

Annual Report for 1977



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SUPERVISORY BOARD OF DIRECTORS

(to serve until the AGM in)

Jacob von Julin chairman of the Board 1980 Jarl Gripenberg 1980 deputy chairman T. Gunnar Nyström member 1978 Klaus Ahola 1980 member Robert G. Ehrnrooth 1978 member Thomas Tallberg 1979 member Johan L. von Julin 1979 member Lauri Kalima 1978 member Göran J. Ehrnrooth 1979 member

AUDITORS

ordinary:

Jarl Engberg

Eric Haglund, CPA

Henrik Brummer

alternate:

Otto Ekberg

Henry Lind, CPA

Brita Hisinger-Jägerskiöld

CORPORATE DIRECTORS	Göran J. Ehrnrooth	Managing Director Chairman of the Corporate Directors
	Olof Bruncrona	Director Real Estate Division
	Väinö Korpeinen	Director Engineering Division
	Mauno Rautiainen	Director Corporate Planning
	Kaj Åberg	Director Metal Products Division
DEPARTMENT HEADS CORPORATE FUNCTIONS	Nybergh, Erik	Legal Matters & Company Secretary
	Eklund, Nils	Purchasing
	Huttunen, Osmo	Personnel Administration
	Grandell, Helmer	Marketing Service
	Tallberg, Torsten	Finance
	Palin, N. H.	Technical Service
	Tikkanen, Kaj	Materials Technique Department
	Toivola, Juha	Planning Service
	Laurila, Raimo	Systems Department
NON-EXECUTIVE	Zitting, Carl C.	Assistant Director Metal Products Division
DIRECTORS	Höglund, Nils	Assistant Director Metal Products Division
	Klinge, Paul V.	Sales Director Metal Products Division
	Blomquist, Fredrik	Sales Director Metal Products Division
NON-EXECUTIVE DIRECTORS	Zitting, Carl C. Höglund, Nils Klinge, Paul V.	Assistant Director Metal Products Division Assistant Director Metal Products Division Sales Director Metal Products Division

Sales Director

Director

Engineering Division

Plastic Products Division

Hiekkanen, Raimo

Böök, Herved





Fiskars scissors come in seven models, the left-handed models included. Hobby scissors, the latest addition to the range are at the bottom, right.

1969 — 77 IN FIGURES

Year	1969	1970	1971	1972	1973	1974	1975	1976	1977
Turnover (million marks)	132	154	143	166	214	314	328	345	361
Exports/%	17	23	27	31	32	30	29 .	32	38
Liquid assets and inventories (million marks)	103	99	94	96	122	148	155	167	180
Fixed assets	56	66	75	75	99	115	119	117	165
Current liabilities	73	56	66	64	98	118	123	120	150
Long-term debt	69	83	77	79	79	94	101	110	122
Share capital	11	11	11	11	11	21	21	21	21
Other shareholders' equity ¹)	6	15	15	17	33	30	29	29	52
Wages & salaries (million marks) 2)	46	50	51	60	78	97	115	123	139
Capital expenditure	5	8	14	15	24	32	24	18	37
Recorded depreciations	4	8	8	6	10	15	19	13	8
Interest etc. net	8	8	9	7	10	12	14	13	16
Paid taxes	0.6	0.6	0.8	0.9	1.5	1.6	2.9	2.1	2.7
Profit for the year	0.6	0.8	0.7	2.5	1.1	2.0	1.7	1.5	0.2
Dividend	0.4	0.4	0.4	0.6	0.8	1.1	1.4	1.4	1.43)

¹⁾ excl. inventory reserve

OY FISKARS AB

REVIEW OF THE FINNISH ECONOMY

In 1977 the market economies which are important to Finnish exports grew an average of only 2%. A notable exception was the USA where the growth rate exceeded 4%.

The world monetary market was unstable throughout the year. The US dollar weakened considerably, whereas the pound sterling, the yen and the Swiss franc became stronger. The German mark remained stable. The Nordic countries devalued their currencies at the beginning of April and again at the end of August. After Sweden had devalued the crown by 6% in April, the Finnish mark was devalued by 5.7%. There was a 10% devaluation of the Swedish crown in August. It was followed by only a 3% devaluation of the Finnish mark. Some exchange rates at the end of the year (the previous year's rates in brackets): \$US=4.03 Finnish marks (3.78), 100 Swedish crowns=86.30 (91.70), the pound sterling=7.68 (6.43), 100 German marks=192.00 (160.40).

The year was a period of stabilization for Finnish exports. The value of exports increased by 25%, and while imports increased by only 8%, due to the decline in industrial activity, the surplus in the balance of trade amounted to 233 million marks, whereas the deficit in the balance of trade had reached 4,030 million marks the year before.

The unemployment rose throughout the year, and in December the number of unemployed was 164,000 or 7.5% of the total labour force.

The 12-month consumer price index had increased by 12% up to December 1977. The earnings index dropped by 4%, while the real income available to households did not decrease by more than 1.5%, thanks to e.g.

adjustments in taxation rates, made to offset the effect of inflation.

Finland's monetary policy remained stringent, and due mainly to a lack of profits, industry was forced to reduce employment, as efforts were made to bring production into line with decreasing demand.

The Government's economic policy aimed mainly at fighting inflation and stabilizing the economic situation in the long run. It did in fact include several stimulatory measures, but failed to provide the instant relief that would have restored industry's competitiveness and increased employment. One step towards this end was the decision taken jointly by the central organizations of labour and management to postpone the wage increases previously agreed upon from March to September 1978.

Industry's expectations are reflected in replies to a questionnaire sent by the Confederation of Finnish Industries to its member industries in the middle of December 1977. No signs of improvement were expected in industry, and the building materials and metal industry did not anticipate an upturn. The metal industry even foresaw a decline in production volume during the first half of 1978. The slight upturn previously forecast for the last quarter of 1977 did not materialize.

²⁾ incl. social security, etc.

³⁾ proposal as per annual report



COMPANY OPERATIONS

Operations during the first eight months of the year fulfilled budgets and forecasts. During this period the operational result was maintained at the planned, though unsatisfactory level. Exports grew dynamically. In September–October the inflow of orders and demand dropped considerably, resulting in a rapid decline in sales and a need to slow down production. One of the reasons for this negative development may be the devaluation of the Swedish crown. Sweden is Finland's most important export market, and Swedish industries are our main competitors in several markets.

Turnover increased by slightly less than 5%. After depreciations amounting to only half of the maximum allowed by the Business Taxation Act and after reducing the inventory reserve by 7 million marks, the profit for the year amounts to 0.2 million marks. The result was encumbered with 3 million marks in exchange rate losses incurred during the year on bills of exchange and loans.

Turnover and sales

The net turnover for the year was 361 million marks (345). Exports increased by 23%, or by 25 million marks while domestic sales dropped by 9 million marks.

The sales of the Metal Products Division increased by 19 million marks or by 11%. In contrast, the sales of the Engineering Division declined by 7 million marks, due mainly to the slowdown in industrial investments in Finland. The Non-metal Industries increased their sales by 7 million marks while the sales of the Real Estate Division diminished by 2 million marks.

Prices for finished products were not adjusted, as the competition at home was tough in all the branches represented by the company. The company's metal products faced keen competition from imports, while at the same time its principal customers — industry, agriculture and forestry — cut down their demand.

Fluctuations in the exchange rates of the pound sterling and the German mark stimulated our exports to these countries. On the other hand the unfavourable trend of the US dollar weakened the profitability of our exports to the US considerably, and prospects for the future deteriorated.

