



OY FISKARS AB

Annual Report for 1975



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OY FISKARS AB

SUPERVISORY BOARD OF DIRECTORS AUDITORS

(elected until AGM in)

Jacob von Julin Hon.D.Sc. (Econ)	1977 chairman of the Board
Jarl Gripenberg D.Sc. (Tech)	1977 deputy chairman
T. Gunnar Nyström M.D.	1978 member
Klaus Ahola	1977 member
Robert G. Ehrnrooth Lic.Sc. (Econ)	1978 member
Thomas Tallberg M.D.	1976 member
Johan L. von Julin B.Sc. (Econ)	1976 member
Lauri Kalima LL.M., Deputy Chief General Mgr, Union Bank of Finland	1978 member
Göran J. Ehrnrooth B.Sc. (Econ)	1976 member

CORPORATE DIRECTORS

Göran J. Ehrnrooth B.Sc. (Econ)	Managing Director, Chairman of the Corporate Directors
Olof Bruncrona M.Sc. (Tech)	Director, Real Estate Division
Väinö Korpeinen M.Sc. (Tech)	Director, Engineering Division
Mauno Rautiainen M.Sc. (Tech)	Director, Corporate Planning
Kaj Åberg B.Sc. (Econ)	Director, Metal Products Division

ordinary

Claes-Johan Hisinger-Jägerskiöld B.Sc. (Econ) †
Jarl Engberg Attorney at Law
Eric Haglund B.Sc. (Econ), C.P.A.

alternate

Otto Ekberg
Henrik Brummer B.A.
Henry Lind M.Sc. (Econ), C.P.A.

The new galvanizing facilities
at Jokioinen works



ECONOMIC REVIEW

The unique feature of the worldwide economic recession in 1974—75 was the drastic decline in world trade and industrial production, unmatched since the depression years of the thirties.

Despite the weakening demand, the rate of inflation scarcely slackened off at all. The cost pressure was kept up mainly by the sharply climbing wages and salaries. The international market prices of raw materials fell compared to the high of 1974.

The economic trend in Finland was unfavourable and as the deficit in the balance of trade (Fmks 8 billion¹), was, furthermore, almost twice the figure of 1974, the economic situation in the country was, at the end of the reporting period, worse than in many years.

The price and cost pressure was high. The consumer prices increased by 18%, and since the wages and salaries drifted above the increases agreed upon, the nominal earnings level rose by 23%.

¹) equals US \$ 2.1 billion

1 Fmk = 26 cents

1 US \$ = 3.86 Fmks

CORPORATE ACTIVITIES

The net turnover for the year was Fmks 328 million (equal to US \$ 85 million), that is 4% over the previous year's. The sales increase was a result of the domestic sales which kept up a good pace throughout the first two thirds of the year. The export growth came to a halt, something which had not yet happened in the seventies; hardest hit were the Company's non-metal industries. The exports represent about 28% of the turnover (compared to last year's 31%). Metal industry exports increased by 21%.

The lack of skilled personnel diminished as the economy slowed down, but the absence from work and personnel turnover problems continue. Compared with the situa-

tion the year before, the total number of employees decreased by about 250. At several factories, full capacity could not be maintained, this was particularly true of the factories which are highly export orientated.

The availability of raw materials was satisfactory throughout the year and the price fluctuations were relatively moderate. The world steel market was estimated to be weaker than in 40 years, and although the personnel costs, ore, coal and oil prices rose, the steel prices fell. The Company purchased its steel during the first half of the year on favourable terms which is reflected in the result for the year. A rise in the price of steel is anticipated in 1976.

The financing of the operations became strained at times when inventories of finished goods increased. Corrective action restored the balance towards the end of the year. The need for working capital was met by short term loans while the main part of major capital investments was financed by long term credits.

With a view to guarding its interests in the potentially important English yacht market, the Company acquired the share capital in Ballena Ltd., which had represented Turku Boatyard in the U.K. since 1970.

On 29th December, the Supervisory Board of Directors adopted a resolution, according to which the Company would sell the Skogby sawmill with adjoining land comprising about 100 hectares of land and water to a new company Oy Metsä-Skogby Ab — owned in equal shares by Metsäliitto Corporation and Oy Fiskars Ab. The new company intends to expand the annual capacity of the Skogby sawmill to 150,000 m³ sawn timber.

On 30th September, four corporate directors were appointed to assist the Managing Director in the day-to-



Our log cranes at Elmia fair in Sweden

OWNERSHIP IN OTHER COMPANIES

day administration of the company. The Managing Director was nominated chairman of the directors.

