

FISKARS

Annual Report 1985



Annual General Meeting of Shareholders

The Annual General Meeting of Fiskars Oy Ab will be held at Palace restaurant, banquet room No. 8, Eteläranta 10, Helsinki, on Friday, April 4, 1986 at 4.30 pm.

Shareholders wishing to attend the meeting should inform the Fiskars Corporate Head Office by phone (90) 644 011 or by letter, Mannerheimintie 14 A, 00100 Helsinki, on Thursday, April 3, 1986 at 4.30 pm. at the latest.

Shareholders with a change of address are kindly requested to contact Fiskars Corporate Head Office, telephone (90) 644 011.

Other financial information about the Fiskars Corporation during 1986 will be available in Finnish, Swedish and English as follows:

Review of Operations, January 1 to April 30, 1986, in June
Review of Operations, January 1 to August 31, 1986, in October.

The Fiskars Group

Summary of Operations, (million FIM*)	1981	1982	1983	1984	1985
Net sales	429	454	471	536	627
Sales outside Finland	186	185	239	290	372
as % of net sales	43	41	51	54	60
Parent Company net sales	377	383	366	394	484
Parent Company exports	150	128	141	169	223
Operating margin	45	50	67	70	73
as % of net sales	10	11	14	13	12
Depreciation acc. to plan	14	16	16	18	19
Financial costs net	-30	-30	-23	-23	-21
Pre-tax earnings	+ 1	+ 5	+30	+37	+41
as % of net sales	+ 0	+ 1	+ 6	+ 7	+ 6
Parent Company dividend	1,5	1,5	2,7	4,1	5,5*)
Return on assets	8	8	12	12	11
Return on net assets	9	9	14	14	13
Equity + reserves	166	157	219	249	293
Equity ratio	33	30	39	39	40
Market value of Company at Stock Exchange at the year-end	35	45	96	154	260
Personnel at years' end	2129	1839	1733	1774	1945
Investments	28	19	31	54	55

*) Proposal

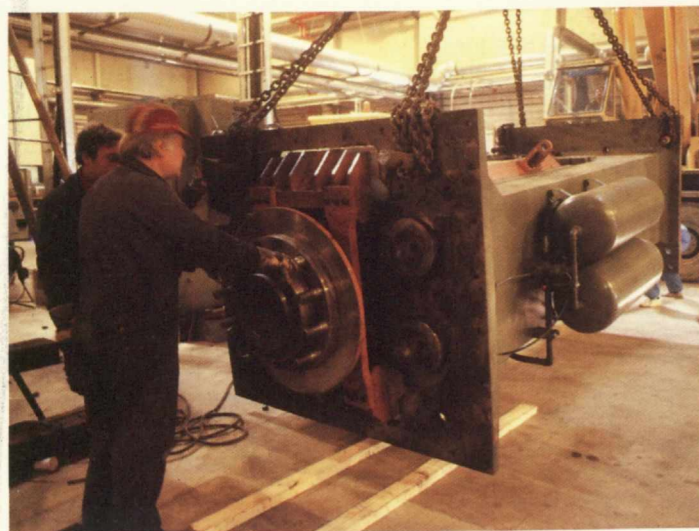
Fiskars

Annual Report 1985

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This annual report is available in Finnish, Swedish and English from Fiskars Corporate Head Office, Mannerheimintie 14 A, 00100 Helsinki.



1. Fiskars' youngest end-users are infants and babies. Tiny fragile nails are cut with miniscissors made safe by rounding their tips.

2. Fiskars acquired the Kraftelektronik company of Gothenburg, Sweden. Managing Director Curt Hansson visited Fiskars Power Electronics Plant in Helsinki and learned about new products from quality controller Sanna Heikkinen.

3. The relocation of a 48 ton friction screw press concluded the plant modernization project in the Fiskars area.

4. Vice President Göran Wennergren of the Säfveån Group (left) and Fiskars President Reijo Kaukonen shook hands during Fiskars' acquisition of the Knivman Company, Eskilstuna, Sweden.

5. Fiskars Manufacturing Corporation invested in buildings and logistics. Modern facilities are located in Wausau, Wisconsin.



area are now completely modernized. The Consumer products group grew closer to its end users through nine sales companies covering most of continental Europe. When Knivman (Sweden) was acquired, Fiskars became market leader in the Nordic countries in kitchen knives.

One fourth of the Corporation's business and the biggest growth potential is in the North American marketplace. The new Fiskars products met keen competition from Far East which was supported by a sky-high dollar. However, the position and distribution of Fiskars-branded products gained strength in the US.

1985 was a fairly successful year for the Finnish economy in which GNP grew some 3% while the consumer prices increased by 5,9%. The dramatic fluctuations in the value of the dollar ended in a quotation of FIM 5.40 per dollar which was fully 20% below the rate of exchange applied to the previous annual accounts.

Fiskars Corporation had an increase in sales of 17% to FIM 627 million (\$ 120 million). Sales outside Finland accounted for 59% compared to 54% during the previous period. Pre-tax earnings were 41 million FIM. Restructuring within the Corporation released considerable capital gains strengthening the Corporate capital basis.

Corporate strategy, as previously defined by the Board, was to focus on Consumer products and Electronics, to grow internationally and to restructure the business.

An achievement worth a separate comment is the remarkable growth within the Investment products group, which contributed considerably to the Corporation's success.

A large investment project was finalized as the Company's all four manufacturing plants within the Fiskars

The Electronics group is in a steady growth mode. A new plant, under construction in Tammisaari (Finland), will help to meet the growing demand of enclosures in the world markets. The Power electronics businesses in Finland and in California are carrying out an intensive R & D effort to coordinate the product ranges for both the Finnish and US markets.

The acquisition of Kraftelektronik, a Swedish company, will put Fiskars visibly on the Scandinavian marketplace in Power electronics.

By yearend Fiskars divested its interests in sawmill industry.

Fiskars transferred Turku Boatyard to a new international venture within the field of Marine Safety Systems. Fiskars owns 43% of the new group.

At yearend Fiskars divested its hydro-power business in Fiskars area. The distribution of electricity in the area, however, remains a Fiskars business.

The stock dividend and split carried out in May 1985 increased the turnover of the Company's shares. The price of the shares rose and the year-end market value of the Company's stock was 60% higher than one year

earlier. This active trend has continued throughout the beginning of 1986.

Fiskars' Corporate strategy and its challenge continue to be the search for growth within niche-businesses with international and global potentials. A dynamic management team will be the driving force together with a knowledgeable personnel. The Corporate identity will remain anchored to its industrial and cultural traditions developed since 1649. My belief is that Fiskars has the necessary qualifications for success.

The operational focus for the Consumer products group is in global products with a strong Fiskars-brand identity.

The continued investment in developing products with innovative design and modern applications is the basis for growth in Consumer products and likewise a prerequisite for the future of Electronics operations.

I would like to express good wishes to all customers and other business associates, to the shareholders and to all Fiskars people.

Helsinki, January 20, 1986

Göran J. Ehrnrooth
Chairman

Fiskars Business Groups

Fiskars comprises four operational groups, whose business development and performance are supervised by Management Board committees.

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Consumer Products Group

Through its growing international sales organisation, Fiskars markets high-quality scissors, knives and hand tools for household, professional and do-it-yourself use.

The international popularity of these branded products continues to grow after Fiskars has succeeded in changing not only the design, but also the materials and production technologies of many traditional household tools.

Fiskars® is the world's leading scissors brand. Innovations in scissors production are being applied to other indoor and outdoor cutting tools. This will increase the number of customers for Fiskars products and strengthen the Group's position as an international manufacturer of consumer products.



The group has six production plants in Finland, two in Sweden and two in the U.S. and sales companies in 10 countries.

Electronics Group

Growing rapidly in the electronics industry, Fiskars specializes in select and distinct niche markets where leadership can be achieved and maintained.

Power electronics ensure uninterrupted power supply for EDP and telecommunications systems.

Traffic control systems help physical traffic flow smoothly and safely.

High-quality injection-molded enclosures protect electrical equipment from environmental damage.

Fiskars also supplies Automatic Test Equipment and control systems to projects placing stringent demands on performance and quality.



The group operates four manufacturing plants in Finland, one in Sweden and one in the U.S.

Investment Products Group

Fiskars produces heavy-duty equipment for transportation as well as industrial use, all fulfilling the most stringent customer requirements concerning suitability and reliability under demanding conditions. Intensive research and development, together with in-depth understanding of end-users' needs enable Fiskars to offer superior quality.

Professionals in the European forest industry – both East and West – use Fiskars log loaders.

Due to their seaworthiness, safety features and sturdy construction, Buster aluminum boats have become extremely popular among safety- and quality-conscious users.

Demanding special vessels have



been developed for naval and coast guard use.