The company's active efforts to open new export markets yielded results. The share of exports, 38% of total sales, is bigger than ever before. This relatively high percentage partly reflects the sluggishness of domestic demand.

Personnel

Several of our factories experienced a drastic decline in demand for their products, especially during the last quarter of the year. As the financing margin did not permit production for inventory, the company had to resort to shorter working weeks, lay-offs of personnel and other reductions in production. Reductions in the number of personnel were made in some branches where the outlook is expected to remain bleak.

At times our employees may have difficulty in accepting the fact that when demand for a factory's products decreases, the operations must inevitably be reduced as well. The effects of these measures, caused by factors which are beyond the control of our company, often seem to be distributed unfairly. This may indeed be true. But the most efficient and in fact the only possible way to inform personnel of the repercussions of economic realities affecting company operations is to continue improving internal information.

The low capacity utilization of our industrial resources, which is occurring on a large scale, is a lamentable waste as far as businesses and employees are concerned. Contrary to the earnest wishes of our company's management and employees it is extremely difficult to find a solid economic base for positive long-term solutions in the present situation.

Aware of the numerous difficulties our personnel has had to overcome, the Supervisory Board of Directors express their special thanks to everybody for their splendid efforts during the past year.

Organization

Some changes will take place in the company's organization at the beginning of 1978, as the plastic products industry will be made into a separate Plastic Products Division. At the same time the corporate functions will be reshuffled for greater efficiency. The new organization is presented on pages 34—35.

Raw materials

Due to keen competition among suppliers stable prices were characteristic of raw material markets. However, it is generally acknowledged that e.g. steel prices in Europe are much below the breakeven point in relation to production costs. This means that the price pressure is mounting. No other big price changes are to be expected in the present situation.

The steel delivery contract signed by Ovako Oy and Oy Fiskars Ab in 1969 was replaced by a new long-term contract which is expected to improve cooperation in processing Ovako's rolled steel products at Fiskars' factories, as this cooperation is important to both partners. The parties have also stepped up cooperation in research and development. Steel accounts for about half of the raw material processed by Fiskars. The principal suppliers remained Ovako Oy and Rautaruukki Oy.

Capital expenditure

Several large capital investments were completed in accordance with decisions made in 1976. New investments amounted to 37 million marks. The programme for 1978 is less than half this sum.

Finance

Most of the capital investments were financed with new long-term loans previously negotiated.

The financing of company operations became more difficult during the last quarter of the year when demand slowed down and sales remained below the budgeted figures. On the other hand the relief measures intended to finance exports played an important role in increasing them. This in turn increased the liquidity of the company.

The company endeavoured to avoid losses on the exchange rates by balancing the expected inflow and outflow of currencies. Due to our export structure only minor but profitable forward cover currency purchases were made.

Because the financing of operations was not satisfactory, the company's financial position deteriorated, in other words its liquidity decreased and its loan burden increased.

Result for 1977

The result for the year was even less favourable than expected as capacity utilization dropped drastically during the last quarter. The profitability of the company's own operations fell considerably. The income accrued from associated steel operations which were based on so called Åminnefors contracts that will expire at the end of 1978 remained at the previous year's level in spite of the downward trend for steel.

The result of the Metal Products Division improved while the result of the Engineering Division deteriorated considerably, due largely to the drop in capital expenditure, mentioned previously.

Of the Non-metal Industries only the Electronics and the Plastic works maintained their positions; the result for the remaining factories declined sharply. The result of the Real Estate Division was slightly better than that for 1976.

OUTLOOK FOR 1978

Under the prevailing circumstances the company management has been forced to revise its 1978 operational plans, which still looked realistic in the autumn of 1977. There are no signs of an improvement in domestic demand or an increase in investment activity among the company's principal customers. The utilization rate of company resources and the level of operations must be reduced to match the present market situation. This will mean reductions even in future capacity and employment at several factories. In this way the cost structure will follow demand development and the company's long-term prospects for profitable operations at this lower capacity level will be improved.

On February 16, 1978, the Finnish mark was devalued by slightly less than 8%. Previously made forecasts are gloomy and at this writing — the beginning of March — it is still uncertain how soon and how effectively the devaluation will stimulate our economy. As improving employment is considered the most important goal of national economic policy, there is no room for compensation to different interest groups.

The recovery of domestic demand is necessary for the improvement of the company's financial result, for in the long run it will scarcely be possible to maintain the steady export growth which in 1976—77 provided the additional volume so badly needed in so many of our branches.

It seems likely that the result for 1978 will be negative, if operations have to be continued at the present low level of capacity utilization.



COMMENTS ON THE FINANCIAL STATEMENTS

Income statement

For the second year in succession the company's turnover increased by a mere 5%. At the same time, however, wage costs rose by 13%. Variable and fixed expenses increased overall by 7%.

The book increase in inventories of 17.2 million marks is partly due to a reduction in the inventory reserve of 7.0 million marks.

Profitability declined throughout the year; the result of operations was negative, especially towards the end of the year.

Depreciations totalling 8.3 million marks, represent only half of the maximum allowed by the Business Taxation Act. No depreciations were effected in the accounts for 1977 in accordance with various tax relief laws.

The net interest, or the differential between interests receivable and payable, rose considerably because of increased loan burden. Interest totalled 15.6 million marks, 20% up on the previous year's 13.0 million marks. Other revenues in the income statement include profits from the sales of shares, and land and buildings. During the year the company sold its shares in Oy Suomen Autoteollisuus Ab to the State.

The devaluation of the Finnish mark and other changes in currency exchange rates resulted in net losses amounting to 1.1 million marks on currency receivables and payables. This burdened the result. The exchange rate differential is included in other expenses on the income statement or, when applicable, recorded as an increase or decrease in sales income and raw materials costs.

Balance sheet

Assets

Due to declining sales towards the end of the year, accounts receivable also remained below the previous

year's level. Most of the company's exports are conducted via sales subsidiaries, which explains the growth of delivery credits receivable from subsidiaries.

The acquisition costs of inventories increased by 10.2 million marks. Semifinished and finished products in stock accounted for the entire increase, while raw material inventories diminished. The book value of inventories increased by 7 million marks corresponding to a reduction of the inventory reserve by the same amount. The remaining inventory reserve amounts to 45 million marks, or 37.6% of direct acquisition costs.

The changes in fixed assets are shown in the breakdown below:

	(million marks)
Recorded value on January 1, 1977	116.5
Increase in land value	+ 20.0
Investments and additions	+ 37.5
Sales and reductions	- 0.5
Depreciations	- 8.3
Recorded value on December 31, 1977	165.2

Capital investments are explained on page 21.

Liabilitie

Indebtedness rose considerably during the year. New long-term loans amounting to 35.7 million marks were taken. 22.5 million marks in amortizations were paid on long-term loans. The increase in notes payable and delivery credits payable was used mainly to finance increased inventories and exports.

Other short-term loans include 16.8 million marks in amortizations of long-term loans in 1978.

All credits receivable and payable in foreign currencies are recorded at the exchange rate on the day the books are closed.