— — —
The financial result for 1975 was not as good as last year's but can, nevertheless, be considered satisfactory as a whole.

— — —
The outlook for 1976 is bleak. The backlog of orders is eroding and the Company expects practically no improvement in the sales volume. It is expected, however, that the exports will increase, mainly during the latter part of 1976.

Fiskars A/S, Denmark, established 1969
Fiskars Ges.m.b.H., Austria, established 1972
Fiskars Svenska AB, Sweden, established 1974
Fiskars GmbH, Federal Republic of Germany, established 1975
Ballena Ltd., England, established 1970, subsidiary from 1975

Part ownership (over 20%) in other companies

Oy Predium Ab	100%
Oy Metsä-Skogby Ab	50% (as from 1976)
Tietotyö Oy	50%
Ovako Oy	36%

The list does not include housing corporations or similar enterprises.

TURNOVER (in thousands Fmks)	1974		1974	
	Total	Exports %	Total	Exports %
Metal Products Division	157 129	28	179 186	29
Engineering Division	55 697	18	69 453	17
Others	90 369	46	86 510	36
Gross turnover	303 195	31	335 149	28
Sundry items	+11 248		- 7 354	
Net turnover	314 443		327 795	
Change from previous year	+47%		+ 4%	

SALES AND INFLOW OF ORDERS

Although the sales target was not reached, the product sales (gross turnover) increased by 10% (see table). The Company's metal industry improved their sales by 16% from the previous year. The most export orientated factories show a drop in their sales. This applies mainly to the non-metal industries.

The geographical breakdown of the exports shifted considerably. The exports to the CMEA countries doubled while the exports to the US and the EEC countries, mainly England, declined. Sweden is the biggest export market of the Company with a 37% share of total exports.

The incoming orders began slowing down towards the end of the first half of 1975 and the backlog of orders at the end of the year was 25% lower than the previous year's level.

SALES ANALYSIS

	1974	1975
Metal products, parts & components		
for the industry	26%	31%
" " machines and tools		
for agriculture and forestry	17%	19%
" " for the building industry	12%	11%
" " for consumer households	12%	10%
" " machinery & equipment	3%	4%
Farm, forest and sawmill products	10%	6%
Other products	20%	19%
	100%	100%

CAPITAL EXPENDITURE

The major capital investments authorized in the previous year were completed.

Due to the tight credit situation, no new investment plans were started during the reporting period, and some already endorsed investments were deferred.

The breakdown of the investments is shown below:

(million Fmks)	1974	1975
Metal Products Division	12.4	19.4
Engineering Division	7.6	1.9
Non-metal industries	10.0	1.4
Real Estate Division and Head Office	1.8	1.3
	31.8	24.0

Breakdown by objectives:

Land	0.5	0.8
Buildings	16.5	7.8
Machinery and materials	13.8	14.0
Other fixed assets	0.1	1.0
Securities	0.9	0.4
	31.8	24.0



A Finnsailer 38 getting shape
at Turku Boatyard

METAL PRODUCTS DIVISION

The demand for metal products was satisfactory during the first half of the year, but later on the economic slump became more evident. During the latter half of the year full employment could no longer be maintained after the inventories of finished goods had reached the ceiling set by the finances.

The Division comprises 10 factories with a total number of 1 714 employees at the turn of the year (1 934). The total sales were Fmks 179 million (Fmks 157 million in 1974), of which exports represent 29% (28%).

ENGINEERING DIVISION

The Division's manufacturing capacity was almost in full use. The activity slowed down, however, somewhat in the last few months of the year.

The Division comprises 4 factories with a total number of 723 employees (693).

The sales reached a volume of Fmks 69 million (Fmks 56 million in 1974), of which 17% exports (18%).

NON-METAL INDUSTRIES

Fiskars Moulding Factory, Turku Boatyard and Skogby sawmill were all severely hit by the worldwide recession. These factories which export more than 50% of their production had to cut down the production volume.

The Plastic Works' sales developed favourably and the result improved.

Although the Electronics Works increased their sales volume, the result is not yet fully satisfactory.

MARKETING SUBSIDIARIES

Of the five existing sales subsidiaries, Fiskars A/S, Denmark, is so far the only one to have become established in its area of operations.

The remaining four companies operate for the time being more as sales offices. With the help of local sales personnel they search for new marketing outlets for one or a limited number of products in a certain market area. The total sales of the subsidiaries amounted to 16 million Fmks; half of that emanating from the sales of yachts.

