing expenses	0.0	0.0
Administration expenses	-0.8	2.4
Research and development	0.0	0.0
Other operating expenses	-0.2	0.2
Total	-1.0	2.6
Actual gain for defined benefit plan funds	0.3	2.1

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	2006	2005
<b>Principal actuarial assumptions at the balance sheet date</b>		
Discount rate, %		
Great Britain	4.9–5.1	4.8
Germany	4.5	4.5
Finland	4.75	4.5
United States	5.75	6.25
Expected return on plan assets, %		
Great Britain	5.2–6.3	6.2
Germany	n/a	n/a
Finland	4.75	4.5
United States	n/a	n/a
Future salary increases, %		
Great Britain	n/a–5.3	n/a
Germany	n/a	n/a
Finland	2.5	2.5
United States	0	0
Future pension increases, %		
Great Britain	3.0	2.8
Germany	1.0	1.0
Finland	n/a	2.0
United States	0	0
	<b>2006</b>	<b>2005</b>
	<b>M€</b>	<b>M€</b>
<b>9. Balance sheet, assets specifications (currency denominated balance sheets translated at closing rate of exchange)</b>		
<b>9.1 Intangible assets</b>		
Original cost, Jan. 1	30.8	21.8
Currency translation adjustment	-1.8	0.7
Original cost, at the beginning of the year	29.0	22.5
Acquisitions	8.8	7.9
Capital expenditure	1.5	2.0
Decrease	-0.2	-1.6
Transfers	0.0	0.0
Gross value, Dec. 31	39.0	30.8
Accumulated amortization according to plan, Jan. 1	17.2	16.0
Currency translation adjustment	-0.7	0.4
Accumulated amortization, at the beginning of the year	16.5	16.4
Amortization according to plan	3.4	2.4
Decrease	-0.2	-1.6
Transfers	0.0	0.0
Accumulated amortization according to plan, Dec. 31	19.8	17.2
Net book value, Dec. 31	19.2	13.5

	2006	2005
<b>9.2 Goodwill</b>		
Original cost, Jan. 1	35.1	30.2
Currency translation adjustment	-3.4	4.0
Original cost, at the beginning of the year	31.7	34.3
Acquisitions	11.7	
Capital expenditure		0.8
Decrease	-1.3	0.0
Gross value, Dec. 31	42.2	35.1
Accumulated amortization according to plan, Jan. 1	22.3	1.3
Currency translation adjustment	-2.5	0.2
Accumulated amortization, at the beginning of the year	19.8	1.5
Impairment		20.8
Accumulated amortization according to plan and impairment, Dec. 31	19.8	22.3
Net book value, Dec. 31	22.4	12.8

Goodwill has not been amortized since Jan.1, 2004

#### Goodwill impairment test in cash-generating units

Goodwill allocated to cash-generating units		
Fiskars Brands Garden / USA	4.3	4.8
Fiskars Brands Craft / USA	1.4	1.5
Fiskars Brands Power Sentry / USA	0.0	1.4
Fiskars Brands Outdoor Recreation	11.8	0.2
Fiskars Brands, Europe	5.0	4.9
Total	22.4	12.8

Goodwill has been tested for impairment by comparison to its value in use. Value in use is based on discounted cash flow calculations. The first five years' cash flows are based on the units' plans and the cash flows after that are extrapolated using an estimated growth of 2%. The same growth-% has been applied in all businesses. The pre-tax discount rates used in the calculations were: 12.5% for US and 12.1% for Europe. On the basis of the impairment calculations made, there has been no need for impairment of goodwill for any unit. In 2005 a goodwill impairment of EUR 19.7 million was recognized for the Garden US unit. The unit's develop-

ment has been slow before the results from the restructuring project begin to have full effect. Based on calculations of value in use, studies made and divestments of similar businesses, the corporate management has assessed that the unit's market value is considerably higher than its book value of EUR 23.5 million (43.0). The management estimates that due changes in the assumptions used in calculations will not result in a need for goodwill impairment, but the realization and timing of the results of the restructuring project do have a significant impact on the value in use of the Craft and Garden units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>9.3 Intangible assets</b>		
<b>Land and water</b>		
Original cost, Jan. 1	14.2	14.1
Currency translation adjustment	0.0	0.0
Original cost, at the beginning of the year	14.2	14.1
Acquisitions	0.2	0.0
Capital expenditure	0.1	0.1
Decrease	-0.3	0.0
Devaluation		-0.2
Transfers		0.2
Book value, Dec. 31	14.2	14.2
<b>Buildings</b>		
Original cost, Jan. 1	52.2	52.4
Currency translation adjustment	-1.6	1.8
Original cost, at the beginning of the year	50.6	54.2
Acquisitions	0.2	0.0
Capital expenditure	1.6	0.5
Decrease	-1.3	-2.1
Transfers	1.2	-0.4
Gross value, Dec. 31	52.3	52.2
Accumulated depreciation according to plan, Jan. 1	26.2	25.6
Currency translation adjustment	-1.2	1.0
Accumulated depreciation, at the beginning of the year	25.1	26.6
Depreciation according to plan	2.0	2.6
Decrease	-0.8	-1.3
Transfers	0.0	-1.6
Accumulated depreciation according to plan, Dec. 31	26.2	26.2
Net book value, Dec. 31	26.1	25.9
<b>Leased real estate</b>		
Original cost, Jan. 1	16.7	13.5
Currency translation adjustment	-1.7	2.1
Original cost, at the beginning of the year	15.0	15.6
Capital expenditure	1.9	
Transfers		1.1
Gross value, Dec. 31	16.9	16.7
Accumulated depreciation according to plan, Jan. 1	5.6	1.0
Currency translation adjustment	-0.6	0.1
Accumulated depreciation, at the beginning of the year	5.0	1.1
Depreciation according to plan	1.1	2.8
Devaluation		0.2
Transfers		1.6
Accumulated depreciation according to plan, Dec. 31	6.1	5.6
Net book value, Dec. 31	10.8	11.1

	2006 M€	2005 M€
<b>Machinery and equipment</b>		
Original cost, Jan. 1	211.6	193.5
Currency translation adjustment	-17.7	17.9
Original cost, at the beginning of the year	193.9	211.4
Acquisitions	1.5	0.2
Capital expenditure	6.3	6.2
Decrease	-33.0	-18.7
Transfers	6.1	12.6
Gross value, Dec. 31	174.7	211.6
Accumulated depreciation according to plan, Jan. 1	156.3	133.5
Currency translation adjustment	-14.7	11.8
Accumulated depreciation, at the beginning of the year	141.6	145.4
Depreciation according to plan	21.5	27.7
Decrease	-33.2	-16.7
Transfers	0.0	0.0
Accumulated depreciation according to plan, Dec. 31	129.8	156.3
Net book value, Dec. 31	44.8	55.3
<b>Construction in progress</b>		
Original cost, Jan. 1	4.4	5.0
Currency translation adjustment	-0.3	0.6
Original cost, at the beginning of the year	4.1	5.7
Acquisitions	0.1	
Capital expenditure	6.6	12.0
Decrease	-0.7	
Transfers	-7.3	-13.3
Book value, Dec. 31	2.8	4.4
<b>Total tangible assets</b>		
Original cost, Jan. 1	299.1	278.6
Currency translation adjustment	-21.3	22.4
Original cost, at the beginning of the year	277.8	301.0
Acquisitions	1.9	0.2
Capital expenditure	16.5	18.8
Decrease	-35.3	-20.9
Devaluation		-0.2
Transfers	0.0	0.2
Gross value, Dec. 31	260.9	299.1
Accumulated depreciation according to plan, Jan. 1	188.2	160.0
Currency translation adjustment	-16.5	13.0
Accumulated depreciation, at the beginning of the year	171.7	173.1
Depreciation according to plan	24.5	33.1
Decrease	-34.0	-18.1
Devaluation		0.2
Transfers	0.0	0.0
Accumulated depreciation according to plan, Dec. 31	162.2	188.2
Net book value, Dec. 31	98.7	110.9

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>9.4 Biological assets</b>		
Original cost, Jan. 1	29.9	30.4
Increase due to growth	1.1	1.2
Change in fair value less estimated point-of-sale costs	4.8	-0.8
Harvested timber	-0.9	-0.9
Decrease due to sales of land areas	0.0	0.0
Book value, Dec. 31	35.0	29.9
<b>9.5 Investment property</b>		
Original cost, Jan. 1	17.7	18.4
Currency translation adjustment	-1.4	1.5
Original cost, at the beginning of the year	16.3	19.9
Capital expenditure	0.2	0.8
Decrease	0.0	-3.0
Gross value, Dec. 31	16.5	17.7
Accumulated depreciation according to plan, Jan. 1	8.3	3.9
Currency translation adjustment	-1.1	0.2
Accumulated depreciation, at the beginning of the year	7.2	4.0
Depreciation according to plan and impairment recognized	0.7	5.1
Decrease	0.0	-0.8
Accumulated depreciation according to plan and impairment, Dec. 31	7.8	8.3
Net book value, Dec. 31	8.7	9.4

### Fair value

Investment Property comprises the parent company's properties in Fiskars Village, Finland, and the US leasing properties of Fiskars Brands, Inc. that are not in company's use for production purposes. Because Fiskars Village is unique it is impossible to set a comparable market value on the properties. The US properties have been stated at their market value after write-downs booked in 2005.

<b>9.6 Investments in associated companies</b>		
Net book value, Jan. 1	231.9	219.1
Capital expenditure	0.0	30.2
Decrease	0.0	-49.8
Adjustments to the share in equity	11.1	37.4
Other changes	-3.9	-4.9
Net book value, Dec. 31	239.1	231.9
Goodwill included in the net book value	37.7	38.1

Adjustments to the share in equity comprise the share of net profit in associate and share of adjustments made directly to equity reduced with dividend distribution received. Other changes result from equity share adjustments caused by changes in share of ownership. Wärttilä's net profit included non-recurring income in 2006 with an effect on Fiskars income from associate in the amount of EUR 28.6 million (1.9).