INCOME STATEMENT

	Decembe	r 31, 1976	Decembe	r 31, 1977
Net turnover		+345 021 668.46		+360 704 888.25
Variable and fixed expenses Materials and supplies Wages and salaries	151 993 085.06 83 806 334.35		167 207 064.01 92 229 680.47	
Statutory and contractual personnel costs	38 916 570.30		46 430 851.20	
Rents and leases Other variable and fixed expenses Goods for own use	4 470 012.00 35 372 390.46 - 2 643 443.91		5 574 844.78 40 982 291.56 - 3 056 533.60	
Change in inventories	+ 6 017 462.00	-317 932 410.26	- 17 232 858.00	-332 135 340.42
Operating margin		+ 27 089 258.20		+ 28 569 547.83
Depreciation				
Buildings Machinery and equipment Other fixed assets Intangible assets	4 564 387.22 8 272 583.36 226 488.00 44 362.00	42447.000.50	3 612 152.00 4 235 175.00 326 503.00 76 515.00	
Others	40 066.00	<u>- 13 147 886.58</u>	40 066.00	- 8 290 411.00
Net earnings from operations		+ 13 941 371.62		+ 20 279 136.83
Other income and expenses Interest receivable Dividends receivable Other income Other costs	3 875 112.72 135 911.60 2 725 066.90 - 227 821.89	+ 6 508 269.33	3 284 999.01 25 014.40 1 496 977.71 - 3 309 261.70	+ 1 497 729.42
		+ 20 449 640.95		+ 21 776 866.25
Interest expenses Direct taxes		- 16 856 689.52		- 18 892 172.14
For the year From previous years	1 997 989.20 72 589.75	_ 2 070 578.95	2 333 062.00 365 030.16	- 2 698 092.16
Net profit for the period		+ 1 522 372.48		+ 186 601.95



BALANCE SHEET AS AT				
	Decembe	r 31, 1976	Decembe	er 31, 1977
ASSETS				
Liquid assets				
Cash and bank	6 386 604.10		6 599 969.07	
Accounts receivable	55 369 566.92		53 739 664.19	
Loans receivable	11 980 850.55		6 577 974.99	
Advances	3 199 629.19		2 512 841.84	
Prepaid expenses and accrued income	5 453 304.17		5 169 311.42	
Acc. receiv. from subsid. delivery credits	8 316 241.19		7 528 499.04	
,, ,, ,, others	13 321 009.28		18 647 762.21	
Delivery credits, receivable	6 184 620.75	110 211 826.15	4 289 434.81	105 065 457.57
Inventories				
Materials and supplies	16 941 986.00		16 551 264.00	
Products (finished and in process)	40 365 265.00	57 307 251.00	57 988 845.00	74 540 109.00
Fixed assets				
Work in progress	5 299 670.66		1 799 068.74	
Land	41 720 995.24		42 576 857.74	
Increase in value of land			20 000 000.00	
Buildings	38 049 884.42		43 560 903.47	
Machinery and equipment	18 836 689.35		35 960 458.68	
Other fixed assets	2 465 482.53		2 636 934.76	
Securities	9 695 466.24		18 170 567.24	
Intangible assets	251 392.60		389 240.18	
Others	160 107.60	116 479 688.64	120 041.60	165 214 072.41
		283 998 765.79		344 819 638.98

	December 31, 1976		Decembe	er 31, 1977
LIABILITIES AND SHAREHOLDERS' EC	DUITY			
Liabilities				
Current liabilities				
Accounts payable Advances Prepaid income and accrued expenses Notes payable Delivery credits payable, short term Other current liabilities	30 546 319.48 1 373 617.40 17 686 644.01 45 164 045.00 5 260 270.30 19 721 681.95	119 752 578.14	38 717 788.43 1 792 732.60 19 616 754.09 56 765 260.00 6 851 303.40 26 128 539.93	149 872 378.45
Long-term debt				
Bank loans Loans from pension institutions Delivery credits payable, long-term Other long-term debt	58 970 099.63 41 002 539.59 4 679 299.40 5 232 201.73	109 884 140.35	64 014 825.36 47 867 512.75 3 597 616.00 6 406 157.17	121 886 111.28
Reserves		2 564 000.00		2 564 000.00
Shareholders' equity				
Share capital Capital Reserve Appreciation fund Supplementary reserve fund Other funds Retained earnings Net earnings of the period	21 250 000.00 3 366 036.56 16 232 554.28 6 266 572.00 63 731.00 3 096 780.98 1 522 372.48	51 798 047.30 283 998 765.79	21 250 000.00 3 518 273.81 36 228 809.28 6 270 317.00 63 731.00 2 979 416.21 186 601.95	70 497 149.25 344 819 638.98

ADDITIONAL NOTES ON THE BALANCE SHEET

Value adjustments incurred through

realization of land, transferred

from S.R.F.

Fund for social activities

Wages and salaries	60 053 823.34	Profit	
Adjustment of values		January 1, 1977	4 619 153.46
Increase in value of land 1977	20 000 000.—	For dividend payments To Capital Reserve	- 1 487 500.— - 152 237.25
Transferred to appreciation fund	<u>-20 000 000.</u>	To Capital Meserve	2 979 416.21
December 31, 1977		Profit for the period	186 601.95
Change in shareholders' equity			
Share capital		Shareholders' equity, total	70 497 149.25
January 1, 1977	21 250 000.—	Pension obligations	
Capital reserve		Company's own obligations	3 383 000.—
January 1, 1977	3 366 036.56	Deficit of pension foundation	4 499 085.53
From the profit of the year	+ 152 237.25		7 882 085.53
December 31, 1977	3 518 273.81	Other obligations	
Appreciation fund		Mortgages (in circulation)	76 562 000.—
Supplementary reserve fund II		Obligations upon bonds	37 875 756.—
December 31, 1976	16 232 554.28	Discounted Bills of Exchange	8 822 127.—
Transfer of value adjustments			123 259 883.—
incurred through realization of	2745		
land to S.R.F.	- 3 745. — +20 000 000. —		
Increase in value of land 1977	36 228 809.28		
	30 220 009.20		
Supplementary reserve fund			
Supplementary reserve fund I	6 266 572.—		
December 31, 1976	0 200 372.—		

3 745. —

6 270 317. — 63 731. —

REVALUATION OF FIXED ASSETS AND TRANSFER TO FUND

To observe the development of real estate values the Supervisory Board of Directors decided to increase the book value of the company's land and forests by 20,000,000 marks or from 42,576,857.74 to 62,576,857.74 marks. After this adjustment the average value of the company's land is 4,000 marks/hectare.

The increase in the value of fixed assets has been recorded in its entirety under credit on the appreciation fund. The whole supplementary reserve fund II is included in the appreciation fund. The Supervisory Board of Directors proposes that the above mentioned increase and its transfer to the appreciation fund be authorized by the annual general meeting of shareholders.

DIVIDENDS AND RETAINED EARNINGS

The net profit is 186,601.95 marks. It is less than the 4% interest to be paid to the shareholders according to the company statutes, and will therefore be used in its entirety for payment of dividends.

The Board proposes that
of the retained earnings from
previous years totalling 2,979,416.21 marks
a dividend of 1,300,898.05 marks
be paid to the shareholders
which together with the net profit
for the year is 7 marks per share
or 7% of the nominal value

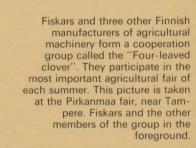
and that the remainder be retained on the Profit and Loss Account.

1,678,518.16 marks

Helsinki, March 8, 1978

Jacob von Julin

Jarl Gripenberg Klaus Ahola Thomas Tallberg Lauri Kalima T. Gunnar Nyström Robert G. Ehrnrooth Johan L. von Julin Göran J. Ehrnrooth





AUDITORS' REPORT

Having been elected by the Annual General Meeting of the shareholders of Oy Fiskars Ab, on April 28, 1977, to audit the company's administration and accounts for 1977 and having now completed our audit we hereby submit our report.