For areas where Fiskars possesses specific know-how, the group manu-

factures industrial components, such as hinges and radiators for the building industry, and heat-treated steel products for railroads.

The group has three plants in Finland.

Real Estate Group

In 1649, when the industrial production of iron began in Fiskars, the company's forests and rapids provided an important competitive factor. Today they remain a notable production and financial resource.

Fiskars Group owns a total of about 16,000 hectares (about 40,000 acres) of land and forests.

Fiskars employs the latest farming and forestry techniques, while simultaneously developing and maintaining natural values and cultural traditions.

For generations the Company's forests have been managed according to a long-term forestry plan, which

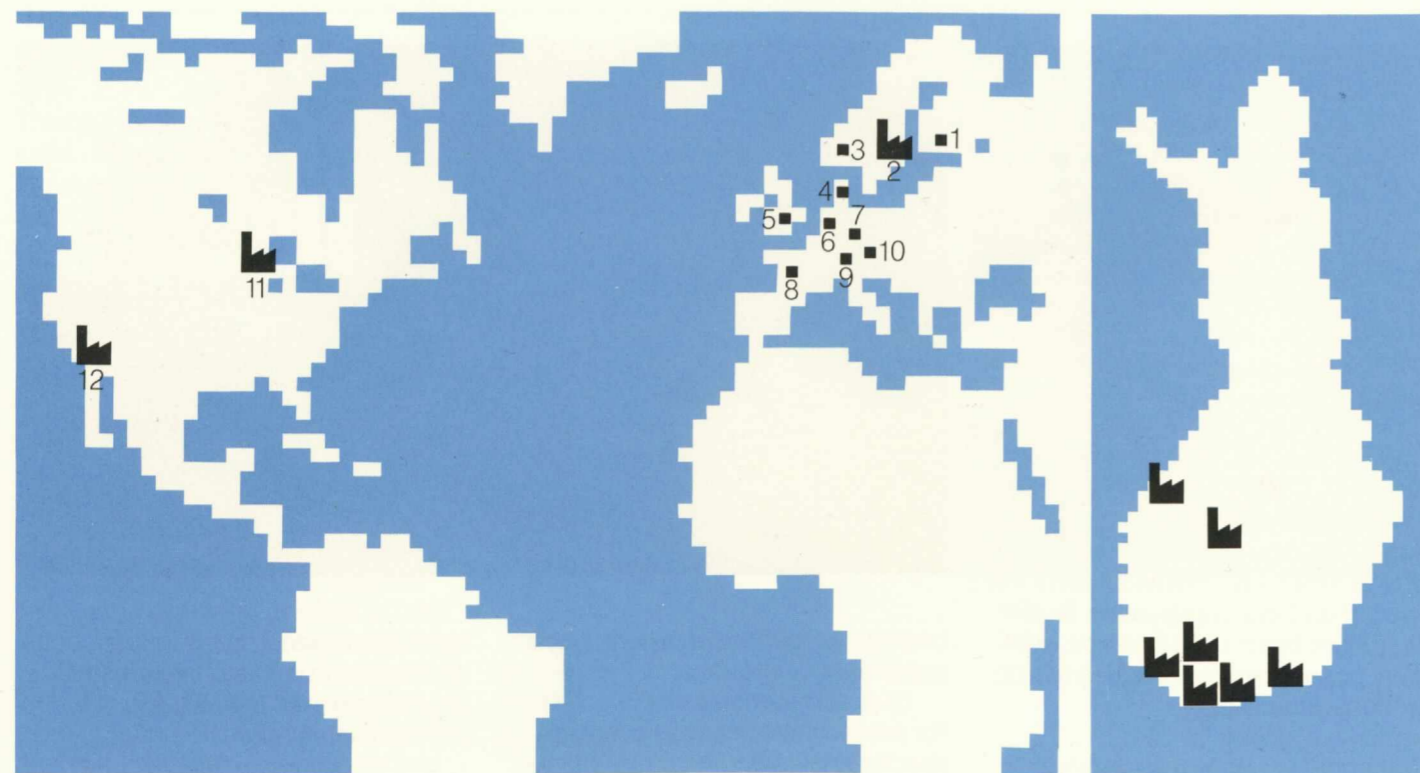


ensures a balance between utilization and active renewal of these resources.

7

Corporate Structure

8



Sites of International Activity

1. Finland
2. Sweden
3. Norway
4. Denmark
5. United Kingdom
6. Netherlands
7. German Federal Republic
8. France
9. Switzerland
10. Austria
11. Wisconsin
12. California

	Chairman of the Board	Göran J Ehrnrooth ^{*)}
	Managing Director	Reijo Kaukonen ^{*)}
Corporate Functions	Finance	Juha Toivola ^{*)}
	Development	Ingmar Lindberg ^{*)}
Consumer Products group	Europe	Kimmo Käyhkö ^{*)}
	USA	Wayne Fethke ^{*)}
	Fiskars International	Lars Palmgren ^{*)}
Electronics group	Europe	Christian Elfving ^{*)}
	USA	David Weibel
Investment Products group	Hydraulic loaders	Väinö Korpeinen ^{*)}
	Inha Metal Products	Pauli Lantonen
Real Estate group	Business activities	Olof Bruncrona ^{*)}

^{*)} Member of the Management Board

Board of Directors Auditors

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From left: Jacob von Julin, Robert G Ehrnrooth, Lauri Kalima, Jarl Gripenberg, Thomas Tallberg, Jarl Engberg, Reijo Kaukonen, Göran J Ehrnrooth.

Board of Directors

Elected until the Annual General Meeting in			
Jacob von Julin	1986	Thomas Tallberg	1988
Honorary Chairman			
Göran J Ehrnrooth	1988	Lauri Kalima	1987
Chairman			
Jarl Gripenberg	1986	Jarl Engberg	1986
Deputy Chairman			
Robert G Ehrnrooth	1987	Reijo Kaukonen	1988

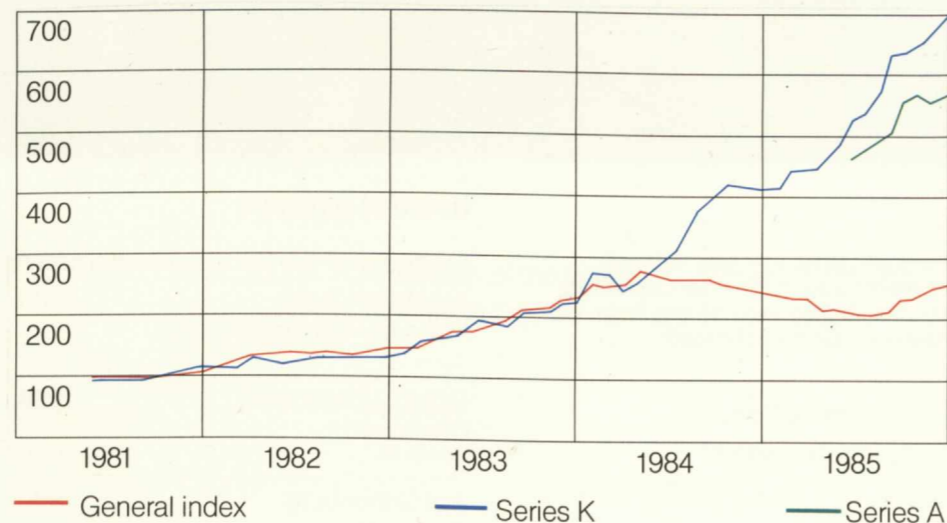
Auditors

Ordinary	Deputy
Eric Haglund	Henry Lind
Brita Hisinger-Jägerskiöld	Peter Hartwall
Christian Hildén	Sixten Nyman

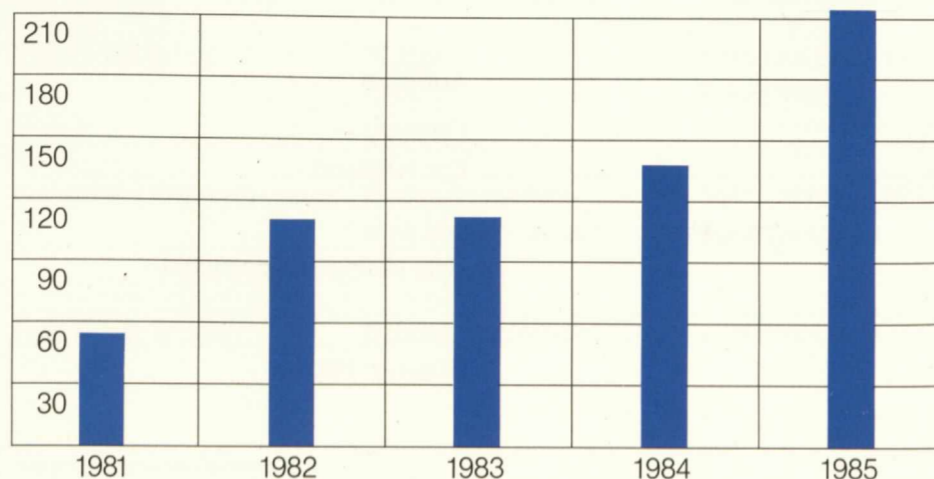
Information to shareholders

The Fiskars Share (FIM)	1981	1982	1983	1984	1985
Result before appropriations, after tax	-2,5	+2,3	+26,0	+30,6	+36,8
Average number of shares outstanding adjusted for stock issue	1985302	1985302	1985302	2138803	2232000
Earnings/share	neg	1,15	13,12	14,52	16,50
P/E-ratio 31.12.	..	19	3	5	7
Dividends per share (adjusted for stock issue)	0,75	0,75	1,35	1,83	2,47
Owners' equity + reserves/share 31.12.	84,00	79,00	98,00	111,00	131,00