Summary of financial information on associates Wärtsilä Corporation , M€ (100%)

	Ownership-%	Assets	Liabilities	Equity	Net sales	Net profit
2006	16.6	3,188	1,958	1,230	3,190	353
2005	16.8	2,869	1,706	1,163	2,639	168

Fiskars' share in the votes of the associate were 30.44% (30.58)

	2006 M€	2005 M€
<b>9.7 Other shares, available for sale</b>		
Original cost, Jan. 1	4.8	3.9
Capital expenditure	0.0	0.3
Decrease	-0.1	-0.4
Change in fair value through profit and loss	0.3	1.0
Book value, Dec. 31	5.0	4.8

Other shares comprises the quoted and unquoted shares owned by the Corporation. Quoted shares have been booked at their quoted value and changes in the fair value are booked in the income statement. Unquoted shares are booked at acquisition cost, as a reliable fair value is not readily available.

<b>9.8 Other investments</b>		
Original cost, Jan. 1	1.3	1.1
Currency translation adjustment	-0.1	0.1
Original cost, at the beginning of the year	1.2	1.3
Capital expenditure	0.4	0.2
Decrease	0.0	-0.2
Transfers	0.0	
Book value, Dec. 31	1.5	1.3

Other investments comprises long-term receivables and they are stated at acquisition cost or lower fair value.

<b>9.9 Inventories</b>		
Raw materials and consumables	23.3	25.2
Work in progress	9.8	10.2
Finished products / Goods	80.9	93.2
Other inventories	0.0	0.1
Advance payments	0.6	0.4
Total inventories, Dec. 31	114.6	129.3

<b>9.10 Trade receivables</b>		
Trade receivables	77.8	80.4
Trade accruals	4.9	6.5
Total, Dec. 31	82.7	86.9

Trade receivables are widely spread geographically and regarding the customer base, single credit loss risks are estimated to be insignificant. The corporation has some bigger customers, but those are mainly major retail store chains with high credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>9.11 Other receivables</b>		
Loan receivables	0.0	0.0
Other receivables	2.4	2.5
Derivatives	0.0	0.7
VAT receivables	1.7	2.7
Prepayments and accrued income	0.8	0.4
<b>Total, Dec. 31</b>	<b>5.0</b>	<b>6.4</b>
Prepayments and accrued income		
Prepaid and accrued interest	0.1	0.4
Other prepayments and accruals	0.7	0.1
<b>Total, Dec. 31</b>	<b>0.8</b>	<b>0.4</b>
<b>9.12 Cash in hand and at bank</b>		
Cash in hand and at bank	11.4	6.5
Money market investments	33.5	15.2
<b>Total, Dec. 31</b>	<b>44.9</b>	<b>21.7</b>

	2006 pcs	2005 pcs	2006 M€	2005 M€
<b>10. Balance sheet, shareholders' equity and liabilities, specifications</b>				
<b>10.1 Shareholders' equity</b>				
Share capital				
A Shares				
Jan. 1	54,944,492	54,944,492	54.9	54.9
Dec. 31	54,944,492	54,944,492	54.9	54.9
K Shares				
Jan. 1	22,565,708	22,565,708	22.6	22.6
Dec. 31	22,565,708	22,565,708	22.6	22.6
Share capital, Dec. 31	77,510,200	77,510,200	77.5	77.5
Own shares				
A Shares				
Jan. 1	127,512	127,512	-0.9	-0.9
Dec. 31	127,512	127,512	-0.9	-0.9
K Shares				
Jan. 1	420	420	0.0	0.0
Dec. 31	420	420	0.0	0.0
Own shares, Dec. 31	127,932	127,932	-0.9	-0.9
Other equity Jan. 1			326.1	259.1
Dividends			-57.1	-22.8
Currency translation adjustment			-2.8	2.9
Change in other reserves			-3.1	24.7
Net profit			82.0	62.1
Other equity Dec. 31			345.1	326.1
Minority interest Jan. 1			0.0	
Currency translation adjustment			0.0	
Minority share of net profit			0.0	
Minority interest Dec. 31			0.1	
<b>Shareholders' equity total Dec. 31</b>			<b>421.8</b>	<b>402.7</b>

	2006 M€	M€ carrying amount	2005 M€	M€ carrying amount
	fair value		fair value	
<b>10.2 Long-term interest bearing debt</b>				
Capital loan *)	45.3	45.1	46.5	45.1
Loans from credit institutions	57.1	57.1	57.9	57.9
Pension loans			0.9	0.9
Financial leasing debt	18.8	18.5	22.6	20.6
Total, Dec. 31	121.2	120.7	127.9	124.5

\*) Main characteristics of the loan:

The principal, interest and any other yield will be payable on the dissolution or bankruptcy of the company solely at a priority ranking inferior to that of all other debt. The principal can be repaid if and only to the extent the company will retain full cover for its restricted equity and non-distributable funds in accordance with the balance sheet and consolidated balance sheet approved for the latest financial year. Interest can be paid if and only to the extent the equivalent sum is available for dividend distribution in accordance with the balance sheet and consolidated balance sheet approved for the latest financial year. The loan will be repaid in full on June 17, 2010 and a fixed annual interest of 6.25% will be paid. The loan is listed on the Helsinki Exchanges.

All interest-bearing debts are loans issued by the company and they are valued at periodized acquisition cost. The current values of interest-bearing debts have been calculated by discounting the cash flow of the debt by the market rate on balance day.

	2006 M€	2005 M€
<b>Financial leasing debt</b>		
Finance lease liabilities are payable as follows:		
Less than one year	3.0	3.2
Between one and five years	12.8	13.2
More than five years	11.5	12.9
Minimum lease payments in total	27.3	29.3
<b>Minimum lease payments, principal</b>		
Less than one year	1.9	2.0
Between one and five years	9.4	9.5
More than five years	9.1	11.0
Present value of minimum finance lease payments	20.4	22.6
Unaccrued interest	6.9	6.8
<b>10.3 Long-term non-interest bearing debt</b>		
Other long-term debt	2.6	2.7
Total, Dec. 31	2.6	2.7
<b>10.4 Provisions</b>		
Provisions Jan. 1	2.9	3.8
Translation differences	0.3	0.3
Increases	2.6	1.2
Used provisions	-1.0	-0.6
Changes in estimates	-0.2	-1.9
Provisions, Dec 31	4.2	2.9
Warranty costs	1.1	1.1
Restructuring provision	2.4	0.9
Onerous contracts and other provisions	0.6	0.9
Total	4.2	2.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€ fair value	M€ carrying amount	2005 M€ fair value	M€ carrying amount
<b>10.5 Current interest bearing debt</b>				
Bank overdrafts	3.7	3.7	3.1	3.1
Loans from credit institutions	11.4	11.4	23.4	23.4
Financial leasing debt	1.9	1.9	2.0	2.0
Pension loans	0.1	0.1		
Other debt	9.0	9.0	8.7	8.7
Total, Dec. 31	26.1	26.1	37.2	37.2

	2006 M€	2005 M€
<b>10.6 Trade payables and other non-interest bearing debt</b>		
Trade payables	39.4	39.5
Advances received	0.2	0.5
Other debt	2.2	3.2
Accruals and deferred income	50.8	51.4
Total, Dec. 31	92.6	94.6
Accruals and deferred income		
Interest payable	2.4	2.3
Wages, salaries and social costs	17.8	19.5
Other accruals	30.6	29.5
Total, Dec. 31	50.8	51.4

Other accruals and deferred income comprise periodization of bought materials and supplies, annual rebates for clients and other similar accrued items.

<b>10.7 Income tax payable</b>		
Income tax liability	5.7	5.1
Total, Dec. 31	5.7	5.1

**11. Finance**

**Repayments of long-term liabilities**

	2008	2009	2010	2011	Later years	Total
Capital loan			45.1			45.1
Loans from credit institutions		27.1	15.0		15.0	57.1
Financial leasing	2.1	2.3	2.5	2.6	9.0	18.5
Total, Dec. 31	2.1	29.3	62.6	2.6	24.0	120.7
	1.7%	24.3%	51.8%	2.2%	19.9%	100.0%
Credit limit agreements		75.0	85.0	20.0	20.0	200.0
		37.5%	42.5%	10.0%	10.0%	100.0%

12 month commercial foreign exchange transaction exposure excluding hedges	2006 M€	2005 M€
USD	-27.2	-18.3
CAD	7.3	10.0
AUD	9.1	5.4
GBP	10.8	9.3
DKK	-1.3	1.5
NOK	2.9	4.6
SEK	7.9	7.7
Other	-3.6	-2.2

Currency split and repricing schedule\*\*) of outstanding net debt\*) including hedges

	2006 M€	Avg. rate	2005 M€	Avg. rate
EUR	-26.9	3.1%	-84.8	2.4%
USD	1.9	5.6%	87.6	4.9%
CAD	6.2	4.4%	10.9	3.3%
AUD	10.5	6.3%	6.3	5.5%
GBP	16.4	5.2%	14.7	4.5%
DKK	9.8	3.9%	16.5	2.6%
NOK	5.1	3.8%	5.9	2.4%
SEK	7.7	3.1%	6.8	1.8%
Other	4.4		-0.8	
Total	35.2		63.1	

\*) Excluding other debt, capital loan and financial leasing

\*\*) The duration of all loans and deposits is less than 6 months.

#### Lease obligations

	2006 M€	2005 M€
Operating leases, payments next year	5.9	6.7
Operating leases, payments later	13.1	16.5
Total operating leases, Dec. 31	18.9	23.2

The present value of financial lease agreements has been recorded under liabilities in the balance sheet.

#### Contingencies and pledged assets

As security for own commitments		
Discounted bills of exchange	0.5	0.4
Lease commitments	18.9	23.2
Other contingencies	8.6	0.8
Total	28.0	24.4
As security for third-party commitments		
Real estate mortgages	1.5	1.5
Total pledged assets and contingencies, Dec. 31	29.6	25.9

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	2006 M€	2005 M€
<b>Nominal amounts of derivatives</b>		
Forward exchange contracts	94.1	144.7
Currency options		4.2
Forward interest rate agreements		59.3
<b>Market value vs. nominal amounts of derivatives</b>		
(+calculatory gain, -calculatory loss)	-0.1	-1.5
Forward exchange contracts		0.1
Currency options		0.1
Forward interest rate agreements		

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

### Management of Financial Risks:

Financing and financial risks are managed centrally by the Fiskars Corporate Treasury in Helsinki.

#### Currency risk:

The corporation is exposed to transaction risk through internal and external exports and imports (commercial exposure) and funding of foreign units (financial exposure) and translation risk due to net investments in foreign operations. In Europe sales and cost base is mainly in Euro and other various European currencies while the sales and costs of the North American business are mainly US dollar nominated. However, the increasing share of imports from low cost countries indirectly involves a higher risk against the suppliers' currencies, mainly Chinese Renminbi (CNY).