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

The accounts and internal control of the company have been examined by Mr. Henry Lind, CPA. In separate reports he has informed the company management of the extent of his examinations and of his comments.

In our opinion, the financial statements, showing a profit of 186,601.95 marks, were made in accordance with generally accepted auditing practice and give a fair view of the state of the company. Additional notes on the financial statements, included in the annual report of the Supervisory Board of Directors, complete the information on the company's financial result and

position. The operating profit includes profits from associated steel operations as in previous years.

The book increase in the value of the company's land and forests by 20,000,000 marks was in our opinion effected with sufficient care.

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 1977 and authorize the fund transfers in the Annual Report of the Supervisory Board
- release the Supervisory Board and the Managing Director from responsibility for 1977, and
- accept the Board's proposal for payment of dividends and retention of earnings.

Helsinki, April 4, 1978

Jarl Engberg

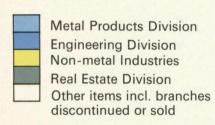
Henrik Brummer

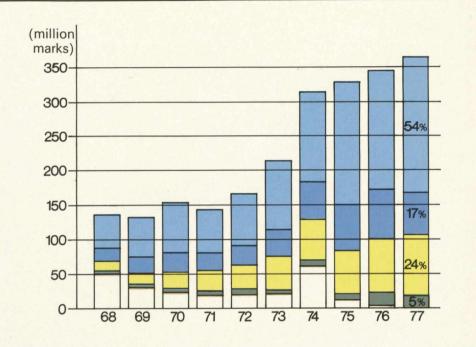
Eric Haglund CPA

CASH FLOW ANALYSIS

	1976 mill. marks	1977 mill. marks
Supply of funds Result before interest, taxes, depreciations and reservations Sales of fixed assets	29.7 12.2 41.9	19.7 0.5 20.2
Increase (+)/decrease (-) in liabilities Short-term Long-term *)	- 3.1 + 8.9 <u>5.8</u> 47.7	+30.1 +12.0 <u>42.1</u> <u>62.3</u>
*) including change in activated value adjustments		
Used funds Net interest Taxes Dividends	13.0 2.1 1.4 16.5	15.6 2.7 1.4 19.7
Increase (+)/decrease (-) in liquid assets Inventories	+19.1 - 6.0 13.1	- 5.1 +10.2 5.1
Investments in buildings, machinery and structures Commercial papers	14.4 3.7 <u>18.1</u> 47.7	28.8 8.7 62.3

DEVELOPMENT OF TURNOVER 1968—1977 (including branches merged in 1973)





TURNOVER (1 000 marks)	19	1976		77
Sales excl. turnover tax	Total	Exports %	Total	Exports %
Metal Products Division	172 040	34	191 302	38
Engineering Division	71 281	26	63 947	31
Non-metal Industries	81 351	43	88 445	46
Real Estate Division	21 804	_	19 741	20
Total sales	346 476	32	363 435	38
Raw material billing ./. corrective items	-1 454		-2 731	
Turnover	345 022		360 704	
Change on previous year	+5%		+5%	

SALES AND INFLOW OF ORDERS

The difference between the company's two metal industry divisions is clearly visible in the sales trend. The sales of the Metal Products Division increased by 11 % while the sales of the Engineering Division dropped. In 1976 their positions were reversed. The downward trend did not affect the sales of the Engineering Division before 1977. The sales slowdown is partly due to the discontinuation of travelling crane manufacture at the Salo engineering works.

The decrease in domestic sales was largely due to an unusually low level of investment in 1977. This is also clearly visible in the sales figures of each factory. Besides the above crane factory, sales also decreased at the Boltmaking works, the Inha works and the Salo foundry, whose products are to a very large degree capital investment goods for industry and construction.

On the other hand, sales and consequently employment at several factories were supported by increased exports. Throughout the year the inflow of orders remained about 10% below the previous year's level. A slight improvement could be detected in the Metal Products Division, but the trend in orders for the Engineering Division still gives cause for concern. Similarly the orders received by the Electronics factory and the Boatyard diminished towards the end of the year.

It is to be noted, however, that in the prevailing situation delivery times are shorter than usual. This is also a reason for the abnormally small backlog of orders.

BREAKDOWN OF SALES ACCORDING TO CONSUMER GROUP

	1	977
Industry Bolts, screws and wires Foundry products & forgings Others	8% 6% 15%	29%
Building industry Bolts, screws and wires Others	7 % 6 %	13%
Agriculture and forestry Machines and tools Others	16%	21%
Consumer households		21 %
Others (state, municipalities, etc.)		16% 100%

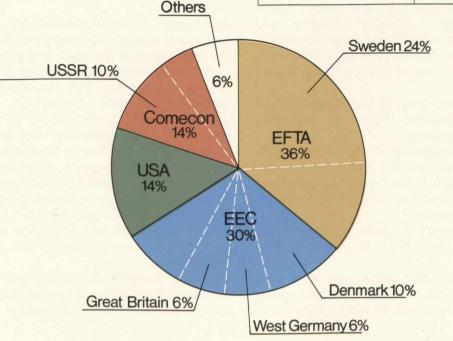
Breakdown of turnover

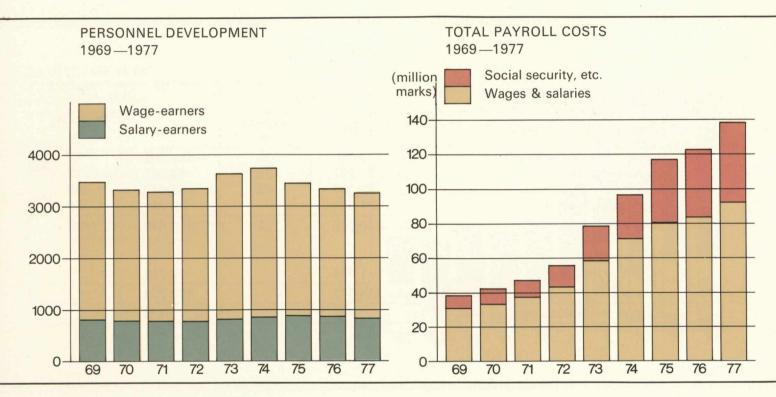
	1976 million marks	1977 million marks	Change million marks	Change %
Domestic	234	225	- 9	- 4
Export	111	136	+25	+23
	345	361	+16	+ 5

BREAKDOWN OF EXPORTS

Our exports increased in all markets. The greatest increases were to the Soviet Union, USA and Great Britain. Deliveries to Austria, Norway and the Netherlands also grew considerably. Exports to Sweden shrank for the second year in succession.