Development of Share Price compared to the Unitas general index (1975 = 100)



Number of shares traded (000)



Annual report of Board of Directors

General

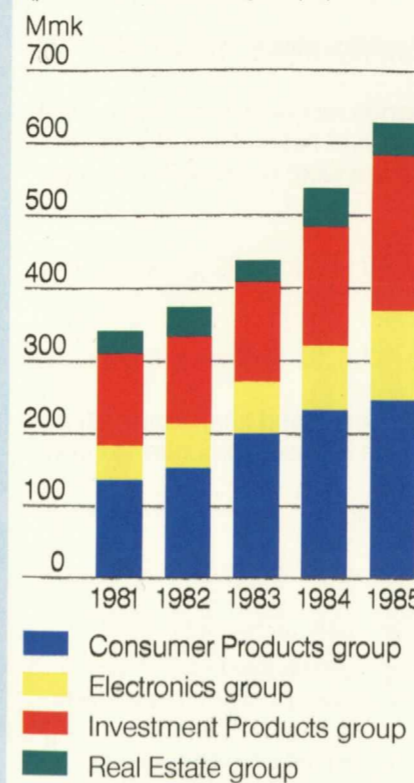
Development of the Fiskars business operations continued essentially as planned. Primary goal was to further strengthen international market position. Progress in various business sectors was more uneven than anticipated. Business groups with previously achieved satisfactory profitability are continuing their positive trend.

Net Sales

Consolidated net sales increased by 17% amounting to FIM 627 Million (536). Major gains were achieved in sales outside Finland. Companies acquired during the year accounted for somewhat over one third of the growth.

Parent company net sales were FIM 484 Million (394), of which exports accounted for 46% (44). Domestic sales amounted to FIM 268 Million (254).

Consolidated Net Sales (present business groups)



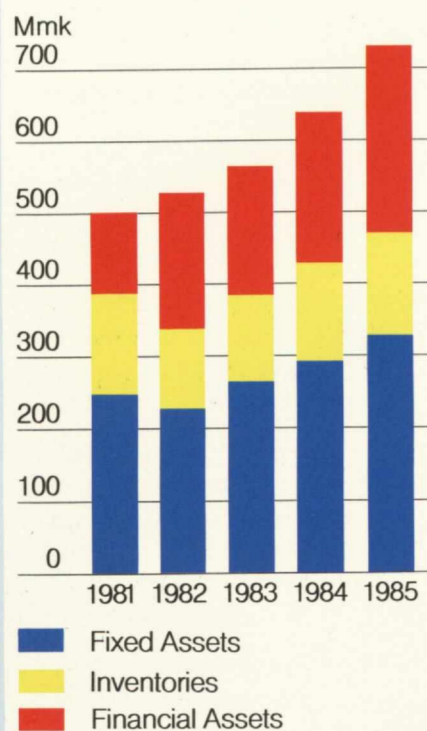
Group net sales (present product lines)

	Total net sales Mill. FIM	abroad Mill. FIM	% 1985	% 1984
Consumer Products	241	190	79	75
Electronics	125	70	56	46
Investment Products	214	112	52	44
Real Estate	47	-	-	-
Group total	627	372	60	54

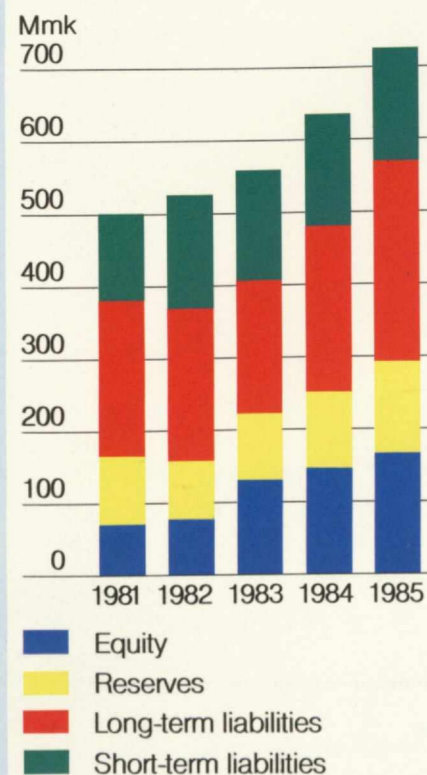
Group sales by market areas (present product lines)

	1985 Mill. FIM	1984 Mill. FIM	Change %
Finland	268	254	+ 6
Scandinavia	99	60	+ 65
Western Europe	86	62	+ 39
USA	135	140	- 4
Soviet Union and other			
CMEA-countries	60	43	+ 40
Others	8	7	+ 14
- Adjustments of sales	656	566	+ 16
Net Sales	627	536	+ 17

Consolidated Balance Sheet Assets



Liabilities and equity



Operational Results of Business groups

Consumer Product group's core products, scissors, enjoy ongoing success both in Europe and in the USA. Introduction of new hand tools and knives was slower than expected. Further steps were taken to increase recognition of the Fiskars brand as well as to strengthen international distribution channels. These immaterial investments burdened the results. Sales volume increased both in Europe and in the USA but lower US Dollar exchange rates affected Finnmark-based growth figures. Profitability of the group was satisfactory except for frames and moldings.

Electronics group's sales increased in all product lines. Product development projects have been carried out according to schedule. New products will be launched during 1986. Profitability of the group was satisfactory.

Investment Product group's profitability remained good although development of the product lines was uneven.

Real Estate group's activities have a long time span. Therefore, its profitability cannot be assessed on an annual basis the same way as for the industrial groups. The farming results were satisfactory. Timber sales were carried out as planned. Annual growth exceeded annual fellings. Electricity distribution-achieved previous year's level and a satisfactory result.

Summary of Earnings

Consolidated earnings

Operating margin amounted to FIM 72,8 Million (69,9), 12 % of net sales (13).

Depreciation according to plan increased to FIM 19,5 Million (17,9).

Net financial expense decreased due to dividends received from Ovako Oy Ab and were FIM 20,5 Million (23,1), equalling to 3,3 % of net sales (4,3). Foreign currency loans were balanced, consequently there were no major exchange differences.

Other income and expense amounting to FIM 7,8 Million net (8,2) belong primarily to the parent company.

Pre-tax earnings increased to FIM 40,5 Million (37,1), 6,5 % of the net sales (6,9).

Depreciation in excess of plan of FIM 2,7 Million increased total depreciation to the maximum amount allowable according to the Finnish Corporate Tax laws.

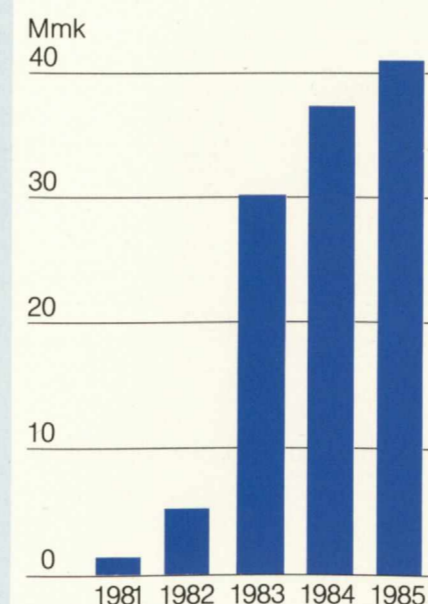
Untaxed reserves were increased by FIM 14,7 Million.

Net profit was FIM 19,4 Million (12,8) after deduction of FIM 3,7 Million income tax.

