



OY FISKARS AB

Annual Report for 1974

REVIEW BASED ON THE OFFICIAL ANNUAL REPORT FOR 1974

Economic Review

In the world economy, 1974 saw the beginning of an extended and difficult period of adjustment, during which the effects of the fourfold increase in energy prices since 1972 shall have to be absorbed. At first, the chances of Finland overcoming the difficulties caused by the energy crisis were considered better than those of many other West-European industrialised countries. A large increase in trade with the Soviet Union and liberalised commerce with other East-European countries are expected to provide added sales opportunities especially to the Finnish metal industry during the next few years.

Lately, however, the uncertainty has grown. The free trade agreements with the EEC and the CMEA¹⁾ countries could have the effect of imported goods causing stiffer competition in the domestic market; a state of affairs which is less than desirable for Finnish industry. In respect of steel products the market situation is also unclear after the so called CECA agreement came into force at the beginning of 1975.

The rate of inflation in Finland has been among the highest in Europe — 17 per cent in terms of the cost of living index, and this severe cost inflation is undermining our competitive position in the international marketplace. The country enjoyed full employment — in industrialised areas there was even a shortage of manpower. Despite industry producing at near full capacity for most of the year, the exports which increased by 40 per cent in terms of value were not nearly sufficient to compensate for the increase in imports. This resulted in a trade deficit of Fmks 5 billion. The business slump in our Western markets aggravated the economic situation in Finland.

1)
Soviet Union, Bulgaria, Poland, Rumania, Czechoslovakia, Hungary, German Democratic Republic, Albania, Mongolia, Cuba, Yugoslavia.

The Company's Activities

For Oy Fiskars Ab the year under review was very eventful and the Supervisory Board is pleased to report that the result for the year was good and that the Company's financial position has been strengthened.

The sales outlook for some of our export products started to deteriorate at mid-year while domestic demand remained strong throughout the year. Although the production capacity of our factories was fully utilised with only a few exceptions and despite increases in the production volumes of most plants, all demand could not be met. Strong cost pressures inevitably led to several raises in sales prices, which account for the better part of the year's sales increase. The Company's turnover was Fmks 314 million ²⁾, an increase of 47 per cent as compared to the previous year.

The Company's metal industry, in particular the Steel Product Works within the Metal Products Division, achieved a satisfactory result. At the same time the Company's other industrial activities together with the Real Estate Division as a whole reported improved results. Due to favourable business conditions for the steel industry, the income from associated steel operations increased considerably. Long-term purchasing agreements for steel and other raw materials turned out to be advantageous because of big price increases during the year and contributed to a substantial degree to the improvement in profits.

2)
equals US \$ 88.7 million
1 Fmk = 28 cents
1 US\$ = 3.54 Fmks

There was a shortage of skilled labour during the year and despite the fact that the Company employs a number of old reliable craftsmen, the average personnel turnover is too high. It should be noted that this has had a negative effect on production and on the future outlook of certain factories.

The price fluctuations on raw materials reached such proportions that forward planning in many cases was very difficult. Steel and plastic raw materials were subject to the biggest price increases, while cost pressure is still evident in the prices for purchased components. However, by the end of February 1975, prices for our main raw materials, steel and plastics, had already dropped from their peaks in 1974, indicating the likely trend for 1975.

The financial position of the Company improved despite large growth in working capital and high capital expenditure. The main part of major investment projects were financed with long-term credit.

As mentioned above, the result for 1974 was good, but the unusual business conditions which prevailed during that year no longer exist in 1975. The profits of Oy Fiskars Ab are expected to decline as the economic slump continues.

The Company's development over the years is the basis for its continued policy of decentralised operations in several business sectors.

Joint efforts with other manufacturers in order to co-ordinate production and marketing within some of our products have constituted a main factor in the Company's development during the years. In June, an agreement between Yhtyneet Paperitehtaat Oy, Jylhävaara and Oy Fiskars Ab was made by which Fiskars buys the production machinery and marketing of bolts from Jylhävaara.

On the 16th December, a successful share capital issue was completed. The shareholders now number about 900. The present share capital is Fmks 21,250,000 or 212,500 shares at Fmks 100 each.

The 325th anniversary of the founding of the Fiskars factory was celebrated on the 31st October.