#### Transaction risk:

The objective of the management of commercial exposure is to reduce the impacts of the exchange rate fluctuations to budgeted gross profit. Business units are in charge of managing their currency risks related to the commercial cash flows during the budget period. The units hedge their exposures mainly with currency forwards with Fiskars Corporate Treasury.

The Corporate net position consists of commercial exposures and foreign currency funding need.

Fiskars Corporate Treasury manages the corporation's net currency position and is responsible for operating in the foreign exchange and derivative market. Eligible instruments are mainly currency forwards and swaps. The Corporation does not use derivative financial instruments speculatively.

Fiskars does not apply hedge accounting as defined by IAS 39. All gains and losses resulting from valuation of currency derivatives used for hedging future transactions are booked to Profit and Loss Statement. The impact of above-mentioned timing differences was EUR -1.3 million (+0.6 in 2005).

#### Translation risk:

As the total amount of equity in other currencies than euro was less than 10% of the total equity of the corporation in 2006, the com-

pany did not apply hedge accounting for the net investments in foreign operations.

Due to divestments and changes in the legal structure of the Corporation the net investment in certain foreign operations increased substantially at the end of the year. Therefore Fiskars will start applying hedge accounting in accordance with IAS 39 and IAS 21 for investments in foreign operations from the beginning of the year 2007.

#### Interest rate risk:

Corporation's net funding need as of December 31, 2006 was EUR 102 million. The EUR 45 million capital loan and the financial leases, EUR 20 million, are fixed rate facilities. There are no interest rate derivatives outstanding as of December 31, 2006.

#### Liquidity and re-financing risk:

The corporation had considerable credit facilities with different banks. In Finland the parent company has a commercial paper program amounting to EUR 200 million with its main banks. The unutilised committed revolving credit facilities amounted to EUR 200 million at year-end 2006. The day-to-day liquidity is managed by using cash pools and overdraft facilities.

Re-financing risk is managed by maintaining an appropriate maturity structure of loans and credit facilities.

#### Credit risk:

The financial counter party risk is measured and monitored by the Treasury function. The Group minimizes financial credit risk by limiting its counter parties to a limited number of major banks and financial institutions and by working within agreed counter party limits. There was no significant concentration of credit risks with any single counter party as at the year-end.

Customer credit risks are measured and monitored by the business units. The main customer base is highly rated leading international retailers; the Corporation has not experienced any major credit losses in the past.

## 12. Related parties

The Corporation has no significant transactions, liabilities or receivables with its associated company, Wärtsilä.

### Shareholdings of Directors and Corporate management

	2006			2005		
	A Shares	K Shares	Total	A Shares	K Shares	Total
Allonen Heikki	10,155	11,200	21,355	10,155	11,200	21,355
Bergh Kaj-Gustaf	5,000	0	5,000	5,000	0	5,000
Ehrnrooth Alexander	5,000	930	5,930	41,171	930	42,101
Ehrnrooth Göran J	N/A	N/A		391,407	149,478	540,885
Ehrnrooth Paul	6,000	4,100	10,100	48,512	96,792	145,304
Ervasti-Vaintola Ilona	14,000	0	14,000	14,000	0	14,000
von Frenckell Mikael	N/A	N/A		56,000	0	56,000
Gripenberg Gustaf	203,000	33,600	236,600	203,000	33,600	236,600
Grotenfelt Karl	11,680	0	11,680	11,680	0	11,680
Lindberg Ingmar	3,544	0	3,544	3,544	0	3,544
Riikkala Olli	2,550	0	2,550	2,550	0	2,550

In Finland the Corporation has a Financial Services Office into which deposits can be made and from which loans can be granted. The Directors and the CEO do not have debts to the Financial Services Office nor other debts to the company; nor has the company given pledges or taken on other responsibilities in their names. The foundation Bergsrådinnan Sophie von Julins Stiftelse had a deposit totaling EUR 1.3 million (2.5) in the Financial Services Office on December 31, 2006. An interest of 2.25 percent was paid on the deposit.

	2006	2005
<b>Fees, wages and salaries to the Directors and Corporate management (EUR thousands)</b>	<b>2006</b>	<b>2005</b>
Allonen Heikki *)	357.6	374.0
Bergh Kaj-Gustaf	44.5	15.3
Ehrnrooth Alexander	49.4	34.4
Ehrnrooth Göran J	15.3	59.9
Ehrnrooth Paul	49.9	35.5
Ervasti-Vaintola Ilona	37.0	35.5
von Frenckell Mikael	11.6	47.4
Gripenberg Gustaf	38.1	35.5
Grotenfelt Karl	35.9	14.7
Riikkala Olli	49.8	33.8
Tallberg Thomas	0.0	14.7
<b>Total</b>	<b>689.1</b>	<b>700.7</b>

\*) a provision for the President and CEO bonus compensation program in the amount of EUR 0.2 million has additionally been booked in the income statement. The value of the three-year program is based on the market value of the corporation.

	2006	2005
<b>13. Other notes information</b>	<b>2006</b>	<b>2005</b>
Average number of employees		
Finland	808	944
Other Europe	908	842
USA	1,267	1,502
Other	183	139
<b>Total</b>	<b>3,167</b>	<b>3,426</b>
Number of employees, end-of-period		
Workers	1,694	2,138
Salaried	1,309	1,082
<b>Total</b>	<b>3,003</b>	<b>3,220</b>

Power Sentry operations are classified as discontinued and the number of personnel is not included in above figures.

### Current lawsuits and litigations

The corporation is party to lawsuits and litigations involving the Corporation's day-to-day business. Suitable provisions for expenses related to the processes are based on management estimate of the outcome and available information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

	Domicile	% of share capital	% of voting power	Nature of activities
<b>Shares and Participations</b>				
<b>Shares in subsidiaries</b>				
<b>Avlis AB</b>	<b>Sollentuna SE</b>	<b>100.0</b>	<b>100.0</b>	<b>H</b>
Silva Shenzhen Company	Shenzhen CN	70.0	70.0	T
Silva Deutschland GmbH	Friedrichsdorf DE	100.0	100.0	M
Silva France S.A.R.L.	Mantes la Ville FR	100.0	100.0	M
Silva Ltd	Livingston GB	100.0	100.0	M
Silva Far East Ltd	Hong Kong HK	100.0	100.0	H
Silva Sweden AB	Sollentuna SE	100.0	100.0	T
The Brunton Company	Riverton WY US	100.0	100.0	T
<b>Fiskars Brands, Inc.</b>	<b>Madison Wi US</b>	<b>100.0</b>	<b>100.0</b>	<b>T</b>
Fiskars Brands (Australia) Pty Limited	Melbourne AU	100.0	100.0	M
Fiskars Brands Canada, Inc.	Toronto CA	100.0	100.0	M
Fiskars de Mexico, S.A. de C.V.	Mexico City MX	100.0	100.0	M
Fiskars Servicios, S.A. de C.V.	Mexico City MX	100.0	100.0	M
Puntomex Internacional, S.A. de C.V.	Tijuana MX	100.0	100.0	H
Fiskars Brands Global Holdings LLC	Madison Wi US	100.0	100.0	H
<b>Fiskars Consumer Europe ApS</b>	<b>Silkeborg DK</b>	<b>100.0</b>	<b>100.0</b>	<b>H</b>
Fiskars Brands Europe SPRL	Brussels BE	100.0	100.0	H
Excalibur Management Consulting (Shanghai) Co., Ltd.	Shanghai CN	100.0	100.0	H
Fiskars Brands Germany GmbH	Herford DE	100.0	100.0	T
Fiskars Deutschland GmbH iL	Herford DE	100.0	100.0	L
Fiskars Brands Danmark A/S	Silkeborg DK	100.0	100.0	T
Fiskars Brands Spain S.L.	Madrid ES	100.0	100.0	M
Fiskars Brands Fininvest Oy Ab	Helsingfors FI	100.0	100.0	H
Fiskars Brands Finland Oy Ab	Pohja FI	100.0	100.0	T
Fiskars Brands France S.A.R.L.	Wissous FR	100.0	100.0	M
Fiskars Brands UK Limited	Bridgend GB	100.0	100.0	T
Fiskars Limited	Bridgend GB	100.0	100.0	L
Kitchen Devils Limited	Bridgend GB	100.0	100.0	L
Richard Sankey & Son Limited	Nottingham GB	100.0	100.0	T
Vikingate Limited	Nottingham GB	100.0	100.0	L
Consumer Brands (Hong Kong) Co., Limited	Hong Kong HK	100.0	100.0	H
Fiskars Brands Hungary Ltd.	Budapest HU	100.0	100.0	M
Fiskars Brands Italia S.r.l.	Premana IT	100.0	100.0	T
Fiskars Brands Japan K.K.	Tokyo JP	100.0	100.0	M
Fiskars Brands Holding AS	Oslo NO	100.0	100.0	H
Fiskars Brands Norge AS	Oslo NO	100.0	100.0	M
Fiskars Brands Polska Sp. z o.o.	Slupsk PL	100.0	100.0	T
ZAO Fiskars Brands Rus	St. Petersburg RU	100.0	100.0	T
Fiskars Brands Sverige AB	Motala SE	100.0	100.0	M
<b>Inha Works Ltd.</b>	<b>Ähtäri FI</b>	<b>100.0</b>	<b>100.0</b>	<b>T</b>
<b>Ferraria Oy Ab</b>	<b>Pohja FI</b>	<b>100.0</b>	<b>100.0</b>	<b>T</b>
<b>Kiinteistö Oy Danskog gård</b>	<b>Tammisaari FI</b>	<b>100.0</b>	<b>100.0</b>	<b>T</b>
<b>Ab Åbo Båtvarf - Turun Veneveistämö Oy</b>	<b>Turku FI</b>	<b>100.0</b>	<b>100.0</b>	<b>L</b>
Management or holding H, Manufacturing and marketing T, Marketing M, Dormant L, Branch S				
<b>Shares in associated companies</b>				
Wärtsilä Corporation	15,817,476	Helsinki FI	16.6	30.4
<b>Other shares</b>				
Rautaruukki Corporation	72,916	FI	x	x
Turvatiimi Oyj	1,140,000	FI	x	x

# Risk Management

The following discussion includes forward-looking statements regarding risks and uncertainties. The actual outcome of the risk exposure could differ materially from that projected herein.

