



**OY FISKARS AB**

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**Annual Report for 1973**

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## REVIEW BASED ON THE OFFICIAL ANNUAL REPORT FOR 1973

### The Economy 1973

The main characteristics of economic development in Finland were a high rate of inflation, a fast growth rate, a shortage of manpower in Southern Finland and an increase in the balance of trade deficit. Economic growth was satisfactory, with a GNP increase of over 5 per cent in volume terms.

Prices rose at a record rate in Finland as in most other countries. Consumer prices rose by over 15 per cent while the corresponding increase in other West European countries was 8 to 10 per cent.

Within industry as a whole, however, wages rose more than prices so that a real gain in income was achieved despite inflation. The metal industry's total wage bill including benefits increased by an estimated 22 per cent.

The most important decision concerning Finland's economic policy was the approval, during the autumn of 1973, of the free trade agreement with the EEC and related protective legislation. Negotiations with the so-called small CMEA (East European socialist) countries on the subject of expanded free trade progressed considerably.

It is still too early to know what impact these two free trade agreements will have on our Company's future, but it is a fact that a reasonable transition period until all tariffs are abolished for our most sensitive products, mainly metal products, has not been provided for in the EEC agreement, nor have adequate protective provisions to date been agreed upon in the CMEA negotiations mentioned above.

### The Company's Activities

The increase in demand which began early in the year started out as an export boom. Not until the last third of 1973 did the domestic market for the Company's products become active. As in the past, many of the Company's home market products proved slow in reacting to the economic upswing and on the whole rather sensitive to changes in business conditions. The situation as explained above is also reflected in the fact that the Company's backlog of orders was doubled. The capacity of our manufacturing plants was fully utilised, mainly in respect of products with a high export share. Due to a good last third of the year, there was a marked improvement in the returns from our manufacturing activities compared with previous year. A strong upswing in the steel business had a favourable effect on the returns of associated steel operations.

The unforeseen increase in raw material prices and the oil crisis in late autumn left the Company in an incalculable position on a number of counts by the turn of the year.

Another difficulty, despite sincere efforts towards a more active personnel policy, is the alienation apparent among recently employed workers in particular. During times of high employment, this causes abnormally high rates of absenteeism and personnel turnover, which may result in lower earnings for other employees. This phenomenon, which unfortunately is common for the metal industry as a whole, also contributes to the fact that the production capacity of our plants is not flexible enough in periods of high demand.

During the last months of the year, the cash position of the Company became somewhat strained. The commercial banks had very limited means of granting credit, while the Company's working capital requirements increased due to very much higher sales and higher stock values caused by rises in raw material prices.

Three wholly owned subsidiaries were merged with the parent company.



On the 15th of December, the Company sold some 1000 hectares of archipelago to a wholly owned subsidiary called Oy Predium Ab. The intention is for this area to be utilised for recreation purposes according to a detailed plan now being prepared in cooperation with state and municipal authorities.

As a result of the efforts to consolidate the Company's position, which began in 1969 and which were continued by disposing of the assets of closed-down production lines, the total book value of buildings and machinery is less than the total gross capital investment during the past five years.

From 1st August 1973 the Company's organisation was changed in such a way that a Metal Products Division and an Engineering Division were created to cover the Company's metal manufacturing activities. Their shares of total sales are 48 per cent and 19 per cent respectively, while other industrial activity together with the Real Estate Division produce the remaining 33 per cent. Corporate staff functions include the newly established Corporate Planning organisation.

### Sales

The Company's sales in 1973 were Fmks 214 million (approx. US\$ 56 million) compared with 149 million previous year. The sales increase adjusted for merged units was 29 per cent. The 32 per cent increase in exports is well above the average for the country which was 21 per cent. Our increase in domestic sales was 28 per cent. It should be noted that price increases are included in the above figures.

The Company's marketing subsidiary in Denmark expanded sales by 75 per cent, the main part being products of the boat yard.

Orders received increased substantially during the last third of the year and the backlog of orders at the turn of the year corresponded to half a year's sales.