INCOME STATEMENT

	31st December 1974	31st December 1975
Net turnover	+314 442 870.35	+327 795 431.92
Variable and fixed expenses		
Materials and supplies	159 602 693.52	154 758 648.52
Wages and salaries	69 381 106.06	80 182 149.87
Statutory and contractual personnel costs	28 774 660.41	36 769 082.92
Rents and leases	2 728 851.71	3 655 596.79
Other variable and fixed expenses	26 551 156.27	32 982 162.52
Goods for own use	- 3 395 470.57	- 2 893 360.07
Change in inventories	- 1 500 179.00	- 12 153 700.00
Operating margin	+ 32 300 051.95	+ 34 494 851.37
Depreciation		
Buildings	4 462 397.00	7 311 963.00
Machinery and equipment	10 917 549.44	10 834 736.89
Other fixed assets	62 974.00	137 731.18
	- 15 442 920.44	- 18 284 431.07
Net earnings from operations	+ 16 857 131.51	+ 16 210 420.30
Other income and expenses		
Interest receivable	3 149 680.84	2 632 890.31
Dividends receivable	108 072.60	139 695.60
Other income	674 501.12	273 695.29
Other costs	- 139 367.60	- 42 994.44
	+ 3 792 886.96	+ 3 003 286.76
	+ 20 650 018.47	+ 19 213 707.06
Change in reserves	- 1 587 500.00	- 819 000.00
Interest expenses	- 15 414 608.88	- 16 252 106.89
Direct taxes		
For the year	1 312 896.00	2 239 829.70
From previous years	310 861.49	635 953.38
Less paid from reserves	- 1 623 757.49	- 2 428 304.02
	- 447 479.06	
Net profit for the period	+ 2 024 152.10	+ 1 695 121.11

BALANCE SHEET AS AT

31st December 1974

31st December 1975

ASSETS

Liquid assets

Cash and bank	745 383.80		4 853 741.94	
Accounts receivable	53 499 257.39		43 511 099.21	
Loans receivable	22 325 888.20		18 599 321.20	
Advances	2 955 214.97		1 331 407.94	
Prepaid expenses and accrued income	4 615 713.38		4 221 020.60	
Accounts receivable from subsidiaries, delivery credits	—		3 889 815.59	
Accounts receivable from subsidiaries, others	9 606 261.04		12 631 808.32	
Delivery credits, receivable	—		1 992 578.34	
Amounts outstanding on share capital issued	2 207 000.00	95 954 718.78	—	91 030 793.14

Inventories

Materials and supplies	17 952 064.00		16 342 903.00	
Products	33 218 949.00	51 171 013.00	46 981 810.00	63 324 713.00

Fixed assets

Work in progress	3 211 695.95		3 643 986.22	
Land	40 473 049.50		41 214 754.04	
Buildings	40 588 454.28		41 775 756.02	
Machinery and equipment	23 317 151.22		25 228 333.84	
Other fixed assets	1 246 321.93		1 395 907.75	
Securities	5 859 031.68	114 695 704.56	6 129 527.24	119 388 265.11

Adjusting items

	925 700.00		787 100.00	
	<u>262 747 136.34</u>		<u>274 530 871.25</u>	

31st December 1974

31st December 1975

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Current liabilities

Accounts payable	33 545 591.88		17 378 370.31	
Advances	4 940 324.88		4 177 566.26	
Prepaid income and accrued expenses	13 269 849.14		18 538 158.38	
Notes payable	44 838 000.00		58 080 090.00	
Delivery credits payable, short term	—		1 956 676.65	
Other current liabilities	21 355 235.40	117 949 001.30	22 751 195.82	122 882 057.42