## **CUSTOMER RELATIONSHIPS AND DISTRIBUTION**

Fiskars' products are sold through its sales force and agents and distributors to retail chains, wholesale, co-operative and independent accounts and institutions. Products are distributed through company operated and public storage facilities, depots and other facilities. Sales to certain large customers or sales via specialized distribution channels are significant in some of the company's businesses. The loss of a small number of major customers or a disruption of a specialized distribution channel could have an adverse effect on the Group's business and results of operations. Fiskars largest customer accounted for about 9% of sales in 2006. The biggest 20 customers represented some 40% of the sales.

## **SUPPLY CHAIN**

A risk facing the company arises from ensuring that the business will develop as planned from a primarily manufacturing driven mode of operations to a business more driven by subcontracting and marketing. This is the key focus of the risk management process in 2007 as of the total purchases made by the company, an increasing part will originate from distant countries with a beneficial cost structure.

## **PRICE AND SUPPLY OF RAW MATERIALS AND COMMODITIES CONTRACTS**

Fiskars' products are manufactured of diverse materials, mainly steel, aluminium and plastics. The company has experience in managing fluctuations in both price and availability. However, movements outside the normal range may have an impact upon margins. Futures contracts may be used but only in order to hedge future price movements.

## **INNOVATION**

Growth of business depends in part on the company's ability to generate and commercialize a stream of new products and consumer-relevant improvements to existing products. The skill of

combining innovation with the technical capability of the research and development functions forms the basis for the success of operating management in rolling out the resulting products and improvements in a timely manner.

## **BRANDS AND CORPORATE REPUTATION**

Fiskars controls a number of global and local brands. Any adverse event affecting consumer confidence or continuity of supply of such a brand would have an impact on the overall business. The Group therefore continues to monitor closely the performance of our leading brands and will take appropriate action to mitigate any threat to brand value.

Fiskars has a good corporate reputation. Products carrying well-known brand names are sold in numerous countries. To maintain the reputation, the company shall meet product safety and quality, social, environmental and ethical standards in all operations and activities.

## **WEATHER AND SEASONAL DEPENDENCE**

In the short term, demand of some product groups can be affected by weather and seasonal variations. These products are purchased and launched in the stores based on normal weather conditions. This means that weather conditions that do not concur with the statistical seasons could have a negative impact on sales of these products.

## **PENSIONS AND CORRESPONDING OBLIGATIONS**

Movements in equity markets, interest rates and life expectancy of participants in some defined benefit pension plans could affect the amount of pension liabilities reported by the company. These liabilities are however regarded as small and the risk is thus not considered material.

## **ASSOCIATED COMPANY**

Fiskars has a substantial investment in an associated company, Wärtsilä Corporation. Major movement in the share price, profitability or Wärtsilä's ability to pay dividends could have a material impact on Fiskars.

# Corporate Governance

Corporate Governance in Fiskars Corporation is based on its Articles of Association, Finland's Companies Act and the rules and regulations concerning listed companies of the Helsinki Stock Exchange. Fiskars also complies with the Corporate Governance Recommendation for Listed Companies of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers, which came into force July 1, 2004.

The ultimate decision power is vested in the shareholders of the company at the General Meeting of Shareholders. The Board of Directors of Fiskars Corporation is responsible for the management and proper arrangement of the operations of the company. The Managing Director is responsible for the day-to-day management of the company under the instructions and orders of the Board of Directors.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the shareholders shall be held before the end of June, either at Pohja or in Helsinki. The Annual General Meeting decides on matters stipulated in the Companies Act and the Articles of Association, such as the approval of the financial statements and distribution of profits, the release from liability of members of the Board of Directors and the Managing Director, the election of members of the Board of Directors and the Auditors, and the compensation paid to them.

According to the Articles of Association, the notice to the Annual General Meeting must be published in at least three newspapers which are chosen by the Board of Directors. Fiskars also publishes the notice to the Annual General Meeting on its website.

## THE BOARD OF DIRECTORS

### COMPOSITION OF THE BOARD OF DIRECTORS

According to the Articles of Association, the Board of Directors consists of a minimum of five and a maximum of nine board members. The Annual General Meeting can also appoint a maximum of three deputy members. The terms of office of both members and deputy members will be from their election to the end of the following Annual General Meeting. The Board elects a Chairman among its members.

The Annual General Meeting held on March 20, 2006 appointed seven members. Chairman of the Board was Mr. Olli Riikkala until October 4, 2006, thereafter Mr. Kaj-Gustaf Bergh has acted as Chairman of the Board. Vice Chairmen are Mr. Alexander Ehrnrooth and Mr. Paul Ehrnrooth. The other members of the Board are Ms. Ilona Ervasti-Vaintola, Mr. Gustaf Gripenberg and Mr. Karl Grotenfelt.

None of the members are employed by the company.

The current Board of Directors is presented on the company website and on page 26 of the Annual Report.

### RESPONSIBILITIES AND WORKING CHARTER OF THE BOARD OF DIRECTORS

The duties and responsibilities of the Board of Directors are governed by the Finnish Companies Act and the Fiskars Corporation Articles of Association.

According to the charter approved by the Board of Directors, the Board is responsible for the management and proper arrangement of the operations of the company. The Board appoints the Managing Director and a sufficient number of other directors and determines

their remuneration. The Board may also appoint committees and determine their duties. The committees' task is to prepare matters within their specific areas to be decided at meetings of the Board. The Board also regularly evaluates its own work and its cooperation with the management and has conducted a self-evaluation in 2006.

The Board will see to that proposals for Board member nominees for the Annual General Meeting are published in the notice to the Annual General Meeting, provided that the proposal has been made by the Nomination Committee or a minimum of 10 percent of the shareholder votes support the proposals and each nominee has given their consent to the nomination. Proposals for nominees proposed after the publication of the notice to the Annual General Meeting will be made public separately, provided the above criteria are fulfilled.

The Board of Directors convened twelve times during 2006. With a few exceptions, the members of the Board attended all meetings. Mr. Olli Riikkala was on sick leave between October 4, 2006 and December 31, 2006, during which period he did not attend the meetings of the Board.

All seven members of the Board are independent in relation to the Company. Of the Board members, Mr. Kaj-Gustaf Bergh, Ms. Ilona Ervasti-Vaintola, Mr. Gustaf Gripenberg, Mr. Karl Grotenfelt and Mr. Olli Riikkala are independent in relation to the shareholders.

## BOARD COMMITTEES 2006

In 2006 the Board of Directors has appointed three committees: an Audit Committee and a Compensation Committee on March 20, 2006 and a Nomination Committee on December 13, 2006.

1. The Audit Committee supervises and controls corporate financial reporting and audit. The Chairman is Mr. Gustaf Gripenberg and the members are Mr. Alexander Ehrnrooth, Mr. Paul Ehrnrooth and Ms. Ilona Ervasti-Vaintola. The Audit Committee has convened four times in 2006.

2. The Compensation Committee prepares matters connected with corporate remuneration and award systems. The Chairman is Mr. Olli Riikkala and the members are Mr. Kaj-Gustaf Bergh and Mr. Karl Grotenfelt. The Compensation Committee has convened three times during 2006.

3. The Nomination Committee prepares proposals regarding the composition of the Board to the General Meeting of the Shareholders, after consulting the major shareholders, prepares proposals to the Board regarding the composition of the committees of the Board and prepares the proposal on the election of the Auditors as well as confirms criteria and processes for self-evaluation of the Board. The Chairman is Mr. Kaj-Gustaf Bergh and the members are Mr. Alexander Ehrnrooth and Mr. Paul Ehrnrooth. The Nomination Committee has convened once in 2006.

## MANAGING DIRECTOR AND CEO

The Board of Directors appoints and, if necessary, dismisses the Managing Director who is also the Chief Executive Officer of the Corporation. The CEO runs the Corporation and is in charge of its administration in accordance with the Articles of Association, the Finnish Companies Act and the instructions of the Board. The CEO is assisted in his duties by the Management Team. The CEO is Mr. Heikki Allonen.

## EXECUTIVE VICE PRESIDENT

If necessary, the Board appoints one or more Executive Vice Presidents. At present, the Corporation has one Executive Vice President, Mr. Ingmar Lindberg.

## CORPORATE MANAGEMENT

The management of the parent company consists of the managers responsible for managing the corporate portfolio of businesses. The management – in different combinations, depending on the matters in hand – convenes under the leadership of the CEO to prepare proposals for the Board and to discuss financing, economical issues, communications, legal issues, development of personnel and information technology as well as other issues. Its duties also include the management of relations with stakeholder groups.

Information about management personnel is presented on the company website and on page 27 of the Annual Report.

## SUBSIDIARIES

Each of the subsidiaries has its own Board of Directors, which oversee their operations. Fiskars Brands, Inc. also has independent Board members, who bring their knowledge of local and international business to the company. Information about members of the Board is presented on the Corporation's website and on page 26 of the Annual Report.

The President of each subsidiary is responsible for ensuring that the subsidiary's resources are available in proper relation to the needs of its business; personnel development; ensuring that their operation meets the demands of quality criteria and complies with the requirements imposed by local laws and regulations.

## REMUNERATION

The Annual General Meeting determines the remuneration of the Board of Directors. In 2006, the Annual General Meeting set the annual fee of the Chairman of the Board at EUR 60,000, and the fee paid to the Vice Chairman at EUR 45,000 per annum; with fees for ordinary members at EUR 30,000 per annum. In addition, the Annual General Meeting decided that Board members are paid a fee of EUR 550 per meeting, and are reimbursed for their travel and other expenses incurred due to their activities in the interest of the company.

In addition to his basic salary, the CEO is also to be paid a bonus. The Board of Directors defines the basis of the CEO's bonus fee. The CEO's salary, including benefits and bonuses, was EUR 357,550.54 in 2006. EUR 80,000 of this consisted of bonuses. The financial statements also contain an allocation for a three-year incentive program for the CEO. The Board of Directors created the bonus program at the end of 2006 and it is tied to the value of the Corporation's shares. The incentive will be paid in cash and the CEO has undertaken to use the net proceeds to purchase Fiskars shares. There is a cap limiting the incentive payment. The CEO's retirement age is 62 years and the pension is 66% of his average total annual salary for the last four full calendar years. Remuneration on dismissal by the company is twelve months basic salary in addition to a six-month notice period.

Bonus fees can also be paid to the Executive Vice President and other members of the Corporate Management in addition to their salaries, pursuant to conditions as defined by the Board.

Fiskars Corporation has no current share option programs tied to the share price.

## INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The Board of Directors is responsible for the proper management and organization of operations. In practice it is the responsibility of the CEO together with the management to among other things put in place and administer internal audit and control mechanisms.

The financial performance of the Corporation is reviewed monthly through a reporting system that covers all units and operations. The system comprises an income statement, balance sheet, cash flows and key ratios as well as reports on any events significant to operations.

The business operations of the subsidiaries are run by their own Boards of Directors. The Board of the largest subsidiary, Fiskars Brands, Inc., is assisted in its work by an Audit Committee as well as the subsidiary's internal auditor, who in turn reports to the Chairman of the subsidiary's Audit Committee.

With the support of the Corporation, each subsidiary is responsible for the daily risk management of running its business.

In accordance with principles approved by the Board, the parent company is responsible for financing risk management and global risk insurance. The subsidiaries cover their financing and exchange rate risks through the parent company in accordance with internal hedging regulations.

## INSIDERS OF THE CORPORATION

Fiskars Corporation applies the insider regulations approved by the Helsinki Stock Exchange on January 1, 2006. In addition, the Corporation has its own insider regulations that came into force on July 1, 2006. The company's Public Insiders include the Board members and possible deputy members, the CEO and the auditors. Further Public Insiders are the members of the corporate Management Team as well as the Board members and the President of Fiskars Brands, Inc.

The Company-specific Insiders include the assistants and secretaries of the corporate management; the staff at the Economy and Finance Department; the personnel in charge of Communications; the staff at the Legal Department; the Sr. Vice President, Finance and Accounting, of Fiskars Brands, Inc.; the assistant to the President of Fiskars Brands, Inc.; and the President of Inha Works Ltd as well as other persons in similar positions as separately decided by the CEO.

For projects that on realization may have an impact on the company's share value a separate project-specific register is kept.

The legal department of Fiskars Corporation maintains lists of its insiders on the basis of information provided by the insiders. The holdings of the public insiders are available at the SIRE system of the Finnish Central Securities Depository Ltd.; Urho Kekkosen katu 5 C, 00100 Helsinki, tel. +358 20 770 6000 as well as on the company's website.

## AUDIT

The corporate auditor is KPMG Oy Ab, Corporation of Authorized Public Accountants, with Mr. Sixten Nyman, APA, as auditor with main responsibility. Fiskars Brands, Inc.'s auditor is PricewaterhouseCoopers, with Mr. Ray Wilson as auditor with main responsibility.

## Five Years in Figures

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Net sales	M€	535	510	566	597	620	725
of which outside Finland	M€	487	466	523	556	583	688
in percent of net sales	%	91.0	91.5	92.5	93.2	93.9	94.9
export from Finland	M€	59	55	56	56	53	51
Percentage change of net sales	%	4.9	-9.8	-8.8	-3.7	-14.5	-4.8
Earnings before depreciation and amortization and							
income from associate	M€	56	53	77	64	-19	71
in percent of net sales	%	10.4	10.3	13.6	10.7	-3.0	9.7
Income from associate Wärtsilä	M€	59	29	27			
Operating profit	M€	86	23	79	39	-52	28
in percent of net sales	%	16.0	4.5	13.9	6.5	-8.4	3.8
Financial items net	M€	-9	43	-4	-3	22	44
in percent of net sales	%	-1.7	8.4	-0.7	-0.5	3.5	6.1
Profit before taxes	M€	77	65	75	57	-30	72
in percent of net sales	%	14.3	12.8	13.3	9.5	-4.8	9.9
Income tax (continuing operations)	M€	10	7	15	12	-17	23
Profit from discontinued operations	M€	15	4	-5			
Profit for the period attributable to the equity holders							
of the parent company	M€	82	62	55	45	-13	50
in percent of net sales	%	15.3	12.2	9.6	7.5	-2.1	6.8
Minority interest	M€	0					
Wages and salaries	M€	121	126	138	146	151	150
Depreciation and write-offs	M€	29	59	25	25	33	43
in percent of net sales	%	5.3	11.5	4.4	4.2	5.4	5.9
Capital expenditure (incl. acquisitions)	M€	41	61	42	41	38	35
in percent of net sales	%	7.6	12.0	7.5	6.9	6.1	4.9
Research and development costs	M€	6	5	5	5	4	5
in percent of net sales	%	1.1	1.0	0.8	0.8	0.7	0.7
Capitalized development costs	M€	1	1	1			
Shareholders' equity attributable to equity holders							
of the parent company	M€	422	403	336	319	348	429
Minority interest in shareholders' equity	M€	0					
Shareholders' equity	M€	422	403	336	319	348	429
Interest bearing debt	M€	147	162	222	200	216	266
Non-interest bearing debt	M€	139	138	134	116	115	115
Balance sheet total	M€	707	703	692	635	678	809
Return on investment	%	18	14	14	12	-3	12
Return on equity	%	20	17	16	13	-3	12
Equity ratio	%	60	57	49	50	51	53
Net gearing	%	24	35	61	58	57	57
Persons employed, average		3,167	3,426	3,782	3,782	3,633	4,095
Persons employed, Dec. 31		3,003	3,220	3,448	3,448	3,877	4,206
of which outside Finland		2,224	2,377	2,533	2,533	3,004	3,298

Discontinued operations include Power Sentry in 2006 and 2005 and Syroco in 2004.

Formulas for calculations are shown on page 36.

## Information on Fiskars Shares

		IFRS 2006	IFRS 2005	IFRS 2004	FAS 2004	FAS 2003	FAS 2002
Share capital	M€	77.5	77.5	77.5	77.5	55.4	55.4
Earnings per share **)							
(diluted and undiluted)	€	1.06	0.80	0.71	0.58	-0.16	0.64
continuing operations		0.86	0.75	0.77			
discontinued operations		0.20	0.05	-0.07			
Nominal dividend per share **)	€/A Share	0.60 *)	0.75	0.30	0.30	0.94	0.79
	€/K Share	0.58 *)	0.71	0.28	0.28	0.91	0.76
Dividend	M€	46.0 *)	57.1	22.8	22.8	71.8	60.3
Equity per share **)	€	5.45	5.20	4.34	4.12	4.50	5.54
Adjusted average price per share	€/A Share	10.71	9.75	7.60	7.60	6.36	6.15
	€/K Share	10.83	9.32	7.40	7.40	6.39	5.88
Adjusted lowest price per share	€/A Share	9.00	7.91	6.58	6.58	5.18	4.93
	€/K Share	9.25	8.00	6.57	6.57	5.34	5.36
Adjusted highest price per share	€/A Share	12.55	12.00	10.07	10.07	7.86	6.86
	€/K Share	12.53	11.50	10.21	10.21	8.93	6.89
Adjusted price per share, Dec. 31	€/A Share	12.29	9.60	7.90	7.90	6.71	5.57
	€/K Share	12.11	9.90	7.90	7.90	7.46	5.79
Market value of shares	M€ A Shares	673.7	526.2	433.1	433.1	368.3	306.1
	M€ K Shares	273.3	223.4	178.3	178.3	168.4	130.6
	Total, M€	947.0	749.6	611.3	611.3	536.8	436.7
Number of shares, 1000 **)	A Shares	54,944.5	54,944.5	54,944.5	54,944.5	54,944.5	54,944.5
	K Shares	22,565.7	22,565.7	22,565.7	22,565.7	22,565.7	22,565.7
	Total	77,510.2	77,510.2	77,510.2	77,510.2	77,510.2	77,510.2
Number of own shares, 1000 **)	A Shares	127.5	127.5	127.5	127.5	87.1	
	in % of total	0.2	0.2	0.2	0.2	0.2	
	K Shares	0.4	0.4	0.4	0.4	0.4	
	in % of total	0.0	0.0	0.0	0.0	0.0	
Number of shares traded, 1000 **)	A Shares	5,901.9	10,452.4	11,659.1	11,659.1	6,243.5	5,519.5
	in % of total	10.7	19.0	21.2	21.2	11.4	10.0
	K Shares	663.2	2,144.4	3,173.6	3,173.6	631.9	1,824.5
	in % of total	2.9	9.5	14.1	14.1	2.8	8.1
Price per earnings	A Share	12	12	11	14	neg.	9
	K Share	11	12	11	14	neg.	9
Dividend per earnings in percent		56.1	92.0	41.7	50.7	neg.	121.4
Dividend yield in percent	A Share	4.9	7.8	3.8	3.8	13.9	14.1
	K Share	4.8	7.2	3.5	3.5	12.2	13.1
Number of shareholders		6,592	6,114	5,591	5,591	4,958	3,948

\*) Board proposal.

\*\*) Key figures adjusted for the bonus issue as per Dec. 3, 2004. Diluted and undiluted Earnings per Share are equal, as the company has no potential ordinary shares.

## Other Information on Shares and Shareholders

Number of shares, votes and share capital	Dec. 31, 2006			Dec. 31, 2005		
	Number of shares	Number of votes	€	Number of shares	Number of votes	€
A-shares (1 vote/share)	54,944,492	54,944,492	54,944,492	54,944,492	54,944,492	54,944,492
K-shares (20 votes/share)	22,565,708	451,314,160	22,565,708	22,565,708	451,314,160	22,565,708
Total	77,510,200	506,258,652	77,510,200	77,510,200	506,258,652	77,510,200

Dividends decided on shares of Series A must exceed the corresponding dividend on shares of Series K by at least two percent of the dividend. The book value per share for both Series A and Series K is EUR 1.00.

### Minimum and maximum number of shares and share capital according to the Articles of Association

The shares in the Company are divided into Series K and A, the total number of shares being minimum 35,000,000 and maximum 140,000,000. The number of shares of Series K may not exceed 140,000,000 and the number of shares of Series A may not exceed 140,000,000. The Company's minimum share capital is EUR 35,000,000 and its maximum authorized capital is EUR 140,000,000, within which limits the share capital may be increased or decreased following a resolution of the Shareholders' Meeting without amending the articles of association.