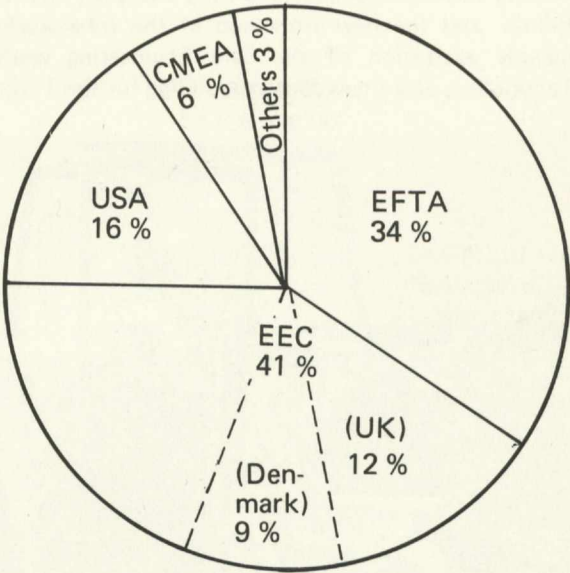


The new Scissor works

### Sales Analysis

	1973	1972
Metal products, parts and components for the industry	23 %	23 %
for consumption	15 %	15 %
machines and tools for agriculture and forestry	15 %	13 %
for the building industry	12 %	11 %
machines and plants	2 %	2 %
Farm and forest produce, sawmill products	9 %	14 %
Other sales	24 %	22 %
	<u>100 %</u>	<u>100 %</u>

### Export Sales in 1973



SALES PROCEEDS (Fmks' 000)	1973		1972	
	Total	of which exports	Total	of which exports
Metal Products Division	99,444	29,551	75,542	20,768
Engineering Division	38,043	4,310	27,714	3,274
Other production units	73,427	34,395	38,616	15,697
Subsidiaries merged in 1973			19,726	11,997
Gross sales proceeds	210,914	68,256	161,598	51,736
Raw material sales less annual discounts etc	+ 3,425		+ 4,450	
Net turnover	214,339	68,256	166,048	51,736
Change from previous year	+ 29 %	+ 32 %	+ 16 %	+ 32 %
US\$'000 at Fmks 3.85/\$	55,672	17,729	43,129	13,438



## Personnel Administration

One of the main objectives of the Company's personnel policy is to find ways of increasing participation by all personnel categories in the process of continuous change that is going on within the Company.

The employment situation was good throughout the year and the number of employees increased by 276 to 3633 on 31st December. Labour relations were satisfactory, although 6200 man hours were lost through strikes. The marked increase in staff turnover and absenteeism has had a detrimental effect on efficiency. On the other hand, however, the Company has the privilege of employing a number of loyal workers who have served for an exceptionally long time. During the year, 7 persons reached 50 years of service, and 115 were awarded for 20 to 40 years of service.

## Capital Expenditure

Investment in property and operating assets reached Fmks 20.3m, of which the metal manufacturing industry's share was 71 per cent. A third of the above amount relates to projects not completed at the year end.

Among facilities completed during the year, the biggest are the Scissor works in Billnäs and the new workshop at the Inha works. Projects under construction include expansion of the Salo Engineering works and the Plastics works in Tammisaari, and a new factory building for the Turku Boatyard.



The World Champion in ploughing 1973 used a Fiskars plough.

## Annual Accounts

The Profit and Loss account shows a net profit of Fmks 1,091,647.34. This includes the profit on the sale of real estate to a subsidiary and other capital gains, at a total of Fmks 3.7m.

The stock provision has increased both in absolute and percentage terms. Depreciation is included at Fmks 10m (Fmks 6.1m in 1972), which amounts to around three quarters of the maximum fiscally allowable.

The book value of current assets is Fmks 25m higher than a year earlier. Current liabilities have increased by Fmks 34m while the long-term debt is nearly unchanged. It should be noted that the figures for 1973 include the three subsidiaries that were merged with the parent company while for 1972 the corresponding items are in respect of the parent company only.

In order to adjust the book value of the Company's landed property for inflation, it has been increased by Fmks 1000 per hectare or Fmks 15.4m in total. This amount has been transferred to a reserve.

## OY FISKARS AB

### BALANCE SHEET AS AT 31st DECEMBER 1973

ASSETS	Fmks	Fmks
<b>Current assets</b>		
Cash	3,560,911.18	
Bills receivable	1,369,751.08	
Accounts receivable	38,358,351.32	
Inventories	49,670,834.00	
Prepaid expenses	2,059,017.29	95,018,864.87
<b>Fixed assets</b>		
Land	39,951,531.00	
Buildings	31,943,584.00	
Machinery & equipment	22,538,529.00	
Securities	5,001,496.79	
Loans receivable	26,887,285.78	126,322,426.57
		221,341,291.44
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Overdraft	330,994.07	
Promissory notes	43,135,000.00	
Trade bills payable	2,470,079.00	
Accounts payable	32,141,439.58	
Current portion of long-term debt	12,990,362.89	
Short-term loans payable	3,367,516.41	94,435,391.95
Long-term debt		79,456,550.28
Accrued liabilities		3,886,124.58
<b>Equity</b>		
Share capital	10,556,000.00	
Capital reserve	2,884,944.51	
Other reserves	26,876,100.30	
Retained earnings from prior years	2,154,532.48	
Profit for the year	1,091,647.34	43,563,224.63
		221,341,291.44
Mortgages and guaranty agreements		30,363,560.00

### INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 1973

<b>Revenue</b>		
Net sales and related income	214,339,279.00	
Interest income	2,883,426.10	
Rents and other income	1,567,437.44	
Income from disposal of assets	3,741,397.00	222,531,539.54
<b>Less: Expenses</b>		
Operating costs	109,271,230.90	
Salaries and wages	58,457,756.05	
Social security charges etc.	20,072,160.25	
Rents	863,438.44	
Interest payable	12,331,541.61	
Taxes	1,005,329.06	
Depreciation	10,001,834.18	
Other expenses	9,436,601.71	221,439,892.20
Net profit for the year		1,091,647.34



## Management

The members of the supervisory board of directors are listed below:

Jacob von Julin, hon.D. Sc. (Econ), chairman (elected until AGM in 1974)

Jarl Gripenberg, D.Sc.Tech., deputy chairman (1974)

T. Gunnar Nyström, M.D., member (1975)

Klaus Ahola, member (1974)

Robert G. Ehrnrooth, Lic.Sc. (Econ), member (1975)

Thomas Tallberg, M.D., member (1976)

Johan L. von Julin, B.Sc. (Econ), member (1976)

Lauri Kalima, LL.M, Dep. Chief General Mgr, Nordiska Föreningsbanken, member (1975)

The Managing Director is Göran J. Ehrnrooth, B.Sc. (Econ)



One of Fiskars' new plants

## Dividends and retained earnings

The net profit for the year is Fmks 1,091,647.34. According to the Company statutes, interest at 4 per cent or Fmks 20 per share is to be paid to the shareholders, and 10 per cent of the profit is to be transferred to Capital Reserve.

	Fmks
Profit for the year	1,091,647.34
less 4 per cent interest	422,240.00
transfer to Capital Reserve	109,164.73
After the above remain	560,242.61
and the retained earnings	
from prior years	2,154,532.48
at the disposal of the	
Annual General Meeting	2,714,775.09
The Board proposes that	
— in addition to the above	
4 per cent of Fmks 20 per	
share be paid to the shareholders	422,240.00
— the remainder be retained	
on the Profit and Loss Account	2,292,535.09

The official Annual Report, on which this review is based, was signed in Helsinki on 11th March 1974 by the entire Board and countersigned by the Managing Director.

## AUDITORS' REPORT

The following is an abbreviated version of the Auditors' Report.

Having been elected to audit the Company's books at the Annual General Meeting on 25th April, 1973, and having now completed our audit, we hereby submit our report.

We have perused the Annual Accounts, the minutes of the General Meetings and Board Meetings, and other documents pertaining to the administration and finances of the Company. We have also made other checks deemed necessary.

At the request of the Board, Mr. Henry Lind, CPA, has audited the Company's accounts on a continuous basis assisted by the internal auditor. We have read his reports.

We have been able to establish that the financial statements included in the Annual Report are in accordance with the books of accounts, and have been prepared in accordance with accepted accounting practice. As mentioned in the Annual Report, a profit of Fmks 3,741,397 in respect of disposals of fixed assets is included in the Income Statement. The operating profit includes profits from associated steel operations as during previous years, as well as the results of the subsidiaries that were merged with the parent company during the year.

With reference to the above, and since we have found that the affairs of the Company have been managed with care we recommend that the Annual General Meeting

- adopt the Annual Accounts for 1973
- release the Board and Managing Director from responsibility in respect of 1973 and
- accept the Board's proposal for payment of dividends and retaining of earnings.

Signed in Helsinki on 27th March 1974 by

Messrs. Tor Haglund, Claes-Johan Hisinger-Jägerskiöld and Eric Haglund, CPA.



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## FINANCIAL ANALYSIS in millions of Fmks

Finance sources			Finance requirements		
Profit before interest and taxes	11.5		Capital expenditure	24.4	
Depreciation	10.0		Fixed assets acquired through mergers	6.2	
Sub-total		21.5	Increase in customer accounts	15.9	
Increase in short-term borrowing	16.6		Increase in stocks	15.7	
Increase in long-term borrowing	17.9		Sub-total		62.2
Sub-total		34.5	Taxation		1.5
Loan repayments received		5.8	Net interest		9.4
Disposal of fixed assets		11.9	Dividends		0.6
Total		73.7	Total		73.7
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