Final inspection of Puukko—knives

SALES PROCEEDS (Fmks' 000)	1973		1974	
	Total	of which exports %	Total	of which exports %
Metal Products Division	99,444	30	157,129	28
Engineering Division	38,043	11	55,697	18
Others	73,427	46	90,369	46
Gross sales proceeds	210,914	32	303,195	31
Sundry items	+ 3,425		+ 11,248	
Net turnover	214,339		314,443	
Change from previous year	+ 29 %		+ 47 %	
US\$'000 at Fmks 3.85/3.54	55,672		88,825	

Sales

Due to a shortage of capacity the high demand for metal products could not be met in all instances. In general the market situation in other business sectors was less favourable than during the previous year and the rate of sales growth diminished.

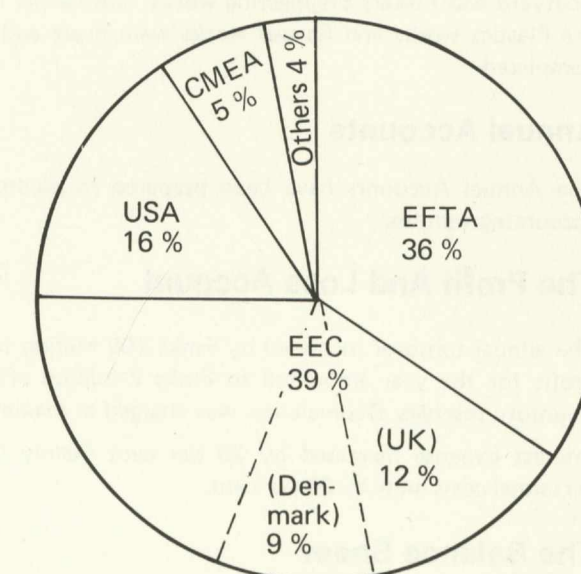
The Company continues with its efforts to establish its own marketing outlets for certain products and export markets demanding special expertise. Marketing subsidiaries and representative offices are located in Stockholm, Malmö, Copenhagen, Oslo, Vienna and Langen (German Federal Republic).

The inflow of orders remained satisfactory throughout the year, and the backlog of orders was equal to the amount at the end of the previous year, although with substantial variations between individual factories and with the main emphasis on metal products. The order book corresponded to about 4 months' sales.

Sales Analysis

	1973	1974
Metal products, parts and components		
for the industry	23 %	22 %
for consumption	15 %	17 %
machines and tools for		
agriculture and forestry	15 %	17 %
for the building industry	12 %	12 %
machines and plants	2 %	2 %
Farm and forest produce, sawmill	9 %	10 %
products	24 %	20 %
Other sales	100 %	100 %

Export Sales in 1974



Personnel Administration

No function within the organisation has changed or developed more rapidly than this one, as a result of the efforts of numerous meetings, committees, etc. The company structure has a high proportion of wages and salaries with demands on individual performance. This fact underlines the importance of all positive steps within the personnel administration.

The employment situation was good throughout the year. The number of employees increased by 99 to 3,732 by 31st December.

During the year 200 employees received awards for long service records. The Company expresses special gratitude to the 9 employees with 50 years and to the 26 employees with 45 or 40 years of service.

Capital Expenditure

Capital investment during the year amounted to Fmks 31.8 million. Below is a specification by division.

	1973	1974
Metal Products Division	11 320	12 380
Engineering Division	4 584	7 650
Other	8 466	11 812
	<u>24 370</u>	<u>31 842</u>

The corresponding totals divided according to asset category are as follows:

	1973	1974
Land	505	547
Buildings	9 450	16 452
Machinery & equipment	11 030	13 750
Other fixed assets	822	149
Securities	2 563	944
	<u>24 370</u>	<u>31 842</u>
Work in progress of above	2 594	3 212

Among the year's major investment projects are new facilities at the Turku Boatyard and Fiskars Engineering works. Substantial investments in machinery for the Plastics works and Scissor works were made and the projects have now been completed.

Annual Accounts

The Annual Accounts have been prepared in accordance with the new Finnish accounting statutes.

The Profit And Loss Account

The annual turnover increased by Fmks 100 million to Fmks 314 million. The net profit for the year amounted to Fmks 2 million after substantial allowances to inventory reserves. Depreciation was charged at maximum fiscally deductible rates.

Interest expense increased by 25 per cent mainly due to higher interest rates. Personnel costs grew by 23 per cent.

The Balance Sheet

Additional sales led to a substantial increase in the capital required. Liquid assets and inventories on the books increased by Fmks 22 million whereas fixed assets grew by Fmks 16 million.