### Number of shares, bonus issues and stock splits 1994 –2006

	A Share	K Share	Total	
Total of shares Dec. 31, 1994	2,236,392	3,362,814	5,599,206	
March 22, 1995	1,866,402		1,866,402	Bonus issue: one new A Share for three A and/or K Shares.
November 23, 1998	23,364,335	13,431,970	36,796,305	Split: six new shares for one share.
October 28, 1999	11,072,886		11,072,886	Bonus issue: one new A Share for four A and/or K Shares.
December 3, 2004	15,698,426	6,447,344	22,145,770	Bonus issue: two new A Shares for five A Shares and two new K Shares for five K Shares.
Other changes	706,051	-676,420	29,631	
Total of shares Dec. 31, 2006	54,944,492	22,565,708	77,510,200	

### Share trading volume at the Helsinki Exchanges (adjusted for the bonus issue)

Series	2006		2005	
	M€	Number of shares	M€	Number of shares
A Share	63.2	5,901,939	101.9	10,452,401
K Share	7.2	663,241	20.0	2,144,442
Total	70.4	6,565,180	121.9	12,596,843

### Share ownership, December 31, 2006

Ownership structure	Number of shareholders		Number of shares		Number of votes	
		%		%		%
Private corporations	344	5.22	35,812,512	46.20	251,577,576	49.69
Financial institutions and insurance companies	21	0.32	2,150,672	2.77	24,169,753	4.77
Public entities	15	0.23	5,380,120	6.94	30,554,284	6.04
Non-profit organizations	138	2.09	10,069,238	12.99	50,630,742	10.00
Private individuals	6,001	91.03	21,852,645	28.19	145,488,191	28.74
Foreigners	72	1.09	2,228,442	2.88	3,755,225	0.74
Other(s)	1	0.02	16,571	0.02	82,881	0.02
Total	6,592	100.00	77,510,200	100.00	506,258,652	100.00

### Distribution of shares on December 31, 2006

Number of shares	Number of shareholders	%	Number of shares	%	Number of votes	%
1–100	1,114	16.89	86,099	0.11	361,086	0.07
101–500	2,446	37.11	682,298	0.88	2,381,563	0.47
501–1 000	1,128	17.11	852,926	1.10	2,904,204	0.57
1 001–10 000	1,601	24.29	4,568,861	5.90	19,516,294	3.86
10 001–100 000	229	3.47	6,177,447	7.97	30,092,082	5.94
100 001–	74	1.12	65,142,569	84.04	451,003,423	89.09
Total	6,592	100.00	77,510,200	100.00	506,258,652	100.00

### Major shareholders according to the shareholder register on December 31, 2006

	Shares of Series A	Shares of Series K	Total	Percentage of votes	Percentage of shares
Agrofin Oy Ab	9,064,506	2,332,882	11,397,388	11.0	14.7
Virala Oy Ab	5,174,458	3,000,277	8,174,735	12.9	10.5
Hambo Oy Ab *)	4,023,479	2,404,137	6,427,616	10.3	8.3
Oy Holdix Ab	3,089,122	1,727,594	4,816,716	7.4	6.2
Varma Mutual Pension Insurance Company	2,001,650	1,305,878	3,307,528	5.6	4.3
I.A. von Julins Sterbhus	1,456,000	1,027,600	2,483,600	4.3	3.2
Bergsrådinnan Sophie von Julins stiftelse	1,741,964	674,856	2,416,820	3.0	3.1
Oy Julius Tallberg Ab	800,798	1,230,198	2,030,996	5.0	2.6
Sampo Life Insurance Company Limited	0	1,142,326	1,142,326	4.5	1.5
Fromond Elsa Margaretha Louise	825,482	260,900	1,086,382	1.2	1.4
Åberg Karin Margareta Albertina	764,233	314,772	1,079,005	1.4	1.4
Stiftelsen för Åbo Akademi	969,241	0	969,241	0.2	1.3
Ilmarinen Mutual Pension Insurance Company	816,990	0	816,990	0.2	1.1
Wrede Sophie	593,378	190,344	783,722	0.9	1.0
Ehrnrooth Johan Robert Göran	635,612	84,930	720,542	0.5	0.9
Lindsay von Julin & Co Ab	583,800	124,600	708,400	0.6	0.9
Hartwall Peter	415,801	277,208	693,009	1.2	0.9
Therman Anna	417,034	254,502	671,536	1.1	0.9
Tapiola Mutual Pension Insurance Company	630,030	0	630,030	0.1	0.8
Gripenberg Margaretha	269,332	299,702	569,034	1.2	0.7

\*) At the beginning of the year 2007, Fiskars was notified by Hambo Oy Ab of the company's merger with Turret Oy Ab on Dec. 29, 2006.

Turret Oy Ab holding after merger	4,438,701	2,733,674	7,172,375	11.7	9.3
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#### Own shares

On December 31, 2006, the Company had 127,512 shares of Series A and 420 shares of Series K corresponding to 0.17% of the Corporation's shares and 0.03% of the votes. The Company has acquired the shares at the Helsinki Stock Exchange in accordance with the authorization of the general meeting of the shareholders. The acquisitions have been made from December 10, 2003 through January 1, 2004.

#### The Board of Directors' authorizations

The Annual General Meeting decided to authorize the Board of Directors to acquire at the Helsinki Exchanges, within the period of one year from March 20, 2006, a maximum of 5,494,449 of the company's own shares of Series A and a maximum of 2,256,570 of Series K in a proportion deviating from the shareholders' existing proportionate holdings at share prices quoted on the Helsinki Exchanges at the time of such acquisition.

The Annual General Meeting decided to authorize the Board of Directors to decide within the period of one year from March 20, 2006 to sell a maximum of 5,494,449 Fiskars shares of Series A and a maxi-

imum of 2,256,570 Fiskars shares of Series K acquired pursuant to the Board's authorization.

The Board has not exercised the authorization given by the AGM 2006 to acquire Company's shares.

#### Share option program

On December 31, 2006, the company had no option program.

#### Management's shareholding

On December 31, 2006, the Board members, the Corporate President & CEO and the Corporate Vice President controlled a total of 19,685,049 shares corresponding to 25.4% of the Corporation's shares and 31.1% of the votes.

#### Insider guidelines

Fiskars applies the insider regulations approved by the Helsinki Exchange on July 1, 2005. The holdings of permanent insiders are available through the SIRE system of the Finnish Central Securities Depository Ltd, Urho Kekkosen katu 5 C, 00100 Helsinki, Finland, tel. +358 20 770 6000, and on the website [www.fiskars.fi](http://www.fiskars.fi).

## Income Statement

		2006 M€		2005 M€	
Net sales	(4)	22.2	100.0 %	19.3	100.0 %
Cost of goods sold		-3.1		-2.8	
<b>Gross profit</b>		19.1	<b>86.1 %</b>	16.5	85.6 %
Administration expenses		-6.6		-6.2	
Other operating income	(5)	2.0		1.5	
Other operating expenses				0.0	
<b>Operating profit</b>		14.5	65.2 %	11.8	61.2 %
Gain on sale of Wärtsilä shares				52.5	
Financial income and expenses	(6)	47.7		16.3	
<b>Profit before extraordinary items</b>		62.2	279.9 %	80.6	417.3 %
Extraordinary items	(7)	1.8		2.3	
<b>Profit after extraordinary items</b>		64.0	288.2 %	82.9	429.1 %
Appropriations		0.0		0.1	
Income taxes	(8)	-3.8		-2.6	
<b>Profit for the financial year</b>		60.3	271.2 %	80.3	415.7 %

# Balance Sheet

		Dec. 31. 2006 M€		Dec. 31. 2005 M€	
<b>ASSETS</b>					
<b>Fixed assets and other long-term investments</b>					
Intangible assets	(9)	0.2		0.2	
Tangible assets	(10)	33.6		33.3	
Investments	(11)	376.2		319.3	
Fixed assets and other long-term investments total		410.0	71.3%	352.8	64.6%
<b>Inventories and financial assets</b>					
Inventories	(12)	0.2		0.2	
Long-term receivables	(13)	0.1		0.1	
Avoir fiscal tax receivables	(14)	5.5		9.0	
Current receivables	(15, 16)	119.2		165.5	
Cash in hand and at bank	(17)	39.6		18.8	
Inventories and financial assets total		164.6	28.7%	193.5	35.4%
<b>Assets total</b>					
		574.6	100.0%	546.3	100.0%
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b> (18)					
Share capital		77.5		77.5	
Revaluation reserve		3.8		3.9	
Own shares		-0.9		-0.9	
Other reserves		3.2		3.2	
Retained earnings		228.5		205.3	
Profit for the financial year		60.3		80.3	
Shareholders' equity total		372.4	64.8%	369.3	67.6 %
<b>Appropriations</b> (19)					
		2.1	0.4%	2.1	0.4 %
<b>Provisions</b> (20)					
				0.0	0.0%
<b>Liabilities</b>					
Long-term	(21)	102.2		103.9	
Current	(22, 23)	97.9		71.0	
Liabilities total		200.1	34.8%	174.9	32.0 %
<b>Shareholders' equity and liabilities total</b>					
		574.6	100.0%	546.3	100.0 %

## Statement of Cash Flows

	2006 M€	2005 M€
<b>Cash flows from operating activities</b>		
Profit before extraordinary items, appropriations and taxes	62.2	80.6
Adjustments for		
Depreciation	1.6	1.4
Exchange differences	-0.2	-0.3
Financial income	-56.5	-79.3
Financial expense	8.9	10.9
Cash generated before working capital changes	16.1	13.2
Change in current receivables	2.4	-2.6
Change in inventories	0.0	0.0
Change in current non-interest bearing liabilities	-5.1	6.2
Cash generated from operations	13.3	16.8
Financial income items received	8.7	8.1
Dividends received	51.0	17.2
Financial expense items paid	-8.8	-8.8
Taxes paid	-0.3	-0.9
Group contributions	0.7	3.6
<b>Net cash flow from operating activities A</b>	<b>64.6</b>	<b>36.0</b>
Cash flows from investing activities		
Investments	-76.6	-72.9
Purchase of tangible and intangible assets	-2.1	-3.0
Proceeds from disposal of investments	2.1	106.1
Proceeds from sale of tangible and intangible assets	0.1	0.1
<b>Net cash flow from investments B</b>	<b>-76.3</b>	<b>30.3</b>
<b>Cash flow after investments</b>	<b>-11.8</b>	<b>66.3</b>
Cash flows from financing activities		
Change in long-term debt	-1.7	-18.0
Change in current interest bearing debt	32.1	-40.6
Change in current receivables	44.8	19.1
Change in long-term receivables	14.5	2.8
Dividends paid	-57.1	-22.8
<b>Net cash flows from financing activities C</b>	<b>32.6</b>	<b>-59.5</b>
<b>Change in cash (A+B+C)</b>	<b>20.8</b>	<b>6.8</b>
Cash at beginning of year	18.8	12.0
Cash at end of year	39.6	18.8

## Statement of Changes in Equity

	Share capital M€	Revaluation reserve M€	Own shares M€	Other reserves M€	Retained earnings M€	Total M€
Dec 31, 2004	77.5	3.9	-0.9	3.2	228.1	311.8
Transfer from revaluation reserve following sale of landholdings		0.0			0.0	0.0
Dividends					-22.8	-22.8
Net profit					80.3	80.3
<b>Dec 31, 2005</b>	<b>77.5</b>	<b>3.9</b>	<b>-0.9</b>	<b>3.2</b>	<b>285.6</b>	<b>369.3</b>
Transfer from revaluation reserve following sale of landholdings		0.0			0.0	0.0
Dividends					-57.1	-57.1
Net profit					60.3	60.3
<b>Dec 31, 2006</b>	<b>77.5</b>	<b>3.8</b>	<b>-0.9</b>	<b>3.2</b>	<b>288.8</b>	<b>372.4</b>

## Accounting Principles

The financial statements have been prepared in accordance with regulations in force in Finland.