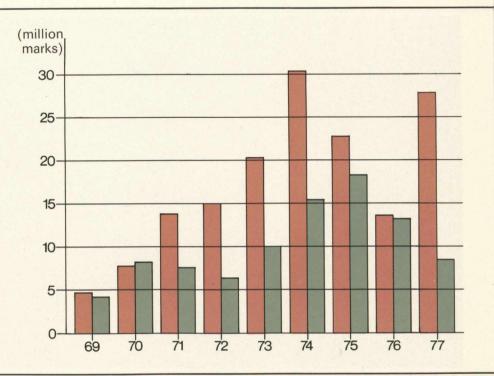
	1976	1977
	1 000 Fmks	1 000 Fmks
EFTA	42 821	49 380
Sweden)	(33 732)	(33 391)
EEC	33 821	41 481
(Denmark)	(12 236)	(13 958)
(Great Britain	(5031)	(8331)
(West Germany)	(7431)	(7898)
USA	12 363	19 061
COMECON	15 586	18 522
(USSR)	(6 659)	(13 626)
Others	6 715	8 188
	111 306	136 632





CAPITAL INVESTMENTS
IN DEPRECIABLE FIXED ASSETS
AND DEPRECIATIONS 1969—1977

Capital investments
Depreciations



PERSONNEL ADMINISTRATION

As was mentioned previously, 1977, and particularly the latter half of the year proved quite difficult for the company's personnel. Rising unemployment was the reason. The emphasis was on maximum utilization of internal information channels. The management of all factories participated in a programme which stressed the importance of internal information. A significant milestone in this field was the agreement signed at the end of the year by the central organizations of employers and the labour unions (STK and SAK). Similar agreements had already before been signed by the central organizations

of employers and white-collar workers.

Some factories launched extensive programmes in which management and personnel will cooperate in a search for remuneration systems that will improve productivity. Of course it is not easy to gain quick and positive results at the present low rate of capacity utilization, and employees may therefore regard these programmes with some suspicion. The significance of productivity to the competitiveness and success of the company should nevertheless be obvious.

Seventy-four management-level staff participated in a company training programme aimed at improving management/personnel relations.

Cooperation between management and personnel, which was started in 1970, continued. The production and cooperation committees which are based on personnel participation have determined on the use of funds allocated for personnel activities.

The rules of the company's suggestion system were renewed and revised and the remuneration rates adjusted.

Duties pertaining to work safety and cooperation were carried out by 19 work safety managers, 32 work safety representatives and 96 members of work safety committees.

In spite of economic difficulties the company invested 1.5 million marks in improving the work environment and safety in accordance with a general plan which was outlined in 1974 and covers the years 1975—80. Investments in this category averaged 2 million marks/year during the last two years.

Eighteen new apartments for personnel were built and 12 old dwellings were renovated. The company spent approximately 0.7 million marks on housing. Four residential sites were sold to employees.

Sluggish demand and negative profitability in some product lines resulted in production cut-backs, shorter working weeks, lay-offs and even to some permanent personnel reductions. Such steps were necessary at nine factories. The situation deteriorated towards the end of the year

The number of employees diminished by 64. A ban on hiring was introduced throughout the company during the last quarter of the year. This was meant to improve personnel transfers among the company's own factories. Thanks to this policy, 114 people could be offered new employment at some other factory.

During the year under review 63 people retired on pension and 124 employees were awarded decorations for specific years of service. Especially worthy of mention are the 8 people who had completed 50 years and the 21 who had completed 45 or 40 years of service.

Wages and salaries amounted to 138 million marks (123), of which 92 million marks were direct remuneration costs and 46 million marks or 50.3% the employer's statutory and voluntary social security and other remuneration fringe costs.

Personnel numbered 3270 (3334) at the end of the year. Of these 856 or 26% were management, technicians and clerks and 2414 blue-collar workers.

CAPITAL EXPENDITURE

During the year the company completed the investments which had been authorized in 1976. A new forgings factory was built at Inha, and the Loimaa chain works were expanded. The Scissor works at Billnäs and the Salo engineering works were equipped with new machinery. These four projects account for 75% of all machine and building investments in 1977, and will contribute to considerable increases in production.

As the economic and financial situation continued to deteriorate, only one significant investment, a new scissor factory in the USA, was authorized during the year.

Consequently the parent company subscribed the whole share capital of Fiskars Manufacturing Corporation.

The share capital of the Danish sales subsidiary, Fiskars A/S, was increased.

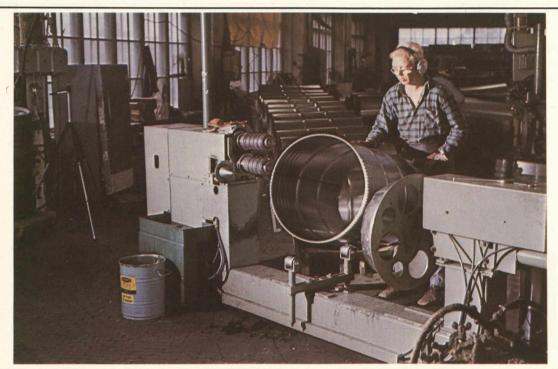
The company's portfolio of commercial papers was further increased by the increase in Ovako Oy's share capital. Fiskars participated in this increase with its previous 36% share of the share capital.

Breakdown of investments:

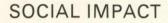
	1976	1977
	mill. marks	mill. marks
Metal Products Division	7.6	11.6
Engineering Division	4.1	12.2
Non-metal Industries	0.6	3.1
Others	5.8	10.6
	18.1	37.5

Breakdown according to asset category:

	1976	1977
	mill. marks	mill. marks
Land & water	0.8	0.9
Buildings & structures	2.0	9.2
Machinery & equipment	10.5	18.0
Other tangible assets	0.7	0.5
Shares	3.7	8.7
Other	0.4	0.2
	18.1	37.5
Work in process of the above	5.3	1.8



Manufacture of oil drums at the Kellokoski works.



Fiskars' structural and industrial strategy favours those branches where the company has technological capacity, skilled personnel and industrial traditions; in the Finnish market this means fields that require efficient deliveries and replace imports, and where Fiskars is already well established.

As a consequence it can be said that our company has the following social significance:

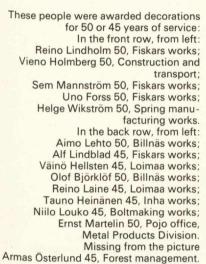
- buyers are given a reliable domestic supply alternative which also has a cumulative effect (raw steel from Ovako — processing at Fiskars' factories)
- suppliers are offered a domestic partner in research for and development of new products (raw plastics from Pekema — Fiskars' plastic products industry)
- the company is an important employer in the municipalities of Pohja where it employs 56% of all industrial labour, and Ähtäri where the corresponding figure is 48.

The company paid 74 million marks in wages and salaries after taxes, 49 million marks in taxlike payments to the public sector (excluding turnover tax), 17 million marks to insurance companies in pension, accident and unemployment insurance, 21 million marks to creditors in interest and other loan costs, and 1 million marks to shareholders in net dividends. These sums will give an idea of the significance of industry to the entire Finnish economy and of how it is distributed among the abovementioned interest groups.