Short and long term loans increased by Fmks 31 million. Shareholders' equity and reserves increased by some Fmks 7 million.

INCOME STATEMENT

for the year ended	31st December 1973	31st December 1974
Net turnover	+ 213 898 385,50	+ 314 442 870,35
Variable and fixed expenses		
Materials and supplies	111 564 981,60	157 537 978,42
Wages and salaries	58 457 756,05	71 206 552,68
Statutory and contractual personnel costs	20 072 160,25	25 618 458,32
Rents and leases	1 850 004,17	2 728 851,71
Other variable and fixed expenses	19 850 302,34	26 551 156,27
Change in inventories	<u>- 15 712 330,00</u>	<u>- 1 500 179,00</u>
	- 196 082 874,41	- 282 142 818,40
Operating margin	+ 17 815 511,09	+ 32 300 051,95
Depreciation		
Buildings	2 950 624,03	4 462 397,00
Machinery and equipment	4 982 969,95	10 917 549,44
Other fixed assets	56 148,00	62 974,00
Intangible assets	<u>2 012 092,20</u>	<u>- 15 442 920,44</u>
	- 10 001 834,18	- 15 442 920,44
Net earnings from operations	+ 7 813 676,91	+ 16 857 131,51
Other income and expenses		
Interest receivable	2 883 426,10	3 149 680,84
Dividends receivable	70 254,00	108 072,60
Other income	4 445 328,00	674 501,12
Other costs	<u>- 626 667,00</u>	<u>- 139 367,60</u>
	+ 6 772 341,10	+ 3 792 886,96
	+ 14 586 018,01	+ 20 650 018,47
Change in reserves	- 157 500,00	- 1 587 500,00
Interest expenses	- 12 331 541,61	- 15 414 608,88
Direct taxes	1 463 134,25	- 1 623 757,49
less paid from reserves	<u>- 457 805,19</u>	<u>- 1 005 329,06</u>
Net profit for the period	+ 1 091 647,34	+ 2 024 152,10

BALANCE SHEET AS AT

31ST DECEMBER 1973

31ST DECEMBER 1974

ASSETS

Liquid assets

Cash and bank	3 560 911,18		745 383,80	
Accounts receivable	29 725 883,16		53 499 257,39	
Loans receivable	26 972 216,66		22 325 888,20	
Advances	7 066 887,—		2 955 214,97	
Prepaid expenses and accrued income	2 101 304,57		4 615 713,38	
Accounts receivable from subsidiaries	5 850 079,99		9 606 261,04	
Amounts outstanding on share capital issued	— —	75 277 282,56	2 207 000,—	95 954 718,78

Inventories

Materials and supplies	16 200 665,—		17 952 064,—	
Products	33 470 169,—	49 670 834,—	33 218 949,—	51 171 013,—

Fixed assets

Work in progress	2 593 995,—		3 211 695,95	
Land	39 951 531,—		40 473 049,50	
Buildings	30 362 800,—		40 588 454,28	
Machinery and equipment	20 365 568,—		23 317 151,22	
Other fixed assets	1 159 750,—		1 246 321,93	
Securities	5 001 496,79	99 435 140,79	5 859 031,68	114 695 704,56

Adjusting items

			925 700,—	
		224 383 257,35	262 747 136,34	

LIABILITIES AND SHAREHOLDERS' EQUITY

31st DECEMBER 1973

31st DECEMBER 1974

Liabilities

Current liabilities

Accounts payable	20 876 871,17		33 545 591,88	
Advances	6 602 910,—		4 940 324,88	
Prepaid income and accrued expenses	10 572 614,01		13 269 849,14	
Notes payable	43 135 000,—		44 838 000,—	
Other current liabilities	19 164 818,47	100 352 213,65	21 355 235,40	117 949 001,30

Long-term debt

Bank loans	52 919 213,10		58 920 253,09	
Loans from pension institutions	24 938 474,87		29 567 126,42	
Other long-term debt	2 452 631,10	80 310 319,07	5 461 858,80	93 949 238,31

RESERVES

157,500,—

1 745 000,—

Shareholders' equity

Share capital	10 556 000,—		21 250 000,—	
Other equity	31 915 577,29		25 829 744,63	
Net earnings of the period	1 091 647,34	43 563 224,63	2 024 152,10	49 103 896,73
		224 383 257,35	262 747 136,34	

Dividends and Retained Earnings

The net profit is Fmks 2,024,152.10. According to the Company statutes, interest at 4 per cent is to be paid to the shareholders (new issue excluded) and 10 per cent of the profit is to be transferred to Capital Reserve.