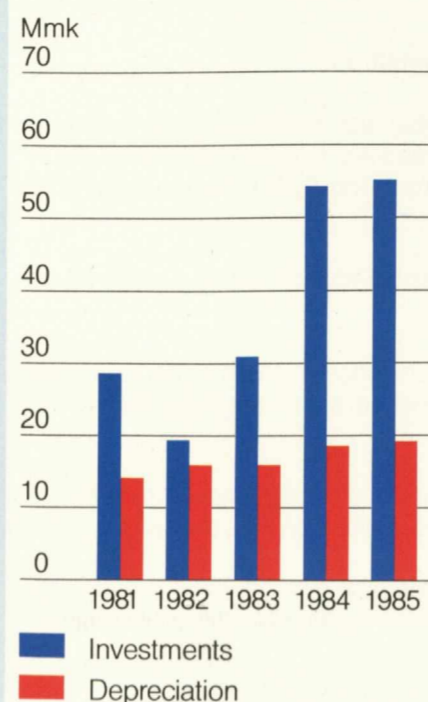
Return on total assets employed in industrial operations (excluding forest and land properties) was 11 % (12) and return on net assets 13 % (14) respectively.

After tax earnings amounted to FIM 16,00/share and the corresponding year-end P/E ratio was 7.

Pre-tax earnings



Investments and depreciation



Parent Company

Operating margin increased to FIM 57,7 Million (40,2), 11,9 % of net sales (10,2).

Net financial expenses were FIM 11,1 Million (7,9), 2,3 % of net sales (2,0). Major portion of dividend income consisted of dividends paid by Ovako and the US subsidiary.

Other income includes capital gains and incomes resulting from restructuring of the Corporation. Other expense comprises primarily one-time pension insurance obtained for future needs and FIM 6 Million loss on the sale of the saw-mill company Oy Metsä-Skogby Ab shares.

Net profit amounted to FIM 32,5 Million (16,1).

Financial Position

Liquidity in the Fiskars Corporation remained good throughout the year.

Increase in financial assets was mainly due to companies acquired during the year, and to increases in income and receivables in connection with structural changes of the Corporation.

Short-term liabilities remained at the previous year's level. Decrease in notes payable is primarily due to the conversion of short-term financing into long-term loans regarding the US operations.

New long-term loans were arranged for the amount of FIM 86 Million while existing obligations were repaid by FIM 36 Million.

Equity plus untaxed reserves increased by FIM 44 Million. Equity ratio of the consolidated Balance Sheet reached 40 % level (39 %).

Parent company's equity ratio increased to 48 % (47 %). Deficit in the pension fund was maintained at an unchanged level of FIM 4 Million. The deficit in the Pension Fund and the parent company's pension liabilities totalled FIM 11,4 Million (11,6).

Investments

Investment programs were carried out according to plans. Total investments reached FIM 55 Million (54).

For Consumer Products group the most important investment was the acquisition of the Swedish Knivman group. In Finland modernization of the plants located in Fiskars, Finland was completed. In the USA a new product distribution center started operations.

For Electronics group the most significant investment was construction of the enclosure plant located in Tammissaari to be completed in spring 1986.

In Investment Products group new customer service facilities for log loaders were opened during the year and technology development program was continued. At Inha works investments were concentrated on improving hinge production.

As in previous years, all product development investments and tooling expenses of the parent company have not been capitalized but charged against income.

Fixed assets investments	1985	1984
	Mill. FIM	Mill. FIM
Consumer Products group	29,8	35,0
Electronics group	4,5	9,5
Investment Products group	11,2	4,7
Real Estate group	4,1	3,6
Others	5,2	1,1
	54,8	53,9

Personnel

Persons employed amounted to 1,945 (1,774) at the year-end, of whom 420 outside Finland.

Organization

Electronics group was reorganized into two divisions: Electronics-Europe and Electronics-USA. Mr David Weibel was elected as president of Electronics USA.

Mr. Ingmar Lindberg was appointed as director of business development and member of the management board.

Further details on organization are presented on page 8.

Changes in Corporate structure and acquisitions

The most important acquisition during the year was purchase of the Swedish Knivman Group. This group, including Knivman AB, Knivman Bankeryd AB, Knivman Nederland b.v. (Holland) and Knivman, Inc. (USA), became part of the Fiskars Corporation on September 1, 1985.

In connection with the acquisition all Consumer Products group operations in Sweden were reorganized around Knivman.

Turku boat yard operations were merged at the year-end with a group of companies engaged in marine safety systems. Fiskars subscribed to 43% of the shares of the new enterprise.

Hydro power plants located in Billnäs and Äminnefors, Finland were sold to Imatran Voima. Fiskars continues to distribute electricity in its own area.

The new enclosure plant in Tammisaari will be built by a new real estate company established by Fiskars together with Tammisaari City. The old plant including the lot was sold to local entrepreneurs.

Procons Oy shares (50%) were sold to Valmet Oy at the year-end.

Affiliated companies

Positive profitability trend of the steel company Ovako Oy Ab continued during the year. Net sales amounted to FIM 1,358 Million (1,258). Fiskars holds 33,5% ownership in the company.

Increase of share capital, turnover of shares on the stock exchange; grouping of shareholders

The Company's share capital was increased by a bonus issue of FIM 7 440 000 from FIM 37 200 000 to FIM 44 640 000. At the same time the Company changed the nominal value of its shares from FIM 100 to FIM 20. Shares were divided into shares of series K and A. For 1 old share with a nominal value of FIM 100 was given five new shares of series K and as a bonus issue one share of series A. The Company's share capital consists of 2 232 000 shares, 1 860 000 K-shares and 372 000 A-shares each with a nominal value of FIM 20. When dividends are distributed shares of series A entitle to a 2 percentage points higher dividend than shares of series K. At the general meeting a share of series K has twenty votes and a share of series A one vote. The quotation of the new series of shares began on the Helsinki Stock Exchange in the beginning of June 1985.

During the period of 1.1.-31.5.1985 the turnover of Company shares (nominal value FIM 100) on the Helsinki Stock Exchange was

	Turnover Mill. FIM	Quantity	Quotation	
			High	Low
	11,2	22 243	525,-	420,-

During the period of 1.6.-31.12.1985 the turnover of Company shares on the Helsinki Stock Exchange was

Series	Turnover Mill. FIM	Quantity	Quotation	
			High	Low
K-series	6,6	63 376	130,-	84,-
A-series	1,5	15 942	115,-	81,-
	8,1	79 319		

Totally, the turnover during 1985 amounted to 212 777 shares (after issue corrections) corresponding to 9,5% of the total amount of shares.

The taxation value on December 31 per share was as follows:

Series	Taxation value
K-series	116,-
A-series	90,-

At the end of the year, the Company had 1507 (1793) registered shareholders.

Distribution of Share Ownership according to Share Register 31.12.1985:

	Proportion of share capital %	
	1985	1984
Private persons	62,9	64,9
Non-profit organizations	9,0	8,7
Business enterprises	20,2	18,6
Banks and insurance companies	7,9	7,8
	100,0	100,0

1986 outlook

Factors directing the Corporation in its business development continue to be the emphasis on customer satisfaction, the strengthening of Fiskars brand image and the goal towards higher level expertise in increasingly international business activities.

Resources will be allocated to those business sectors in which the Corporation possesses special skills and competitive advantages.

Consumer Products group activities in 1986 will be focused on product development and on restructuring of the business sector. The objective is further expansion of international operations.

Electronics group will continue investments on international operations and distribution network.

Resources of Investment Products group will be concentrated on even more defined target markets. Primary goal will be to increase exports to European markets.

Real Estate group activities will continue in accordance with their long-term plans.

Total net sales are expected to increase and profitability to improve. Financial position and equity ratio will remain good.

Consolidated income statement

(1000 FIM)

	1985	%	1984	%
Net sales	+ 627 468	100,0	+ 535 791	100,0
Costs of manufacturing, selling and administration	- 554 703	88,4	- 465 920	87,0
Operating margin	+ 72 765	11,6	+ 69 871	13,0
Depreciation according to plan	- 19 457	3,1	- 17 968	3,3
Operating profit	+ 53 308	8,5	+ 51 903	9,7
Financial income and expense				
Dividends received	+ 6 373		+ 204	
Financial income	+ 8 884		+ 10 237	
Financial expense	- 35 797	3,3	- 33 500	4,3
Earnings after financial items	+ 32 768	5,2	+ 28 844	5,4
Other income and expense				
Other income	+ 22 980		+ 9 780	
Other expense	- 15 228	1,2	- 1 544	1,5
Pre-tax earnings	+ 40 520	6,5	+ 37 080	6,9
Depreciation in excess of plan	- 2 737	0,4	- 2 364	0,4
Change in reserves				
Investment reserve	- 13 000		-	
Operating reserve	- 9 000		- 8 000	
Inventory reserve	+ 8 750		- 7 379	
Doubtful debts reserve	- 1 483	2,3	- 99	2,9
Taxes	- 3 699	0,6	- 6 441	1,2
Net profit for the financial year	+ 19 351	3,1	+ 12 797	2,4

Consolidated balance sheet

(1000 FIM)