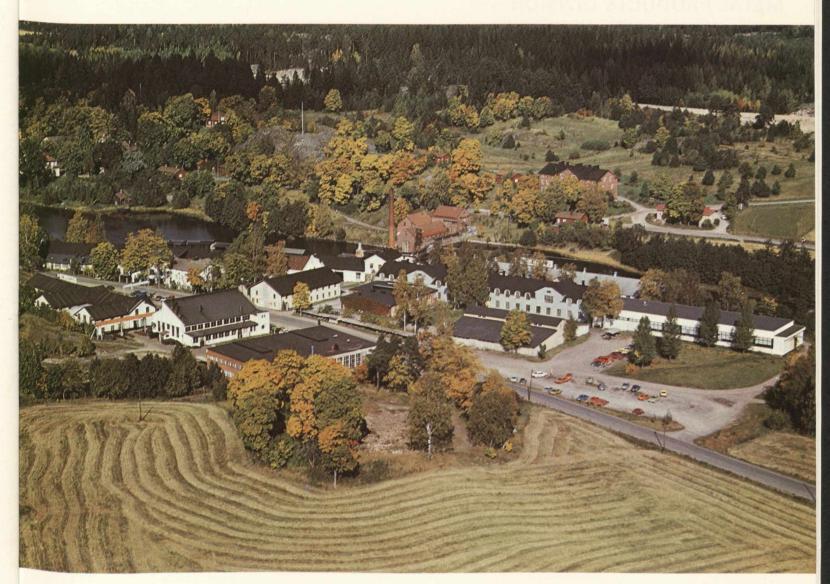
Environmental improvements have been carried out in several industrial areas, among them a recently signed agreement between the company and the municipality of Pohja concerning municipal engineering, which will mean approximately 2 million marks in capital expenditure in the next 5—7 years.

The Loimaa works were joined to the sewage network of Loimaa township in 1977. Similar water purification projects have been carried out in previous years also at Jokioinen and Billnäs. These measures help to fight pollution of local waterways, but industry must bear the financial burden.

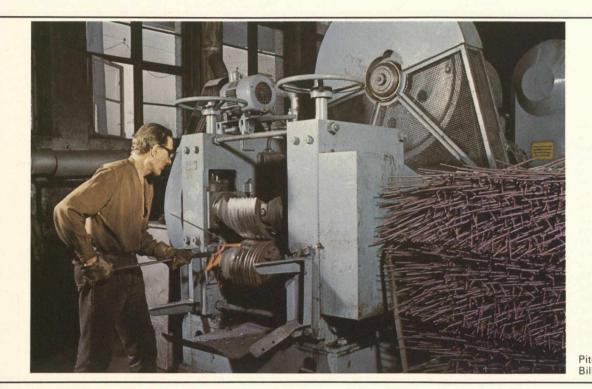
It should be remembered that an enterprise must be allowed to pursue sound economic policy so that it can fulfil its obligations towards society.







Old and new Billnäs in autumn colours, the Tool works in the foreground.



Pitchforks are manufactured at the Billnäs works.



Supervising heat treatment of tapping screws at the Screw and fastening works.

METAL PRODUCTS DIVISION

The adaptation of operations to meet a market situation which has changed completely after years of boom continued, and characterized the activities of the division.

Although capacity utilization was low at many of the division's ten factories, its total sales increased by 19 million marks, exceeding 191 million marks. The increase was mainly due to the expansion of exports.

The division's result improved but still remained unsatisfactory.

The market orientation of the organization was strengthened by increasing marketing, sales and R & D personnel. The number of employees at the factories remained unchanged throughout the year; employees numbered 1629 (1622) at the end of the year.

The most significant event for the division's operations was the decision to build a scissor factory in the US. The factory recruited a plant manager and four management personnel in the autumn. Construction started in August and the building was inaugurated on February 1, 1978.

The Fiskars works completed a programme for rationalization of plough and harrow production. Demand for agricultural machinery was satisfactory at the beginning of the year. Denmark became a new export market, and plans to strengthen positions in other markets were continued. During the first half of the year the result was still acceptable, but as demand for agricultural machines declined drastically in the autumn, the result for the whole year was unsatisfactory.

The production and marketing of scissors exceeded expectations, and the result was satisfactory. Deliveries to Wilkinson Sword, mainly to England and West Germany, grew encouragingly. The favourable development also continued in the US, and a new scissors marketing agreement was concluded with the Normark Corporation. The production range got a new addition, hobby scissors, increasing the number of available basic models to five.

The Scissor works at Billnäs operated all year in three shifts, and even the latest capacity expansion was in full use. Knives and cutlery production continued according to plan at the Cutlery works, where the production of flag poles was also increased.

The Spring manufacturing works and Billnäs works maintained their production volumes at the previous year's level, and their results were acceptable. The production range now includes spiral springs which are delivered to Saab-Valmet car assembly plant in Uusikaupunki. Special forgings found new markets.

Deliveries of Loimaa products, such as wires and nails, remained at the previous year's level. Stiff competition in this branch is reflected in the price level, and the result targets were not reached.

The Loimaa works increased their chain production considerably, thanks to growing exports. We were able to expand our export volume to the Soviet Union, although price competition was tough. The completion of the first stage of an extensive investment improved our chances to increase the finishing degree of chains.

The decline in demand for screw and bolt products to the building and carpentry industry shifted the emphasis on products to the metal and electrical engineering industry. The Screw and fastening works at Tammisaari increased their production volume, thanks mainly to growing demand for special screws, thus achieving a satisfactory result. The Boltmaking works had to resort to shorter working weeks for most of the year, and thus the result was unsatisfactory. The adaptation of production to the prevailing market situation continues.

The central warehouse for storage and delivery of standard products distributed slightly less in tonnage than the year before because of an increase in direct ex works deliveries. The growing number of small deliveries, however, guaranteed full employment at the warehouse.



Assembling of the Buster boat at the Inha works.



The Engineering Division's operational data for 1977 reflect the slowdown in the forgings branch in general and in some individual product lines. When the production of travelling cranes was discontinued in the summer as a consequence of reorganization, this appeared as a decrease in sales and profitability.

The division's sales decreased to 64 million marks, of which 31% (26) were exported. The division comprises five factories, and the employees numbered 628 (689).

The Salo engineering works, and the Porvoo engineering works, which manufactures hydraulic components for log cranes, operated at almost full capacity. Total sales of hydraulic cranes increased slightly in spite of declining exports in the autumn. During the year the main part of an investment project at the Salo engineering works was completed. This made the works into a highly specialized factory for serial production of log cranes. The modernized production line will help triple the production volume step by step.

The Salo foundry experienced a very difficult year. Operations had to be cut down by introducing shorter working weeks, because of sluggish demand for foundry products, price reductions and a long electricity strike.

In a similar way, the Kellokoski works had to resort to shorter working weeks and even temporary lay-offs as a consequence of weak demand for oil drums.

The capacity utilization at the Inha works dropped by 5% and was 65%. Demand for the factory's products was uneven and insufficient, wherefore temporary lay-offs and shorter working weeks could not be avoided. A new product group, aluminium boats, which are marketed under the Buster brand name, was well received on the market, and the boat production continued at full capacity all year.

A new 2,000 sq.m. forgings factory with modern production lines was completed in the autumn. This was the final stage of a complex project which will enable all Inha personnel to work in a modern environment. The old factory is now used as storage space. The factory has 54 dwellings for personnel. The modernization of the Inha works is now complete, and its production volume can be doubled with the available space and machinery, should demand so require. The number of personnel could then increase to 300.



Ultrasonic welding of electrical distribution boxes at the Plastic works, Tammisaari.

NON-METAL INDUSTRIES

That part of the company's industry which remains outside metal products industry proper comprises four branches, each with their own group of clients.

Total turnover was 88 million marks (81); exports accounted for 41 million (34). The number of employees was 695 (689).

Moulding factory

The production of mouldings increased by 5% and the manufacture of ready frames by 45%. Exports to the US grew by 5% and to other countries by 70%. No reductions in production occurred in 1977, but as the inevitable price increases were expected to slow down demand in the US rather quickly, some reductions in moulding production personnel had to be made.

However, higher export sales prices, together with increased production could not compensate for constant cost increases at a rapid rate. The result of the factory's operations was negative. Exports accounted for 63% of turnover. The number of employees was 188 (199).