All financial information is presented in euro.

The preparation of financial statements in conformity with regulations in force and generally accepted accounting principles requires management to make estimates and assumptions that affect the valuation of assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from those estimates.

Investments in associated companies and other companies are stated in the balance sheet at cost or at net realizable value which ever is lower.

### TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rates of exchange prevailing at the date of the transaction. Unsettled balances in foreign currencies are translated at the rates prevailing at the balance sheet date, except for advance payments received or paid which are translated at the exchange rates on the payment date. Open hedging instruments pertaining to foreign currency items are valued at market value, including interest components. Both realized and unrealized exchange gains and losses have been included in the financial items in the income statement.

### NET SALES

Net sales is defined as invoiced amount less indirect taxes and rebates.

### RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as incurred.

### RETIREMENT BENEFIT PLANS

The retirement plans for the Finnish companies' employees are funded through payments to independent insurance companies. A small part of currently retired employees receive their benefits from a trustee-administered fund. Any change in the deficit in the trustee-administered fund is included in net income of the parent company. The net deficit of the fund is fully covered.

### EXTRAORDINARY INCOME AND EXPENSE

Group contributions, merger losses and liquidation losses are reported in extraordinary income and expenses. Only significant items unusual in nature are recognized as extraordinary income or expense.

### FIXED ASSETS AND OTHER LONG-TERM INVESTMENTS

Fixed assets are stated at cost less accumulated depreciation according to plan. Certain land holdings have been revalued.

Revaluations are based on market values at time of the revaluation. Revaluation reserves are adjusted for decreases in the market value of land holdings. When revalued real estate is sold, the respec-

tive share in the revaluation reserve is transferred to retained earnings.

Fixed assets are depreciated and amortized over their expected useful lives. Typically, the following expected useful lives are applied:

- long-term expense 3–10 years
- buildings 25–40 years
- vehicles 4 years
- machinery and equipment 3–10 years

Revalued land and water holdings are not depreciated.

Gains and losses on disposal of fixed assets are included in operating profit.

### INVENTORIES AND FINANCIAL ASSETS

Inventories are stated at the lower of cost and net realizable value. Cost includes both direct and indirect costs. Cost is determined on a first-in-first-out (FIFO) basis. Net realizable value is the amount that could be realized from the sale of the asset less any related sales cost.

### LEASING

Operating lease payments are expensed as paid. Remaining leasing payment obligations are reported as contingent liabilities. Assets under part-payment agreements are recognized in the balance sheet along with a corresponding liability.

### PROVISIONS

Provisions consist of reserves for future costs to which the corporation is committed and reserves for loss-making contracts.

### APPROPRIATIONS

Appropriations in the parent company balance sheet consist of depreciation in excess of plan.

### INCOME TAXES

Income taxes consist of the aggregate current tax expense based on the Finnish tax rules, adjustments to prior year taxes and deferred taxes.

Deferred tax assets and liabilities are calculated on temporary differences at the current enacted tax rate or, if applicable, the future enacted tax rate. Deferred tax liabilities are recognized in full whereas deferred tax assets are recognized only to the extent it is considered probable that the tax asset will realize future tax savings.

### DIVIDENDS

The dividend proposed by the Board of Directors has not been included as liability in the financial statements. Dividends to be paid are taken up as a liability following the decision of the Annual General Meeting.

# Notes to the Financial Statements of Parent Company, FAS

	2006 M€	2005 M€
<b>Income statement</b>		
<b>1. Personnel costs</b>		
Wages and salaries, for time worked	2.5	2.4
Pension costs	0.3	0.4
Other personnel costs	0.7	0.7
<b>Total</b>	<b>3.5</b>	<b>3.5</b>
<b>2. Number of employees</b>		
Average	47	47
End-of-period	43	43
<b>3. Depreciation and amortization according to plan by function</b>		
Cost of goods sold	1.4	1.2
Administration	0.2	0.2
<b>Total</b>	<b>1.6</b>	<b>1.4</b>
<b>4. Net sales</b>		
Lease income	2.8	2.6
Royalties	17.5	14.9
Other	1.9	1.8
<b>Total</b>	<b>22.2</b>	<b>19.3</b>
<b>5. Other operating income</b>		
Net gain on sale of property, plant and equipment	2.0	1.5
Other income	0.0	
<b>Total</b>	<b>2.0</b>	<b>1.5</b>

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

	2006 M€	2005 M€
<b>6. Financial income and expenses</b>		
Dividend income		
From associated companies	47.5	17.1
From other investments	3.6	0.1
Dividend income, total	51.0	17.2
Interest and financial income from long-term investments		
From subsidiaries	1.4	1.5
From other investments	-3.0	0.8
Interest and financial income from long-term investments, total	-1.6	2.3
Other interest and financial income		
From subsidiaries	6.4	6.6
From other parties	0.9	1.1
Other interest and financial income, total	7.3	7.7
Interest and financial income, total	5.7	10.0
Write down of long-term investments		
From subsidiaries		-1.1
From other parties	0.0	
Write down of long-term investments, total	0.0	-1.1
Interest and other financial expenses		
To subsidiaries	-0.8	-0.3
To other parties	-8.1	-9.5
Interest and other financial expenses, total	-8.9	-9.8
Total financial income and expenses	47.7	16.3
Net exchange gains and losses included in financial items	0.2	0.3
<b>7. Extraordinary items</b>		
Gain on dissolution		0.0
Group contribution	1.8	2.3
Total extraordinary income and expense	1.8	2.3
<b>8. Income taxes</b>		
Current year taxes	-3.5	-3.5
Change in deferred tax asset		0.8
Income tax for previous periods	-0.3	
Income taxes per income statement	-3.8	-2.6

						2006 M€	2005 M€
<b>Balance sheet, assets</b>							
<b>9. Intangible assets</b>							
	Original cost, Jan. 1					0.9	0.9
	Capital expenditure					0.1	0.0
	Decrease					-0.1	0.0
	Gross value, Dec. 31					0.9	0.9
	Accumulated amortization according to plan, Jan. 1					0.7	0.6
	Amortization according to plan					0.0	0.0
	Decrease					-0.1	0.0
	Accumulated amortization according to plan, Dec. 31					0.7	0.7
	Net book value, Dec. 31					0.2	0.2
<b>10. Tangible assets</b>		Land and water	Buildings	Machinery and equipment	Constr. in progress		Total
	<b>2006</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>	<b>M€</b>		<b>M€</b>
	Original cost, Jan. 1	4.8	28.9	5.2	1.3		40.1
	Capital expenditure	0.0	1.5	0.4	0.0		2.0
	Decrease	0.0	0.0	-0.4			-0.4
	Transfers		1.3		-1.3		0.0
	Gross value, Dec. 31	4.8	31.6	5.2	0.0		41.7
	Accumulated depreciation according to plan, Jan. 1		13.5	3.2			16.7
	Depreciation according to plan		1.1	0.4			1.5
	Decrease		0.0	-0.3			-0.3
	Accumulated depreciation according to plan, Dec. 31		14.5	3.4			17.9
	Revaluation, Jan. 1	9.8					9.8
	Decrease	0.0					0.0
	Revaluation, Dec. 31	9.8					9.8
	Book value, Dec. 31, 2006	14.5	17.1	1.9	0.0		33.6
	<b>2005</b>						
	Original cost, Jan. 1	4.7	27.9	4.9			37.5
	Capital expenditure	0.1	1.0	0.6	1.3		3.0
	Decrease	0.0	0.0	-0.3			-0.3
	Gross value, Dec. 31	4.8	28.9	5.2	1.3		40.1
	Accumulated depreciation according to plan, Jan. 1		12.6	3.0			15.6
	Depreciation according to plan		0.9	0.4			1.4
	Decrease		0.0	-0.2			-0.2
	Accumulated depreciation according to plan, Dec. 31		13.5	3.2			16.7
	Revaluation, Jan. 1	9.8					9.8
	Decrease	0.0					0.0
	Revaluation, Dec. 31	9.8					9.8
	Book value, Dec. 31, 2005	14.6	15.4	2.0	1.3		33.3

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

11. Investments	Associates in subsidiaries	Holdings shares	Other from subsidiaries	Receivables	Total
	M€	M€	M€	M€	M€
<b>2006</b>					
Original cost, Jan. 1	191.7	98.1	3.4	63.0	356.2
Capital expenditure		71.4	5.1	25.8	102.3
Decrease			-5.1	-40.3	-45.4
Gross value, Dec. 31	191.7	169.6	3.3	48.5	413.1
Devaluation, Jan. 1		-36.3	-0.6		-36.8
Increase			0.0		0.0
Devaluation, Dec. 31		-36.3	-0.6		-36.9
Net book value, Dec. 31, 2006	191.7	133.3	2.7	48.5	376.2
2005					
Original cost, Jan. 1	214.0	71.8	3.5	65.8	355.1
Capital expenditure	30.2	42.5	0.3		72.9
Decrease	-52.5	-16.2	-0.4	-2.8	-71.8
Gross value, Dec. 31	191.7	98.1	3.4	63.0	356.2
Devaluation, Jan. 1		-52.4	-0.6		-53.0
Decrease		16.2			16.2
Devaluation, Dec. 31		-36.3	-0.6		-36.8
Net book value, Dec. 31, 2005	191.7	61.9	2.8	63.0	319.3
				2006 M€	2005 M€
<b>12. Inventories</b>					
Work in progress				0.0	0.0
Finished products / Goods				0.2	0.2
Total inventories, Dec. 31				0.2	0.2
<b>13. Long-term receivables</b>					
Loan receivables				0.1	0.1
Total, Dec. 31				0.1	0.1
<b>14. Avoir fiscal tax receivables</b>					
Avoir fiscal tax receivables				5.5	9.0
Total, Dec. 31				5.5	9.0