18 Assets	31.12.1985		31.12.1984	
		%		%
Financial assets				
Cash and bank deposits	69 232		39 216	
Trade receivables	122 228		112 208	
Loans	31 688		20 278	
Advance payments to suppliers	6 297		7 458	
Prepaid expenses and accrued income	9 971		10 016	
Other financial assets	<u>18 920</u>	258 336	<u>19 308</u>	208 484
		35,5		32,7
Inventories				
Materials and supplies	44 867		32 457	
Finished and semi-finished goods	<u>96 507</u>	141 374	<u>100 564</u>	133 021
		19,5		20,9
Fixed assets				
Construction-in-progress	2 039		8 167	
Land and water	118 689		100 365	
Buildings and equipment	54 533		44 830	
Machinery and equipment	44 761		44 720	
Other tangible assets	2 178		1 186	
Bonds and shares	34 087		44 087	
Intangible assets	2 441		2 007	
Other long-term expenditure	6 526		1 107	
Goodwill	<u>6 863</u>		<u>1 778</u>	
	272 117		248 247	
Depreciation in excess of plan	<u>54 548</u>	<u>326 665</u>	<u>47 012</u>	<u>295 259</u>
		45,0		46,4
	<u><u>726 375</u></u>	100,0	<u><u>636 764</u></u>	100,0

19 Liabilities and equity	31.12.1985		31.12.1984	
		%		%
Liabilities				
Short-term				
Trade payables	40 724		34 369	
Advances from customers	4 809		5 217	
Prepaid income and accrued expenses	46 151		37 197	
Notes payable	8 440		33 666	
Current portion of long-term debts	40 254		31 224	
Other short-term liabilities	<u>16 137</u>	156 515	<u>14 096</u>	155 769
		21,5		24,5
Long-term				
Loans from financial institutions	161 141		129 254	
Pensions fund loans	82 772		72 157	
Bonds	8 500		12 250	
Other long-term debts	<u>24 267</u>	276 680	<u>18 649</u>	232 310
		38,1		36,5
Total liabilities		433 195		388 079
		59,6		61,0
Reserves and depreciation in excess of plan				
Depreciation in excess of plan	54 548		47 012	
Investment reserve	13 000		-	
Operating reserve	24 000		15 000	
Inventory reserve	33 658		42 269	
Doubtful debts reserve	<u>4 034</u>	129 240	<u>2 695</u>	106 976
		17,8		16,8
Equity				
Restricted equity				
Share capital	44 640		37 200	
Reserve fund	4 139		4 138	
Other restricted reserves	<u>67 123</u>		<u>63 253</u>	
	115 902		104 591	
Unrestricted equity				
Unappropriated profits	28 687		24 321	
Net profit for the financial year	<u>19 351</u>		<u>12 797</u>	
	<u>48 038</u>	163 940	<u>37 118</u>	141 709
		22,6		22,2
	<u><u>726 375</u></u>	100,0	<u><u>636 764</u></u>	100,0

Funds statements

(1000 FIM)

	Consolidated		Parent company	
	1985	1984	1985*)	1984
20 Source of funds				
From operations				
Operating margin	72 765	69 871	57 650	40 209
Net financial expenses	- 20 540	- 23 059	- 11 054	- 7 928
Taxes	- 3 699	- 6 441	- 3 158	- 3 832
Total from operations	48 526	40 371	43 438	28 449
Other income and expense	- 3 205	- 872	- 6 222	- 384
Sales of fixed assets	30 576	14 840	34 973	14 365
New long-term borrowing	85 809	94 816	67 877	42 458
Translation differences on consolidation	- 517	3 169		
Total funds provided	161 189	152 324	140 066	84 888
Application of funds				
Investments	54 756	53 872	48 257	36 965
Repayment of long-term liabilities	35 852	56 537	35 311	37 528
Dividends	4 092	2 678	4 092	2 678
Total funds applied	94 700	113 087	87 660	77 171
Change in working capital	+ 66 489	+ 39 237	+ 52 406	+ 7 717
	<u>161 189</u>	<u>152 324</u>	<u>140 066</u>	<u>84 888</u>
Breakdown of change in working capital				
Financial assets	+ 49 852	+ 37 620	+ 60 852	+ 14 022
Inventories	+ 8 353	+ 13 294	+ 10 368	- 4 714
Short-term liabilities	+ 8 284	- 11 677	- 18 814	- 1 591
	<u>+ 66 489</u>	<u>+ 39 237</u>	<u>+ 52 406</u>	<u>+ 7 717</u>

*) Assets and liabilities received in connection with merger and increased shareholding in subsidiaries as a result of intra-group transactions have been eliminated.

Parent company income statement

(1000 FIM)

	1985	%	1984	%	21
Net sales	+ 483 959	100,0	+ 394 191	100,0	
Costs of manufacturing, selling and administration	- 426 309	88,1	- 353 982	89,8	
Operating margin	+ 57 650	11,9	+ 40 209	10,2	
Depreciation according to plan	- 11 841	2,4	- 10 892	2,8	
Operating profit	+ 45 809	9,5	+ 29 317	7,4	
Financial income and expense					
Dividends received	+ 9 078		+ 6 435		
Financial income	+ 9 019		+ 11 987		
Financial expense	- 29 151	- 11 054	- 26 350	- 7 928	2,0
Earnings after financial items	+ 34 755	7,2	+ 21 389	5,4	
Other income and expense					
Other income	+ 32 910		+ 9 335		
Other expense	- 14 352	+ 18 558	- 478	+ 8 857	2,3
Pre-tax earnings	+ 53 313	11,0	+ 30 246	7,7	
Depreciation in excess of plan	- 2 737	0,5	- 2 364	0,6	
Change in reserves					
Investment reserve	- 13 000		-		
Operating reserve	- 9 000		- 8 000		
Inventory reserve	+ 8 558		-		
Doubtful debts reserve	- 1 436	- 14 878	-	- 8 000	2,0
Taxes	- 3 158	0,7	- 3 832	1,0	
Net profit for the financial year	+ 32 540	6,7	+ 16 050	4,1	

Parent company balance sheet

(1000 FIM)

22	Assets	31.12.1985	%	31.12.1984	%
	Financial assets				
	Cash and bank deposits	43 004		29 006	
	Trade receivables	118 796		86 534	
	Loans	40 217		36 440	
	Advance payments to suppliers	4 319		6 961	
	Prepaid expenses and accrued income	7 794		4 335	
	Other financial assets	<u>14 379</u>	228 509	<u>10 178</u>	173 454
			35,7		33,1
	Inventories				
	Material and supplies	28 445		24 481	
	Finished and semi-finished goods	<u>67 779</u>	96 224	<u>61 310</u>	85 791
			15,1		16,4
	Fixed assets				
	Construction-in-progress	1 715		7 932	
	Land and water	118 901		98 288	
	Buildings and constructions	32 099		26 808	
	Machinery and equipment	23 694		22 327	
	Other tangible assets	1 026		1 054	
	Bonds and shares	80 625		59 062	
	Intangible assets	1 574		1 061	
	Other long-term expenditure	<u>740</u>		<u>1 103</u>	
		260 374		217 635	
	Depreciation in excess of plan	<u>54 548</u>	314 922	<u>47 012</u>	264 647
			49,2		50,5
		<u>639 655</u>	100,0	<u>523 892</u>	100,0

23	Liabilities and equity	31.12.1985	%	31.12.1984	%
	Liabilities				
	Short-term				
	Trade payables	36 446		26 231	
	Advances from customers	2 729		5 217	
	Prepaid income and accrued expenses	37 390		30 868	
	Notes payable	4 069		-	
	Current portion of long-term debts	35 658		30 874	
	Other short-term liabilities	<u>11 058</u>	127 350	<u>10 542</u>	103 732
			19,9		19,8
	Long-term				
	Loans from financial institutions	105 796		85 711	
	Pension fund loans	82 190		71 581	
	Bonds	8 500		12 250	
	Other long-term debt	<u>6 702</u>	203 188	<u>5 863</u>	175 405
			31,8		33,5
	Total liabilities		330 538		279 137
			51,7		53,3
	Reserves and depreciation in excess of plan				
	Depreciation in excess of plan	54 548		47 012	
	Investment reserve	13 000		-	
	Operating reserve	24 000		15 000	
	Inventory reserve	32 500		27 558	
	Doubtful debts reserve	<u>4 000</u>	128 048	<u>2 564</u>	92 134
			20,0		17,6
	Equity				
	Restricted equity				
	Share capital	44 640		37 200	
	Reserve fund	4 126		4 126	
	Revaluation fund	49 804		57 314	
	Other restricted reserves	<u>11 943</u>		<u>13 038</u>	
		110 513		111 678	
	Unrestricted equity				
	Contingency reserve	29 372		21 555	
	Unappropriated profits	8 644		3 338	
	Net profit for the financial year	<u>32 540</u>		<u>16 050</u>	
		<u>70 556</u>	181 069	<u>40 943</u>	152 621
			28,3		29,1
		<u>639 655</u>	100,0	<u>523 892</u>	100,0

24 The accounts have been prepared under the historical cost convention with the exception of certain landholdings, which have been revalued.