	Fmks
Profit for the year	2,024,152.10
less 4 per cent interest	422,240.00
transfer to Capital Reserve	202,415.21

After the above remain	1,399,496.89
and the retained earnings	
from prior years	2,292,535.09
at the disposal of the	
Annual General Meeting	3,692,031.98

The Board proposes that

— in addition to the above	
6 per cent or Fmks 6 per	
share be paid to the shareholders	633,360.00
— the remainder be retained	
on the Profit and Loss Account	3 058 671,98

The official Annual Report, on which this review is based, was signed in Helsinki on 11th March 1975 by the entire Board.

Supervisory Board of Directors

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

Jacob von Julin, hon.D. Sc. (Econ), chairman (elected until AGM in 1977)

Jarl Gripenberg, D.Sc.Tech., deputy chairman (1977)

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

Klaus Ahola, member (1977)

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)

Göran J. Ehrnrooth, B.Sc. (Econ), member (1976)

the Company's 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, 1974 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.

We have been able to establish that the Annual Report and the financial statements showing a profit of Fmks 2,024,152.10 are in accordance with the books of accounts, and have been prepared in accordance with accepted accounting practice. The operating profit includes profits from associated steel operations as during previous years.

In accordance with the resolution adopted by the Shareholders' Extraordinary Meeting on 9th August, 1974, the Company's share capital was raised from Fmks 10,556,000.— to Fmks 21,250,000.— during the year under review.

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 1974
- release the Board and Managing Director from responsibility in respect of 1974 and
- accept the Board's proposal for payment of dividends and retaining of earnings.

Signed in Helsinki on 4th April, 1975 by Messrs. Claes-Johan Hisinger-Jägerskiöld, Jarl Engberg and Eric Haglund, CPA



Jubilee meeting of the Supervisory Board



The world champion in ploughing 1974 and his Fiskars-plough

FINANCIAL ANALYSIS in millions of Fmks

Finance sources

Profit before interest and taxes	17,5
Depreciation	15,4
Disposal of fixed assets	1,1
Loan repayments received	5,4
	<u>39,4</u>
New loans	23,9
Paid part of share capital issue	2,2
	<u>65,5</u>