Plastic works

The satisfactory trend in the turnover of the Plastic works continued also in 1977 and profitability was good. The construction of district heating installations increased in Finland and constituted one of the most important energy saving investments. The Plastic works' heat insulating culverts have proved very safe and practical in their more than twelve years of existence and are used by almost all of our largest district heating plants.

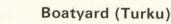
The sales of distribution boxes did not progress as well as during the previous year, but the positive development is expected to continue with the support of an extensive sales network and new products.

Considerable investments in R & D were made even in 1977, and also in fields which are closely related to present product lines.

Exports accounted for 31% (28) of total sales. The number of employees was 134 (132).



The Fiskars Survival 27, the life boat for ocean tankers, has just passed the fire test



The turnover growth in the boat branch stopped, and the advantage brought about by changes in currency exchange rates.

The backlog of orders for life and service boats diminished along with the worldwide crisis in the shipbuilding industry. In September the yard launched a new life boat model for ocean tankers, the Fiskars Survival 27, which meets the most stringent safety regulations. This modern product was developed with financial support from SITRA.

at the present low level.

Exports accounted for 84% of total sales. The number of employees was 218 (232).



The Loimaa works on the Loimijoki river. The new buildings form an extension of the old factory.

late autumn deliveries were clearly below forecasts. Although the factory's new boat models were well received at shows and on the market, business was not sufficient to engage all capacity. Stiff price competition has generally forced manufacturers to lower their prices and content themselves with a fraction of

Profitability stayed at the previous year's unsatisfactory level. Capacity utilization is likely to remain

REAL ESTATE DIVISION

Altogether 3.3 hectares of the company's land was sold in ten transactions, five were for residential sites and five for other housing purposes. Eighteen bungalow-type dwellings were built at Inha. A new condominium project, financed with a State-sponsored loan, was started at Loimaa, but the main emphasis was on repairs to existing dwellings.

Deliveries of Fiskars electrical department decreased by 11.8% amounting to 58,600 MWh. Thanks to abundant water flow the department's own energy production almost tripled and reached a total of 12,500 MWh.

Cold, wet weather caused crop failure. Worst affected was the rye harvest, as up to 85% of it was destroyed.

The timber out-take from the company's forests conformed with the forestry plan and totalled 32,700 cu.m. (35,600). Forest conservation and improvement costs were 67 marks/hectare (51). Timber supplies to Metsä-Skogby amounted to 32,600 cu.m. only, but the lower volume was partly compensated for by exports to Sweden totalling 22,000 cu.m. The price of timber at the sawmill was higher than in the previous year, despite the recession.

The departments of the Real Estate Division employed 152 persons (162).

28

the year.

Electronics

Due to some deferred deliveries towards the end of

the year, the growth in turnover of the Electronics

factory dropped below the high level of the previous

year. Operations developed favourably, however,

An important new achievement in the field of traffic

electronics is the delivery of a large, automatically

controlled traffic light system to Trondheim, Nor-

way. Deliveries to and orders from the countries of

In the field of power electronics the factory got

several important orders from the Post and Tele-

graphy Administration, which also received sub-

stantial deliveries of electronic equipment in 1977.

Capacity utilization remained good, although the

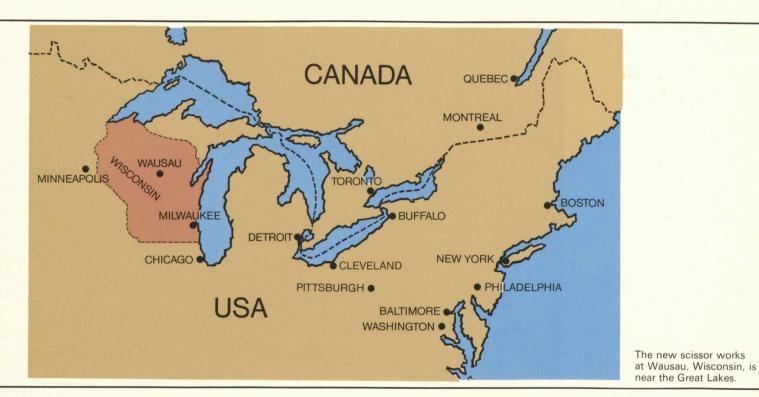
backlog of orders diminished towards the end of

Exports accounted for 17% of total turnover. The

and profitability was satisfactory.

Comecon did not meet expectations.

number of employees was 155 (126).



OY PREDIUM AB

The provincial authorities approved the company's shore plan for Tenhola on May 13, 1977. Its implementation has, however, been delayed by queries addressed to the Supreme Administrative Court.

The previously approved plan for Tammisaari archipelago lacks final confirmation, subject to the final outcome of plans for a national park in that area. Due to these delays, the company concentrated on revising the plans. The financial result of operations was negative.

OY METSÄ-SKOGBY AB

As profitability in the sawmill industry did not improve to any noticeable degree, Skogby continued operating on one line in a single shift. The financial result was clearly better than the year before, but was still negative.

The part owners have approved a plan to modernize and expand the sawmill; in the first stage this will increase production to 90,000 cu.m. annually. The plan can be carried out as soon as provisions for financing are definite.

Production increased to 36,300 cu.m. (28,800) and most of it was exported. Sales were 20.6 million marks (15.7) and personnel numbered 97 (98).

FISKARS MANUFACTURING CORPORATION

In June 1977 the Supervisory Board of Directors of Oy Fiskars Ab adopted a resolution to establish a wholly owned manufacturing subsidiary, Fiskars Manufacturing Corporation, in the US. As the local market forecasts were encouraging and the competitiveness of our products in exports to the US continues to decline, it was decided to build a scissor factory in Wausau, Wisconsin. The factory will start operations in April 1978, and full capacity will probably be reached towards the end of 1978, when the factory is expected to employ 100 persons. The investment will require 3 million US dollars, to be financed mainly with long-term foreign loans.

Fiskars Manufacturing Corporation had no sales activity during the year in review. The number of employees was 6 at the end of the year.

MARKETING SUBSIDIARIES

Oy Fiskars Ab's foreign sales subsidiaries made a significant contribution to the total export growth. The product range which is marketed through these companies was systematically increased during the year. Sales amounted to 26 million marks (19), of which the Boatyard's products accounted for 47% (60). Foreign personnel numbered 47 (36).

TURNOVER OF SHARES ON THE STOCK EXCHANGE AND SHAREHOLDERS

The turnover of the company's shares on the Helsinki Stock Exchange amounted to 954,705 marks. 7014 shares were sold, corresponding to 3.3% of total share capital. The price per share at the beginning of the year was 155 marks and at the end of the year 136 marks; the high during the year was 165 and the low 118 marks. The taxable value on December 31, 1977 was 135 marks (148) per share.

The share capital remained unchanged and is composed of 212,500 shares with a nominal value of 100 marks each. At the end of the year the registered shareholders numbered 961 (902).

The shares are distributed as follows:

	% of the
	share capita
Private persons	85.2
Foundations and other public	
interest organizations	7.8
Business enterprises	5.3
Banks and insurance companies	1.7
	100.0

The biggest shareholder owns 5.2% of the share capital.