Long-term debt

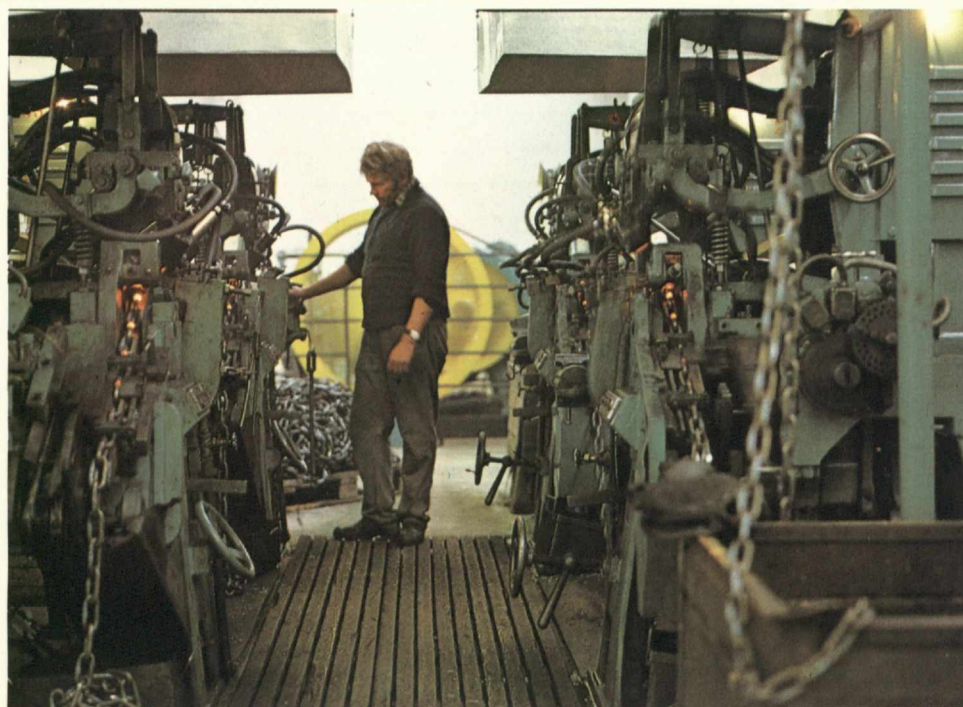
Bank loans	58 920 253.09		59 625 253.28	
Loans from pension institutions	29 567 126.42		34 716 183.43	
Delivery credits payable, long term	—		1 731 948.35	
Other long-term debt	5 461 858.80	93 949 238.31	5 696 195.95	101 769 581.01

Reserves

	1 745 000.00		2 564 000.00	
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Shareholders' equity

Share capital	21 250 000.00		21 250 000.00	
Other equity	25 829 744.63		24 370 111.71	
Net earnings of the period	2 024 152.10	49 103 896.73	1 695 121.11	47 315 232.82
		<u>262 747 136.34</u>		<u>274 530 871.25</u>



Automatic welding of chains
at Lqimaa works

DIVIDENDS AND RETAINED EARNINGS

The net profit is Fmks 1 695 121.11. According to the Company statutes, interest at 4 per cent 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	1 695 121.11
less 4 per cent interest	850 000.00
transfer to Capital Reserve	<u>169 512.11</u>
After the above remain	675 609.00
and the retained earnings from prior years	<u>3 058 671.98</u>
at the disposal of the AGM	<u><u>3 734 280.98</u></u>

The Board proposes that

- in addition to the above 3 per cent i.e.
Fmks 3 per share be paid to the
shareholders 637 500.00
- the remainder be retained on the
Profit and Loss Account 3 096 780.98

The official Annual Report, on which this review is based, was signed in Helsinki on 9th March 1976 by the entire Board.



The new Fiskars disc harrow
tilling the soil

REPORT OF THE AUDITORS (Summary)

Elected by the Annual General Meeting of the shareholders to audit the Company's administration and accounts for 1975 and having now completed our audit we submit our report.

We have examined the consolidated balance sheets and the statements of income and retained earnings and changes in financial position as well as the minutes of the General Meetings and the Board Meetings, and other documents pertaining to the administration and finances of the Company. Our examinations included such tests of the accounting records and such other auditing procedures as we considered necessary.

In our opinion, the financial statements, showing a profit of Fmks 1 695 121.11 were made in accordance with generally accepted auditing standards and give a fair view of the state of affairs of the Company. The operating profit includes profits from associated steel operations as during the previous years.

With reference to the above and since we have been able to establish that the affairs of the Company have been