Basis of consolidation

The consolidated accounts include all companies in which the Parent Company, directly or indirectly, controls more than 50 per cent of the voting rights.

The operations of the Knivman Group have been included in the consolidated accounts to the extent the operations have incurred after the date of acquisition.

No significant minority shareholding exists in the subsidiaries.

All intra-group transactions and balances are eliminated from the consolidated accounts.

The consolidation is based on the Purchase Method, whereby the book value of the Parent Company's shareholding and shareholders' equity in the subsidiaries at the date of acquisition are eliminated. Shareholders' equity in subsidiaries includes half of untaxed reserves at the date of acquisition (the other half is taken up as a deferred tax in Other long term debts). The difference between the book value of the net assets of the subsidiaries at the date of acquisition and corresponding acquisition costs has been treated as goodwill in the consolidated balance sheet. Goodwill is written off over a period of ten years.

Translation of foreign subsidiaries' accounts into Finnmarks

The accounts of foreign subsidiaries have been translated into Finnmarks using the Current-rate method. Exchange differences on equity that arise due to variation of exchange rates between date of acquisition and balance sheet date have been credited directly to equity in the balance sheet.

When acquiring new foreign companies or when the investment in a foreign company is increased the Parent Company usually takes up a corresponding loan in foreign currency. Exchange differences on these loans are charged or credited to the corresponding exchange difference on equity.

Inventories

Inventories have been valued at the lower of cost, replacement cost or net realizable value. When determining cost, the direct cost of manufacturing have been used in the Parent Company and its Finnish subsidiaries. The first-in-first-out principle has been applied. If manufacturing overheads were included (as subscribed for example by International Accounting Standards) this would result in a significantly higher inventory value.

The inventories of foreign subsidiaries have been valued in accordance with the principles prevailing in respective country, which means that production overheads are included in some cases.

Receivables and liabilities in foreign currencies

Receivables and liabilities have been converted into Finnmarks at the rate of exchange prevailing at the year-end. The corporation's strategy for avoiding currency losses is mainly based on balancing receivables and liabilities in foreign currency. In accordance with this both realized and unrealized exchange difference have been included in the results of the year.

Fixed assets

The fixed assets are entered at direct costs with the exception of certain landholdings that have been revalued.

The following three methods of depreciation are used:

- Depreciation according to plan. Depreciation is applied consistently over the asset's useful life using the straight-line method.

- Book depreciation. Book depreciation is based on fiscal requirements. In order for depreciation to be tax-deductible in Finland the amount depreciated for taxation purposes must also be entered into the company's books.

- Depreciation calculated on current cost values. This is calculated on the historical cost values that have been adjusted for inflation. The Parent Company uses depreciation calculated on current cost values for pricing and management accounting purposes only.

The difference between depreciation according to plan and book depreciation is shown in the income statement as an appropriation. In the balance sheet, the fixed assets are carried at original cost less book depreciation. Accumulated depreciation in excess of plan is taken up as a separate item in Fixed Assets and in Reserves.

In accordance with Finnish accounting regulations certain fixed assets may be revalued, if appreciation in value is considered permanent. In accordance with this, certain landholdings include revaluation. The surplus arising from valuation is taken up under Restricted Equity.

Reserves

Tax regulations in Finland allow transfer from the profit for the year to reserves. Such transfers are usually tax-deductible only when entered into the company's books. In accordance with the Accounting act such transfer is made from the pre-tax earnings under "Change in reserves" in the income statement. The total amount of transfers to reserves from the profit for the year and previous years are shown under Reserves in the balance sheet.

Taxes

Taxes in the income statement consist of taxes paid and taxes payable on net profit. Deferred tax on transfer to reserves is not accounted for, as these transfers are not likely to be reversed in the near future.

Accounting for pensions

The retirement benefit plans for present employees have been covered by insurance policies with independent insurance companies. The Parent Company's Pension Fund, and the pensions paid by the Parent Company directly, cover voluntary pension plans for persons already retired.

Research and development

All costs for research and development are charged against income when incurred.

Return on Assets

Return is defined as pre-tax earnings + interest expenses. Income from forestry is deducted. The figure is further adjusted by eliminating extraordinary items (Other income and expense). Assets are calculated by deducting land not employed in industrial operations.

Return is calculated on the average of the assets at the current and previous year's balance sheet dates.

All amounts in FIM 1000

1. Income Statement

Contrary to previous years, financial expense includes, in addition to interest expense, all other expenses in connection with long-term borrowing. The 1984 figures have been reclassified in order to maintain comparability.

All capital gains have been credited to the Income Statement. Capital gains in 1984, originally credited directly to shareholders' equity, have therefore also been shown in the Income Statement.

Due to the acquisition of new subsidiaries, mergers and exchange differences in consolidation the figure for "Change in inventory" does not equal the figure arrived at when comparing the Balance Sheets of 1985 and 1984.

2. Net Sales

Value added tax, freight-out, sales commissions, discounts and bad debts have been deducted from gross sales in order to arrive at the net sales figure.

	Consolidated		Parent	
	1985	1984	1985	1984
3. Costs of manufacturing, selling and administration				
Materials and supplies	245 212	206 900	206 211	154 236
Wages and salaries	140 826	118 642	98 784	87 338
Personnel costs	62 306	52 152	52 495	43 191
Rents and leases	15 201	12 511	13 344	11 370
Other fixed and variable costs	102 588	86 420	62 021	56 104
Production for own use	- 3 635	- 2 971	- 3 532	- 2 971
Change in inventory	- 7 795	- 7 734	- 3 014	4 714
	554 703	465 920	426 309	353 982

	Consolidated		Parent	
	1985	1984	1985	1984
4. Salaries				
Manufacturing wages	83 227	71 664	68 023	60 596
Other wages and salaries	79 750	66 727	52 335	46 209
	162 977	138 391	120 358	106 805
Vacations and sick-leave pay	-22 151	- 19 749	- 21 575	- 19 467
	140 826	118 642	98 784	87 338

Directors' salaries and emoluments were FIM 1,3 million. The average number of persons employed was 1 860 of which the Parent Company employed 1 515.

	Consolidated		Parent	
	1985	1984	1985	1984
5. Statutory and contractual personnel costs (1000 FIM)				
Finland				
Vacation and sick-leave pay	21 575	19 467	21 575	19 467
Social security charges	7 454	6 562	7 297	6 388
Pension costs	19 508	13 294	19 216	13 024
Pension costs, non-recurring	570	929	570	929
Transfer to Pension Fund	885	681	885	681
Other personnel costs	3 076	2 837	2 952	2 702
	53 068	43 770	52 495	43 191
Personnel costs abroad	9 238	8 383		
	62 306	52 153		

6. Other fixed and variable costs

Other fixed and variable costs comprise, for example, of purchases of subcontractors' services, energy for own use and sale, costs for maintaining production machinery and buildings, marketing costs and costs of personnel development.

	Consolidated		Parent	
	1985	1984	1985	1984
7. Depreciation according to plan				
Buildings	3 314	3 230	2 750	2 489
Machinery and equipment	13 819	13 306	7 827	7 314
Other tangible assets	213	109	104	99
Intangible assets	627	511	520	376
Other long-term expenditure	700	614	640	614
Goodwill	784	198	-	-
	19 457	17 968	11 841	10 892

	Consolidated		Parent	
	1985	1984	1985	1984
8. Book depreciation				
Buildings	3 723	3 339	3 159	2 598
Machinery and equipment	16 147	15 561	10 155	9 569
Other tangible assets	213	109	104	99
Intangible assets	627	511	520	376
Other long-term expenditure	700	614	640	614
Goodwill	784	198	-	-
	22 194	20 332	14 578	13 256
Depreciation in excess of plan	2 737	2 364	2 737	2 364

As in 1984 book depreciation for 1985 corresponds to the maximum allowable under tax laws in Finland and abroad.

Depreciation on current cost values (FIM million)

	1985	1984	1985	1984
	20,7	22,5	15,0	15,4

Depreciation according to plan is calculated using varying rates depending on the useful life of the asset. In most cases the following useful lives apply:

Buildings	25 years
Machinery and equipment	12,5 years
Vehicles	4 years

9. Financial income and expenditure

Of total dividends FIM 6,1 million received by the Parent Company FIM 2,7 million constitute dividends paid by subsidiaries. A dividend of FIM 5,9 million was received from Ovako Oy Ab.