SUBSIDIARIES AND OWNERSHIP IN OTHER COMPANIES

Sales companies abroad (owned entirely by Fiskars)
Fiskars Ges.m.b.H., Austria, established 1972
Fiskars Svenska AB, Sweden, established 1974
Fiskars GmbH, West Germany, established 1975
Ballena Ltd., Great Britain, established 1970
(purchased by Fiskars 1975)
Fiskars USA Ltd., established 1976

and

Fiskars A/S, Denmark, established 1969 (99.7%)

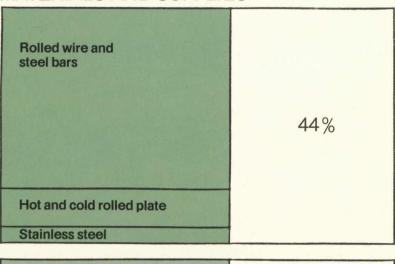
Manufacturing companies (owned entirely by Fiskars)
Fiskars Manufacturing Corporation, USA, established
1977

Ownership in other companies (over 20%)
Oy Predium Ab
Oy Metsä-Skogby Ab
Tietotyö Oy
Ovako Oy
36%

Housing companies or similar firms are not included in the list.

The share capital of Fiskars A/S was raised from 0.5 to 4.5 million Danish crowns. 0.5 million US dollars were paid for the share capital of Fiskars Manufacturing Corporation. Also Ovako Oy's share capital was increased by 10 million marks in December 1977.

MATERIALS AND SUPPLIES



INDUSTRIAL AND PERSONNEL STRUCTURE

Semi-finished goods	9%
Finished components	18%
Plastic raw materials	12%
Energy	7%
Timber and lumber	4%
Other materials	6%
	100%

BRANCH FACTORIES

PRODUCTS

Steel products industry

Jokioinen works
Loimaa works
Boltmaking works
Screw and fastening works
Spring manufacturing works

Wires and nails
Chains
Bolt products
Screw products
Leaf springs and spiral springs

Machine tools, metal, plastics

Oil drums, stands for garbage

Log cranes, travelling cranes

Hinges, wardrobes, heat radiators

Hand tools, forgings

Househould utensils, *) see Plastic works

Metal products industry

Cutlery works Scissor works Tool works Billnäs works Inha works Kellokoski works

Fiskars works

Ploughs, harrows

disposal bags

Scissors

Engineering industry

Salo engineering works

Llydraulia aamaananta

Foundry

Boatyard

Electronics

Wood working

Porvoo engineering works
Salo foundry

Hydraulic components

| Steel and iron casting, unit | weight 50—4000 kg

Plastic products industry

Plastic works

Boatyard (Turku)

Electronics

Moulding factory

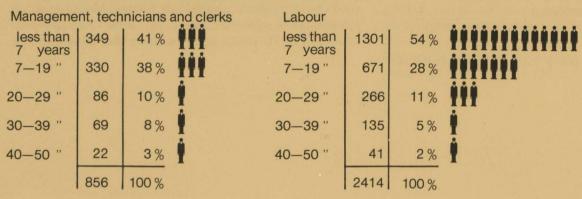
Heat insulating culverts, distribution boxes for electrical installations, plastic flagpoles *) manufactured at the Cutlery works

Leisure and service boats in fibre glass

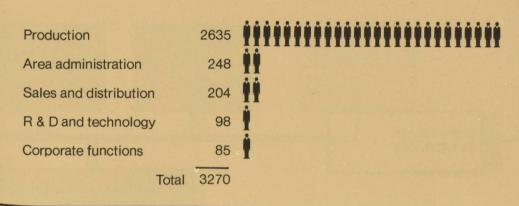
Traffic and industrial electronics

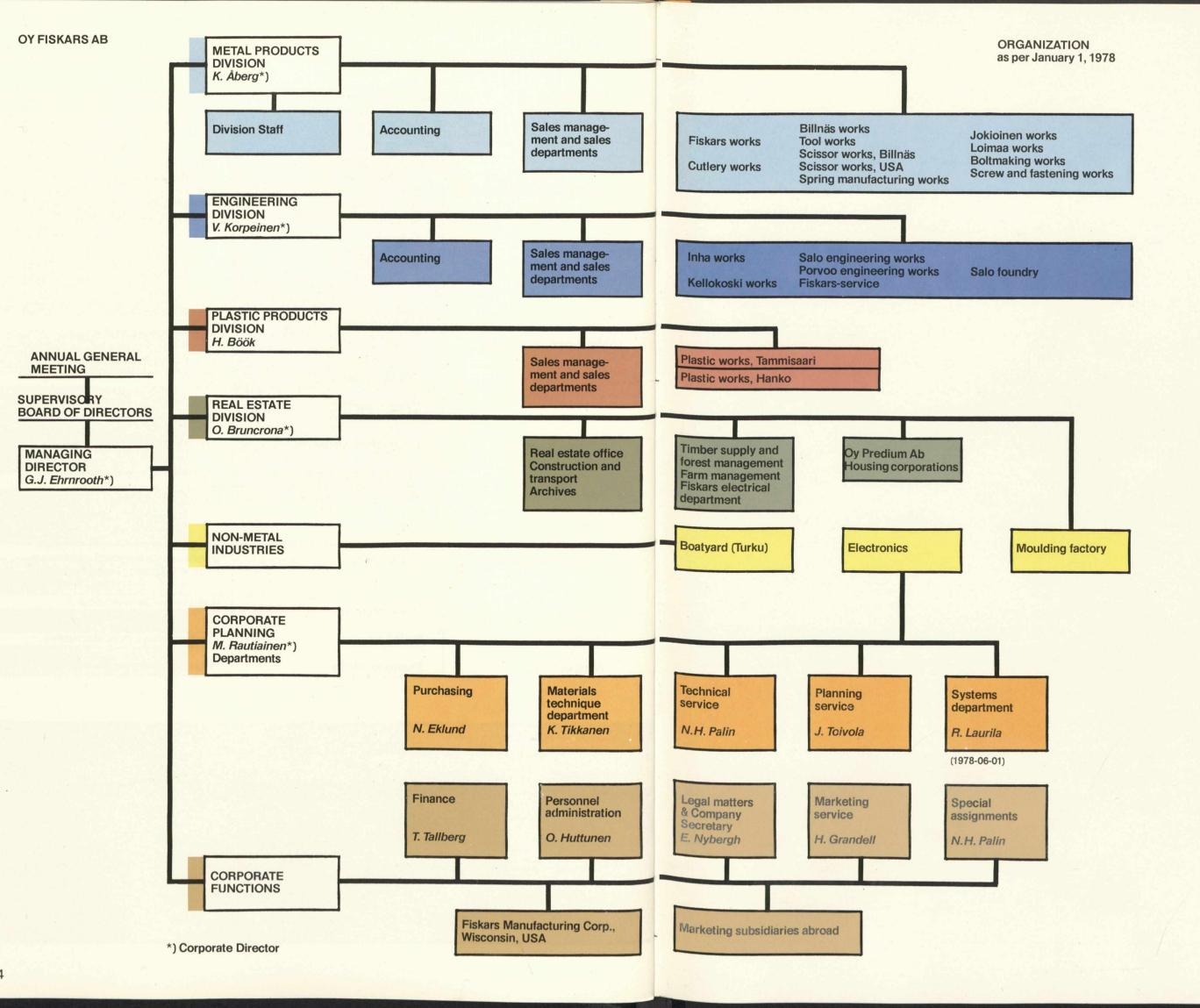
Wooden frames and mouldings

BREAKDOWN OF PERSONNEL ACCORDING TO YEARS OF SERVICE



BREAKDOWN OF PERSONNEL







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