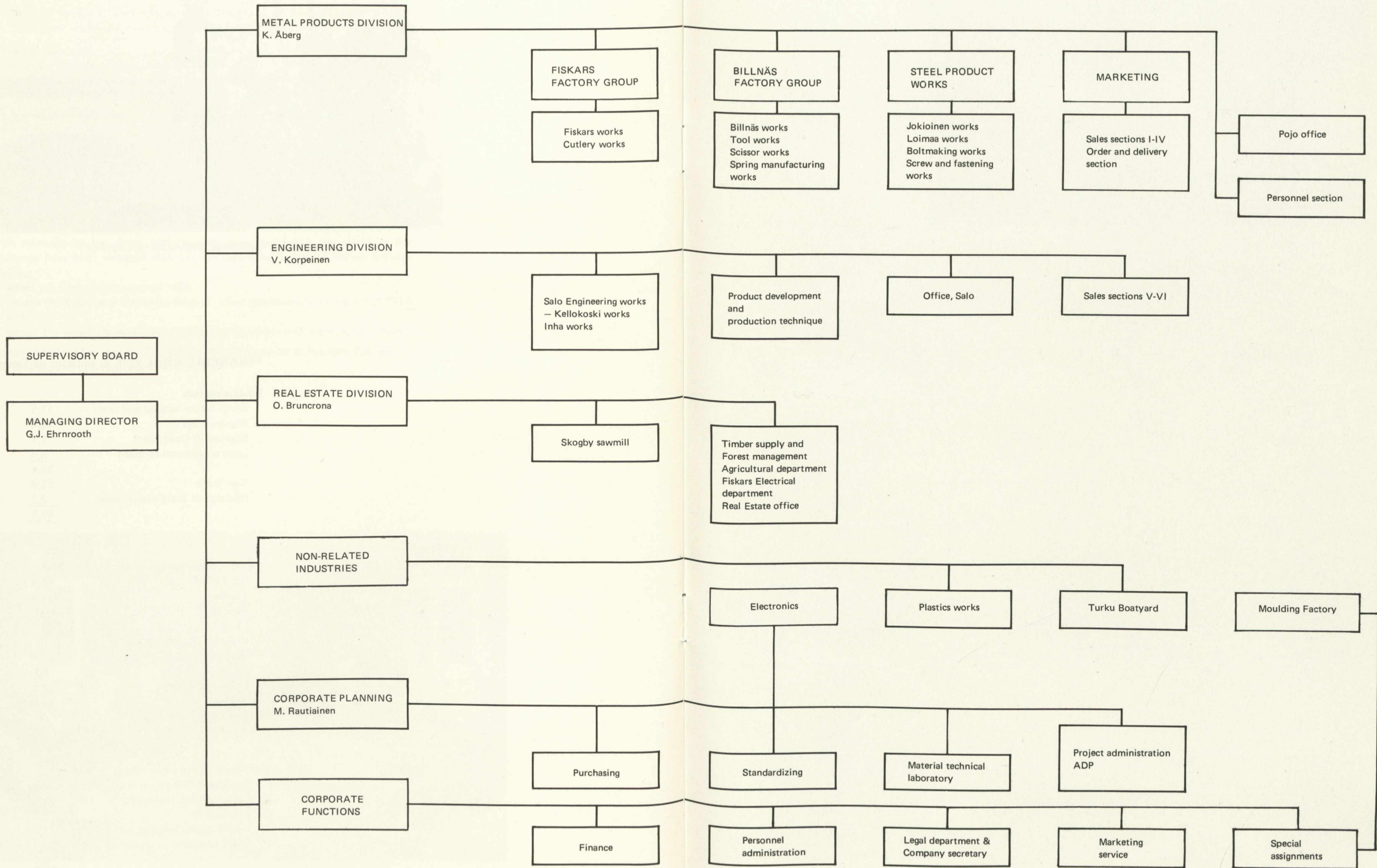
Finance requirements

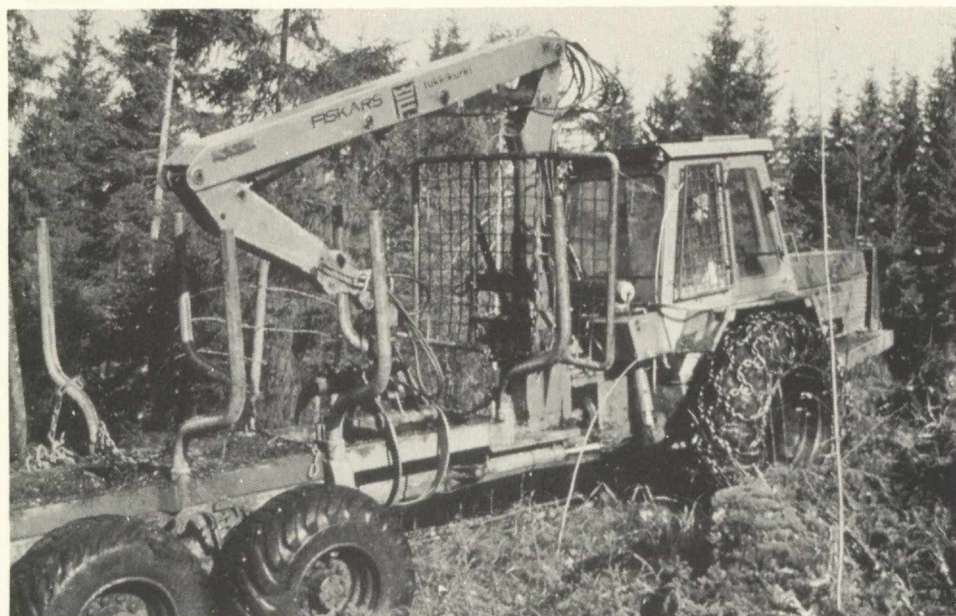
Net interest	12,3
Taxation	1,6
Dividends	0,8
	<u>14,7</u>
Investments in buildings, machinery and equipment	30,9
Stocks	1,0
Loan repayments	12,9
	<u>59,5</u>

Difference = change in capital expenditure	+ 6,0
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Change in capital expenditure

Short-term receivables (increase +)	+ 26,6
Cash and bank receivables (increase +)	— 2,8
Liquid assets (increase +)	+ 1,5
Short-term debt (increase —)	— 19,3
	<u>+ 6,0</u>





Fiskars log crane F-6000