	Consolidated		Parent	
	1985	1984	1985	1984
Financial income				
Interest income	8 884	10 237	9 019	11 987

	Consolidated		Parent	
	1985	1984	1985	1984
Financial expense				
Interest expenses	33 258	31 407	26 632	24 257
Other costs of long-term borrowing	2 539	2 093	2 519	2 093
	35 797	33 500	29 151	26 350

	Consolidated		Parent	
	1985	1984	1985	1984
Exchange difference on long-term debts				
Realized	- 209	+ 47	- 229	+ 47
Unrealized	+ 194	+ 127	+ 194	+ 127
	- 15	+ 174	- 35	+ 174

10. Other income and expense

Other income and expense includes capital gains and income received in connection with restructuring some of the businesses of the corporation. In the Parent Company, "Other income" includes capital gains from the selling of the shares in Fiskars Manufacturing Corporation.

The shares have been sold to Fiskars Inc., a wholly-owned subsidiary of Fiskars Oy Ab. Other expense includes a FIM 6 million loss on sale of shares in the saw-mill company Oy Metsä-Skogby Ab, and a one-off payment for a retirement benefit insurance policy to be used in connection with future structural changes.

11. Taxes

Taxes in the Income statement consist of taxes paid and payable on net profit as according to the Income statement.

12. Intercompany receivables and liabilities	Consolidated		Parent	
	1985	1984	1985	1984
Trade receivables	-	-	45 790	29 462
Loans receivable	-	-	8 730	17 245
Trade payables	-	-	4 552	1 935

13. Loans receivable

Loans receivable from Directors of the Fiskars Corporation amounted to FIM 0,5 million.

14. Fixed assets

Gross capital expenditure and depreciation according to plan

	Gross investments	Accumulated depreciation	Residual value
Construction-in-progress	2 039	-	2 039
Land and water	118 689	-	118 689
Buildings and constructions	97 429	30 386	67 043
machinery and equipment	167 784	80 985	86 799
Other tangible assets	3 128	950	2 178
Bonds and shares	34 087	-	34 087
Intangible assets, net	2 441	-	2 441
Other long-term expenditure	8 369	1 843	6 526
Goodwill	7 968	1 105	6 863
Total 1985	441 934	115 269	326 665
Total 1984	396 271	101 012	295 259

Gross capital expenditure and book depreciation

	Gross investments	Accumulated depreciation	Residual value
Construction-in-progress	2 039	-	2 039
Land and water	118 689	-	118 689
Buildings	97 429	42 896	54 533
Machinery and equipment	167 748	123 023	44 761
Other tangible assets	34 987	-	34 087
Intangible assets, net	2 441	-	2 441
Other long-term expenditure	8 369	1 843	6 526
Goodwill	7 968	1 105	6 863
Total 1985	441 934	169 817	272 117
Total 1984	396 271	148 025	248 247
Depreciation in excess of plan 1985			54 548

15. Capital expenditure

	Consolidated		Parent	
	1985	1984	1985*)	1984
Construction-in-progress	2 039	7 885	1 715	7 885
Land and water	2 395	1 007	2 342	1 007
Buildings and constructions	7 668	5 984	5 813	2 698
Machinery and equipment	22 444	26 773	15 309	18 179
Other tangible assets	75	294	75	257
Bonds and shares	18 825	10 967	21 693	5 977
Intangible assets	1 034	619	1 034	619
Other long-term expenditure	276	343	276	343
	54 756	53 872	48 257	36 965

*) Assets received through merger and increased shareholding as a result of intra-group sales and purchases has not been accounted for as capital expenditure.

16. Bond loans, Parent

Bond loan 1.12.1978-1.12.1988	
Rate 9,75 %	
Principal outstanding 31.12.1985	8 250
- current portion	- 2 750
	5 500

Bond loan 28.12.1984-28.12.1989	
Rate 10,75 %	
Principal outstanding 31.12.1985	4 000
- current portion	- 1 000
	3 000
Total as per balance sheet	8 500

17. Reserves

	Consolidated			Parent	
	1985	1984	1985*)	1984	1984
Investment reserve 1.1.	-	-	-	-	-
Increase +/-Decrease -	+ 13 000	-	+ 13 000	-	-
31.12.	13 000	-	13 000	-	-
Operating reserve 1.1.	15 000	7 000	15 000	7 000	7 000
Increase +/-Decrease -	+ 9 000	+ 8 000	+ 9 000	+ 8 000	+ 8 000
31.12.	24 000	15 000	24 000	15 000	15 000
in per cent of salaries			19,9		
Maximum deductible for taxation purposes			20,0		
Inventory reserve 1.1.	42 269	34 809	27 558	27 558	27 558
Increase +/-Decrease -	- 8 750	+ 7 379	- 8 558	-	-
Merger			+ 13 500		
Other change	+ 139	+ 81	-	-	-
31.12.	33 658	42 269	32 500	27 558	27 558
in per cent of inventory value			34,0		
Maximum deductible for taxation purposes			35,0		
Doubtful debts reserve 1.1.	2 695	2 671	2 564	2 564	2 564
Increase +/-Decrease -	+ 1 483	+ 99	+ 1 436	-	-
Other change	- 144	- 75	-	-	-
31.12.	4 034	2 695	4 000	2 564	2 564
Depreciation in excess of plan 31.12.	54 548	47 012	54 548	47 012	47 012

18. Changes in the consolidated equity

Restricted equity	Share capital	Reserve Fund	Other restricted	
			equity	equity
1.1.	37 200	4 138	63 253	
Transfer to Share capital	+ 7 440		- 7 440	
Transfer to Contingency reserve			- 1 164	
Other change		+ 1	+ 12 474	
31.12.	44 640	4 139	67 123	
Restricted equity total			115 902	

Unrestricted equity

	Unappropriated profits	Net profit for the year
1.1.	37 118	
Dividends paid	- 4 092	
Revaluation on real estate realized through sale	+ 70	
Gain on sale of fixed assets	- 4 409	
Other change		
Profit for the year		+ 19 351
31.12.	28 687	19 351
Unrestricted equity, total		48 038
Equity, total		163 940

Exchange gains in consolidation have increased restricted equity.

Decrease in unrestricted equity labelled as "Other change" is mostly due to increase in subsidiaries' share capital by use of unappropriated profits.

19. Changes in the Parent Company's equity

Restricted equity	Share capital	Reserve Fund	Revaluation fund	Other restricted equity
1.1.	37 200	4 126	57 314	13 038
Transfer to Share capital	+ 7 440		- 7 440	
Transfer to Contingency reserve			- 70	- 1 095
31.12.	44 640	4 126	49 804	11 943
Restricted equity, total				110 513

Unrestricted equity

Unrestricted equity	Contin-gency reserve	Unappro-riated reserves	Profit for the year
1.1.	21 555	19 388	
Transfer	+ 6 652	- 6 652	
Revaluation on real estate realized through sale		+ 1 165	
Dividends		- 4 092	
Profit for the year			+ 32 540
31.12.	29 372	8 644	32 540
Unrestricted equity, total			70 556
Equity, total			181 069

20. The Parent Company's share capital

The Parent Company's share capital consists of 1 860 000 K series shares and 372 000 A series shares or a total number of 2 232 000 shares, nominal value FIM 20 each.

21. Pledged assets and contingencies

	Consolidated		Parent	
	1985	1984	1985	1984
Real estate mortgages				
- for own liabilities	128 360	117 833	124 570	117 683
Chattel mortgages				
- for own liabilities	150	-	-	-
- other	900	900	-	-
	132 767	118 733	124 570	117 683

Pledged assets				
- other	291	278	-	-
Factoring liability	825	771	825	771
Contingencies				
- for own liabilities	-	-	30 892	19 221
- other	21 435	23 899	21 253	23 399
	22 551	24 948	52 970	43 391

Discounted Bills of Exchange				
- for own liabilities	-	-	4 347	27 653
- other	1 044	3 571	1 044	3 571
	1 044	3 571	5 391	31 224

22. Pension liability

	Consolidated		Parent	
	1985	1984	1985	1984
Parent Company's pension liability	7 406	7 709	7 406	7 709
Deficit in Pension Fund	3 955	3 938	3 955	3 938
	11 361	11 647	11 361	11 647