	2006 M€	2005 M€
<b>15. Current receivables</b>		
Trade receivables, external	0.1	0.3
Amounts owed by subsidiaries		
Trade receivables	0.3	0.5
Loan receivables	101.8	148.1
Other receivables	11.0	9.5
Prepayments and accrued income	5.0	6.0
	<b>118.2</b>	<b>164.1</b>
Other external receivables		
Loan receivables	0.0	0.0
Other receivables	0.0	0.1
Prepayments and accrued income	0.9	0.9
	<b>0.9</b>	<b>1.0</b>
<b>Total, Dec. 31</b>	<b>119.2</b>	<b>165.5</b>
<b>16. Prepayments and accrued income</b>		
Prepaid and accrued interest	0.7	0.8
Other prepayments and accruals	0.2	0.1
<b>Total, Dec. 31</b>	<b>0.9</b>	<b>0.9</b>
<b>17. Cash at hand and in bank</b>		
Cash at hand and in bank	6.1	3.6
Liquid money market investments	33.5	15.2
<b>Total, Dec. 31</b>	<b>39.6</b>	<b>18.8</b>

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

	2006 M€	2005 M€
<b>Balance sheet, shareholders' equity and liabilities</b>		
<b>18. Shareholders' equity</b>		
Share capital		
A Shares		
Jan. 1	54.9	54.9
Dec. 31	54.9	54.9
K Shares		
Jan. 1	22.6	22.6
Dec. 31	22.6	22.6
Share capital, Dec. 31	77.5	77.5
Revaluation reserve		
Jan. 1	3.9	3.9
Decrease following sale of fixed assets	0.0	0.0
Revaluation reserve, Dec. 31	3.8	3.9
Own shares		
A Shares		
Jan. 1	-0.9	-0.9
Dec. 31	-0.9	-0.9
K Shares		
Jan. 1	0.0	0.0
Dec. 31	0.0	0.0
Own shares, Dec. 31	-0.9	-0.9
Other reserves		
Jan. 1	3.2	3.2
Other reserves, Dec. 31	3.2	3.2
Retained earnings		
Jan. 1	285.6	228.1
Dividends	-57.1	-22.8
Transfer from revaluation reserve	0.0	0.0
Net profit	60.3	80.3
Retained earnings, Dec. 31	288.8	285.6
-own shares	-0.9	-0.9
Distributable earnings, Dec. 31	287.9	284.7
Restricted equity	83.7	83.7
Non-restricted equity	288.8	285.6
Shareholders' equity total	372.4	369.3

	2006 M€	2005 M€
<b>19. Appropriations (Untaxed reserves)</b>		
Depreciation in excess of plan, Jan. 1	2.1	2.1
Changes during the year	0.0	-0.1
Depreciation in excess of plan, Dec. 31	2.1	2.1

Parent Company deferred tax liabilities EUR 0.5 million (0.5) are included above.

<b>20. Provisions</b>		
Pension benefits		0.0
Total, Dec. 31		0.0

<b>21. Long-term liabilities</b>		
Capital loan <sup>*)</sup>	45.1	45.1
Loans from credit institutions	57.1	57.9
Pension loans		0.9
Amounts owed to subsidiaries	0.0	0.0
Total, Dec. 31	102.2	103.9

<sup>\*)</sup>Main characteristics of the loan:

The principal, interest and any other yield will be payable on the dissolution or bankruptcy of the company solely at a priority ranking inferior to that of all other debt. The principal can be repaid if and only to the extent the company will retain full cover for its restricted equity and non-distributable funds in accordance with the balance sheet and consolidated balance sheet approved for the latest financial year.

Interest can be paid if and only to the extent the equivalent sum is available for dividend distribution in accordance with the balance sheet and consolidated balance sheet approved for the latest financial year. The loan will be repaid in full on June 17, 2010 and a fixed annual interest of 6.25% will be paid. The loan is listed on the Helsinki Exchanges.

<b>22. Current liabilities</b>		
Pension loans	0.1	
Loans from credit institutions	15.1	23.4
Advances received	0.1	0.1
Trade payables	0.4	0.3
	15.7	23.9
Amounts owed to subsidiaries		
Trade payables	0.1	0.0
Other liabilities	71.9	31.7
Accruals and deferred income	1.0	6.4
	73.0	38.2
Other liabilities	5.4	5.3
Accruals and deferred income	3.8	3.7
Total, Dec. 31	97.9	71.0

NOTES TO THE FINANCIAL STATEMENTS OF PARENT COMPANY, FAS

	2006 M€	2005 M€
<b>23. Accruals and deferred income</b>		
Interest payable	2.7	2.8
Wages, salaries and social costs	0.5	0.3
Purchases and other similar items	0.6	0.6
Total, Dec. 31	3.8	3.7
<b>24. Lease obligations</b>		
Operating leases, payments next year	0.3	0.3
Operating leases, payments later	0.0	0.0
Total operating leases, Dec. 31	0.3	0.3
<b>25. Contingencies and pledged assets</b>		
As security for own commitments		
Lease commitments	0.3	0.3
Other contingencies	8.6	0.8
Total	8.9	1.1
Guarantees as security for subsidiaries' commitments	12.4	17.7
Total pledged assets and contingencies, Dec. 31	21.3	18.8

	Number of shares	Domicile	% of share capital	% of voting power	Book value (€1000)
<b>26. Shares and Participations</b>					
<b>Shares in associated companies</b>					
Wärtsilä Corporation, A	8,651,676	Helsinki FI	36.7	36.7	121,497
Wärtsilä Corporation, B	7,165,800	FI	10.0	10.0	70,217
Wärtsilä total	15,817,476		16.6	30.4	191,713
<b>Other shares</b>					
Rautaruukki Corporation	72,916	FI	x	x	143
Turvatiimi Oyj	1,140,000	FI	x	x	433
Other shares owned by the parent company					2,131
					2,708
<b>Shares in subsidiaries</b>					
Avlis AB		Sollentuna SE	100.0	100.0	110
Fiskars Brands, Inc.	22,924,913	Madison, WI US	100.0	100.0	42,484
Fiskars Brands Europe ApS	1,251,250	Silkeborg DK	100.0	100.0	71,338
Inha Works Ltd.	5,000	Ähtäri FI	100.0	100.0	1,199
Ferraria Oy Ab	750,000	Pohja FI	100.0	100.0	17,660
Kiinteistö Oy Danskog gård	4,000	Tammisaari FI	100.0	100.0	505
Ab Åbo Båtvarf - Turun Veneveistämö Oy	150	Turku FI	100.0	100.0	3
					133,299

## Stock Exchange Releases and Announcements 2006

JAN 3, 2006

Notification referred to in chapter 2, section 10, of the securities markets act on a change in holdings

FEB 14, 2006

Fiskars Corporation's results 2005

FEB 14, 2006

Notice of Annual General Meeting

MARCH 1, 2006

Sale of shares held in Fiskars Corporation's joint book-entry securities account

MARCH 14, 2006

Fiskars Corporation's Annual Report 2005 is published

MARCH 20, 2006

Fiskars Annual General Meeting of shareholders 2006

APRIL 3, 2006

Change of the publishing date of the Fiskars interim report

MAY 3, 2006

Reorganization of Fiskars production capacity continues in the US

MAY 11, 2006

Fiskars Corporation interim report January-March 2006

JUNE 29, 2006

Jutta Karlsson general counsel for Fiskars

JUNE 30, 2006

Fiskars acquires Swedish Silva group

JULY 3, 2006

Fiskars sells Power Sentry to Philips

AUG 11, 2006

Fiskars Corporation interim report January-June 2006

SEP 1, 2006

Fiskars acquisition of Swedish Silva finalized

OCT 6, 2006

Mr. Kaj-Gustaf Bergh Fiskars Corporation Chairman

NOV 10, 2006

Fiskars Corporation interim report January-September 2006

NOV 10, 2006

Extraordinary General Meeting of shareholders

NOV 10, 2006

Fiskars financial information in 2007

DEC 12, 2006

Fiskars Corporation - Extraordinary Meeting's decisions

DEC 12, 2006

Fiskars Board creates Nomination Committee

Stock exchange and press releases are available for the reader on the Fiskars Corporation website [www.fiskars.fi](http://www.fiskars.fi)

# The Board of Directors' Proposal for the Annual General Meeting

The distributable equity of the Parent Company at the end of the fiscal year 2006 is EUR 287.9 million (284.7).

For 2006 the Board of Directors proposes a dividend of 0.60 EUR per share of Series A and 0.58 per share of Series K. On February 14, 2007, dividend entitling shares numbered 54,816,980 of Series A and 22,565,288 of Series K, totalling 77,382,268 shares. Thus the dividend distribution would be:

	number of shares	EUR per share	total, EUR
shares of Series A	54,816,980	0.60	32,890,188.00
shares of Series K	22,565,288	0.58	13,087,867.04
Total dividend distribution			45,978,055.04

This leaves 241,896,799.35 EUR of unused profit funds at the Parent Company.

No material changes have taken place in the financial position of the Company after the end of the fiscal year. The financial standing of the Company is good and the proposed dividend distribution does according to the Board of Directors assessment not compromise its solvency.

The Board of Directors signatures of the Report by the Board of Directors and the Financial Statements 2006:

Helsinki, February 14, 2007

KAJ-GUSTAF BERGH

ALEXANDER EHRNROOTH

PAUL EHRNROOTH

ILONA ERVASTI-VAINTOLA

GUSTAF GRIPENBERG

KARL GROTFELT

OLLI RIIKKALA

HEIKKI ALLONEN  
President and CEO

# Auditors' Report

## TO THE SHAREHOLDERS OF FISKARS CORPORATION

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Fiskars Corporation for the period January 1 - December 31, 2006. The Board of Directors and the President and CEO of Fiskars Corporation have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, containing the consolidated balance sheet, income statement, cash flow statement, statement on the changes in equity and notes to the financial statements, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report and in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies Act.

### **CONSOLIDATED FINANCIAL STATEMENTS**

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

### **PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION**

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, February 14, 2007

KPMG OY AB  
Sixten Nyman

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