managed with care we recommend that the Annual General Meeting

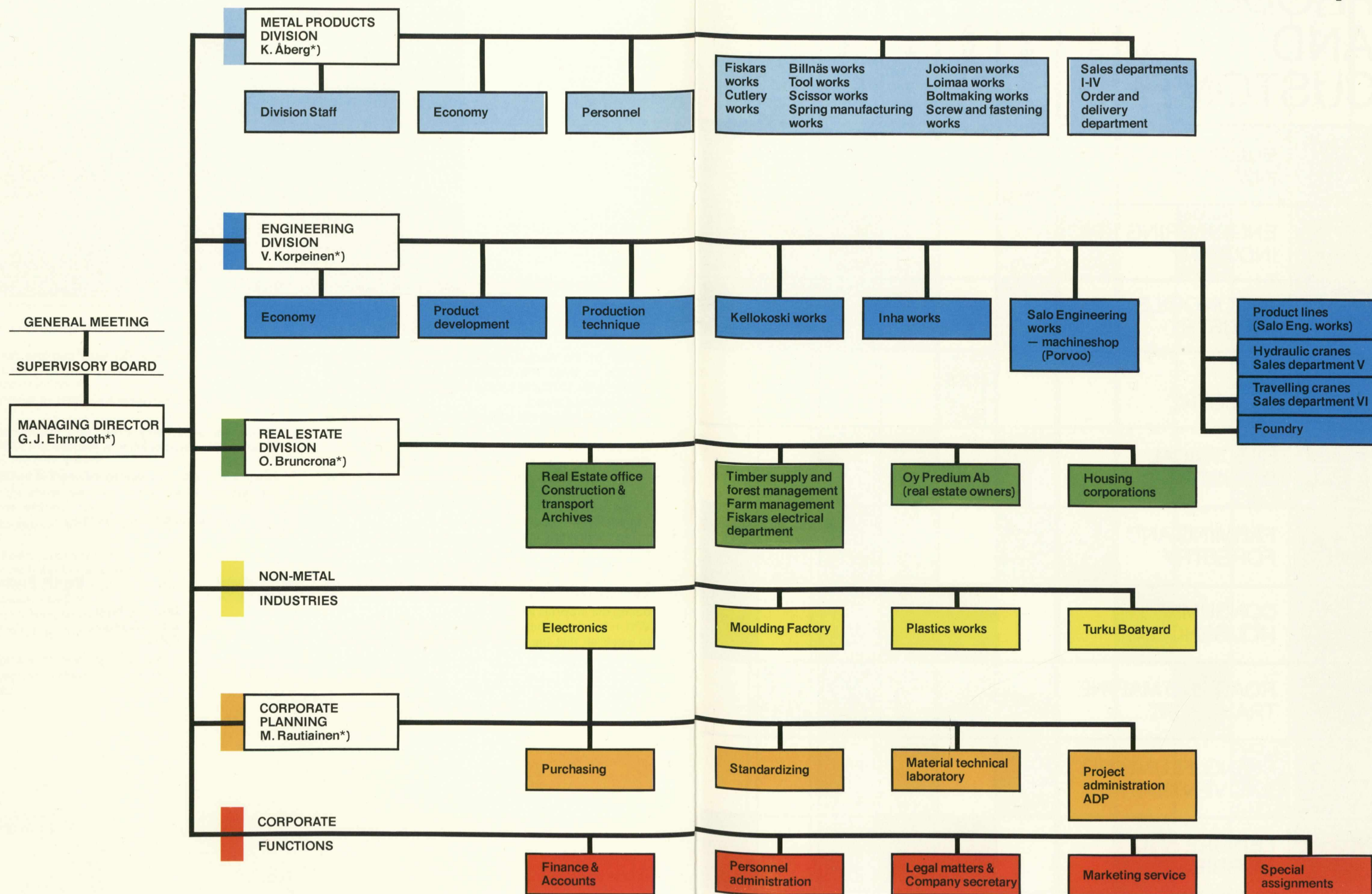
- adopt the Annual Accounts for 1975
- release the Supervisory Board and the Managing Director from responsibility in respect of 1975 and
- accept the Board's proposal for payment of dividends and retaining of earnings.

Signed in Helsinki on 6th April, 1976 by:

Jarl Engberg
Attorney at Law

Henrik Brummer
B.A.

Eric Haglund
B.Sc. (Econ),
C.P.A.



*) Corporate Director

FISKARS PRODUCTS AND CUSTOMERS



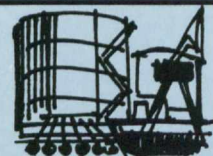
BUILDING
INDUSTRY



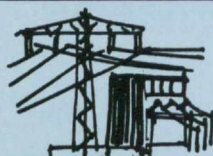
ENGINEERING
INDUSTRY



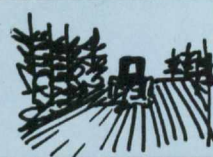
AUTOMOBILE
INDUSTRY



OIL
INDUSTRY



ELECTRICAL
INDUSTRY



FARMING AND
FORESTRY



CONSUMER
HOUSEHOLDS



ROAD AND MARINE
TRANSPORT



PIPING, PLUMBING
AND VENTILATION



LEISURE AND
HOBBIES



RESEARCH,
LABORATORIES

FISKARS WORKS

CUTLERY WORKS

SCISSORS WORKS

SPRING MANU-
FACTURING WORKS

TOOL WORKS

BILLNÄS WORKS

JOKIOINEN WORKS

LOIMAA WORKS

BOLTMaking WORKS

SCREW AND FASTENING
WORKS

KELLOKOSKI WORKS

INHA WORKS

SALO
ENGINEERING WORKS

MOULDING FACTORY

ELECTRONICS

PLASTICS WORKS

TURKU BOATYARD

REAL ESTATE DIVISION