23. Shares Included in fixed assets

	Number of shares	% of share capital	Nominal value (1000)	Book value (1000)
Shares owned by the Parent Company				
In subsidiaries				
Fiskars Inc., USA	2 750	100	3 185 (USD)	20 898
Fiskars A/S, Denmark	41	99,8	4 490 (DKK)	3 066
Fiskars A/S, Norway	30	100	150 (NOK)	117
Fiskars AB, Sweden	1 000	100	100 (SEK)	84
Fiskars GmbH, FRG		100	49 (DEM)	73
Fiskars Ges.mbh, Austria		99	500 (ATS)	126
Fiskars Nederland B.V., Netherlands	35	100	1 000 (NLG)	66
Finnovation SARL, France	300	100	100 (FRF)	175
Fiskars AG, Switzerland	50	100	50 (CHF)	129
Fiskars Ltd., Great Britain	66 000	100	66 (GBP)	618
Knivman AB, Sweden	30 000	100	3 000 (SEK)	14 275
Oy Rahkola Ab	400	100	4	3 694
Predium Oy Ab	150	100	15	15
Kiinteistö Oy Danskog gård	4 000	100	3 000	3 000
Housing companies				130
Non-operating companies				83
				46 549
Shares in other companies				
Ovako Oy Ab	34 840	33,5	34 840	21 808
Starckjohann-Telko Oy	2 250	18,7	1 687	2 231
Teijon Telakka Oy	300	42,9	3 000	4 500
Rautaruukki Oy	125	x	625	625
Wilkinson-Fiskars B.V.	25	50	25 (NLG)	44
Housing companies				4 325
Other shares				542
			(A)	34 075
Total Fiskars Oy Ab				80 625
Shares owned by other Fiskars companies				
In subsidiaries				
Fiskars Manufacturing Corp., USA	3 000	100	3 000 (USD)	3 000 (USD)
Fiskars Electronics Corp., USA	1 000	100	1 000 (USD)	1 000 (USD)
Knivman Bankeryd AB, Sweden	900	100	90 (SEK)	4 500 (SEK)
Knivman Nederland BV, Netherlands	35	100	35 (NLG)	68 (SEK)
Knivman Inc., USA	50	100	250 (USD)	20 (SEK)
AB Plast- och Metallprodukter, Sweden	600	100	60 (SEK)	60 (SEK)
In other companies			(B)	12
Total shares in the Consolidated Balance Sheet			(A + B)	34 087

Annual general meeting of shareholders 1985

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At the annual general meeting of shareholders on May 9, 1985, the financial statements for 1984 were approved in accordance with the Board of Directors' proposal. A dividend of 11% was declared, i.e. FIM 11 per share, totalling FIM 4 092 000.

The annual general meeting decided to increase the number of Board members from 7 to 8. Retiring members, Göran J. Ehrnrooth and Thomas Tallberg were re-elected to the Board and Reijo Kaukonen was elected to the Board as a new member.

Eric Haglund, Brita Hisinger-Jägerskiöld and Christian Hildén were re-elected as auditors.

Sixten Nyman, Peter Hartwall and Henry Lind were re-elected as deputy auditors.

The annual general meeting decided to increase the share capital from FIM 37 200 000 to FIM 44 640 000 by a bonus issue of FIM 7 440 000. The meeting also decided to change the nominal value of shares from FIM 100 to FIM 20 and to take into use two series of shares, K and A.

Proposal by the board of directors to the annual general meeting 1986

29

Unrestricted equity for the Group amounts to FIM 48 Million

Unappropriated profits from previous years	8 644 151,64
Profit for the financial year	32 540 675,96
Total	<u>FIM 41 184 827,60</u>

The Board proposes that

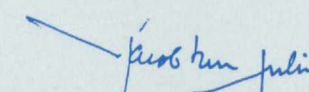
- a dividend of 12% corresponding to FIM 4 464 000,00
- 2,40/share be paid on shares of series K
- a dividend of 14% corresponding to FIM 1 041 600,00
- 2,80/share be paid on shares of series A
- to be carried forward

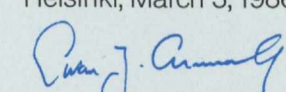
FIM 35 679 227,60

If the Annual General Meeting approves the proposal of the Board, the Parent Company's equity amounts to FIM 175,6 Million.

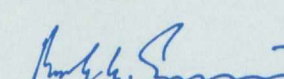
Breakdown of equity:	1985	1984
RESTRICTED EQUITY		
Share capital	44,6	37,2
Reserve fund	4,1	4,1
Revaluation fund	49,8	57,3
Other restricted reserves	<u>11,9</u>	<u>13,0</u>
	<u>110,5</u>	<u>111,7</u>
UNRESTRICTED EQUITY		
Distributable funds	29,4	28,2
Unappropriated profits	<u>35,7</u>	<u>8,6</u>
	<u>65,1</u>	<u>36,8</u>
Total	<u>175,6</u>	<u>148,5</u>

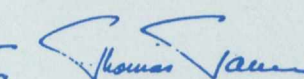
Helsinki, March 3, 1986

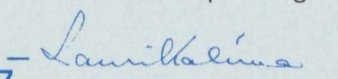

Jacob von Julin


Göran J. Ehrnrooth

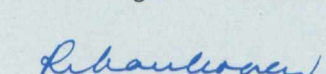

Jarl G ripenberg


Robert G. Ehrnrooth


Thomas Tallberg


Lauri Kalima


Jarl Engberg


Reijo Kaukonen
Managing Director

Auditors' report

30

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration by the board of directors and the managing director of Fiskars Oy Ab for the financial year 1985. Our examination was made in accordance with generally accepted auditing standards in Finland.

Parent company

The annual accounts showing a profit for the period of 32,540,675.96 marks have been prepared in accordance with the regulations in force.

As our audit has not given cause to any comments regarding the accounts and the administration we recommend

that the income statement and the balance sheet be adopted,

that the unappropriated earnings be dealt with in accordance with the board of directors' proposal,

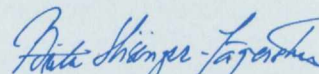
that the members of the board of directors and the managing director be discharged from liability for the financial period audited by us.

Group

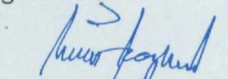
The consolidated accounts have been prepared in accordance with the regulations in force. The unrestricted equity of the group is shown in the balance sheet in accordance with the Companies Act.

We recommend that the consolidated income statement and the consolidated balance sheet be adopted.

Helsinki, March 5, 1986


Brita Hisinger-Jägerskiöld

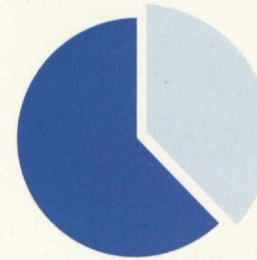

Christian Hildén


Eric Haglund
Authorized Public
Accountant

Consumer Products Group

31

International efforts increase wealth



Consumer Products group accounted for 38% of total Group sales

Sales, FIM mill.	241
of which outside Finland	79%
Personnel	809

The European sales of Fiskars scissors, knives and hand tools increased 30%. Sales through the group's own channels grew significantly.

The Consumer Products group was considerably strengthened by the acquisition on the Knivman Group based in Eskilstuna, Sweden. Fiskars is now the leading manufacturer of kitchen knives and cheese slicers in the Nordic countries. At the same time, a Knivman subsidiary in Holland strengthens Fiskars' position in central European markets.

Fiskars Manufacturing Corporation was able to improve its market positions although the introduction of new

hand tools and knives was slower than expected. The lawn and garden tools sales increased 100%

Fiskars is the leading scissors brand in Europe and in the U.S.

The customer in focus
New technology and new production methods are being continuously applied to Fiskars' consumer products.

All plants located in the Fiskars area in Southern Finland are now operating in renovated facilities which means improved customer service.



Knivman's cheese slicers and cheese knives are excellent tools for all kinds of cheeses.

32 Logistics operations were developed in all business areas.

The Wausau plants in the U.S. invested in a new, computer controlled distribution center to improve the flexibility of shipments to the customer. Distribution to Swedish customers was concentrated to the Knivman Company in Eskilstuna.

The consumer packages of the new Chef cutlery were designed with customer safety and information in mind.

The Chef knives were well received by our European customers. Similarly, the launching of the PowerGrip screwdrivers met all expectations.

Excellent quality and design

Fiskars is known all over the world for its consumer products whose high utility value is based on top quality, functional design and a unique price/performance ratio. Fiskars has been honored with several distinctive awards for quality and design. In 1985, the Finnish Design Council awarded the Seal of Good Design to several Fiskars products.

Fiskars® brand grows stronger

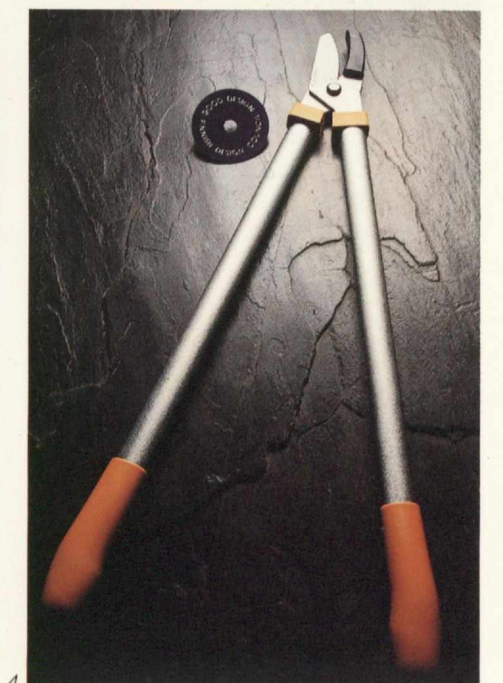
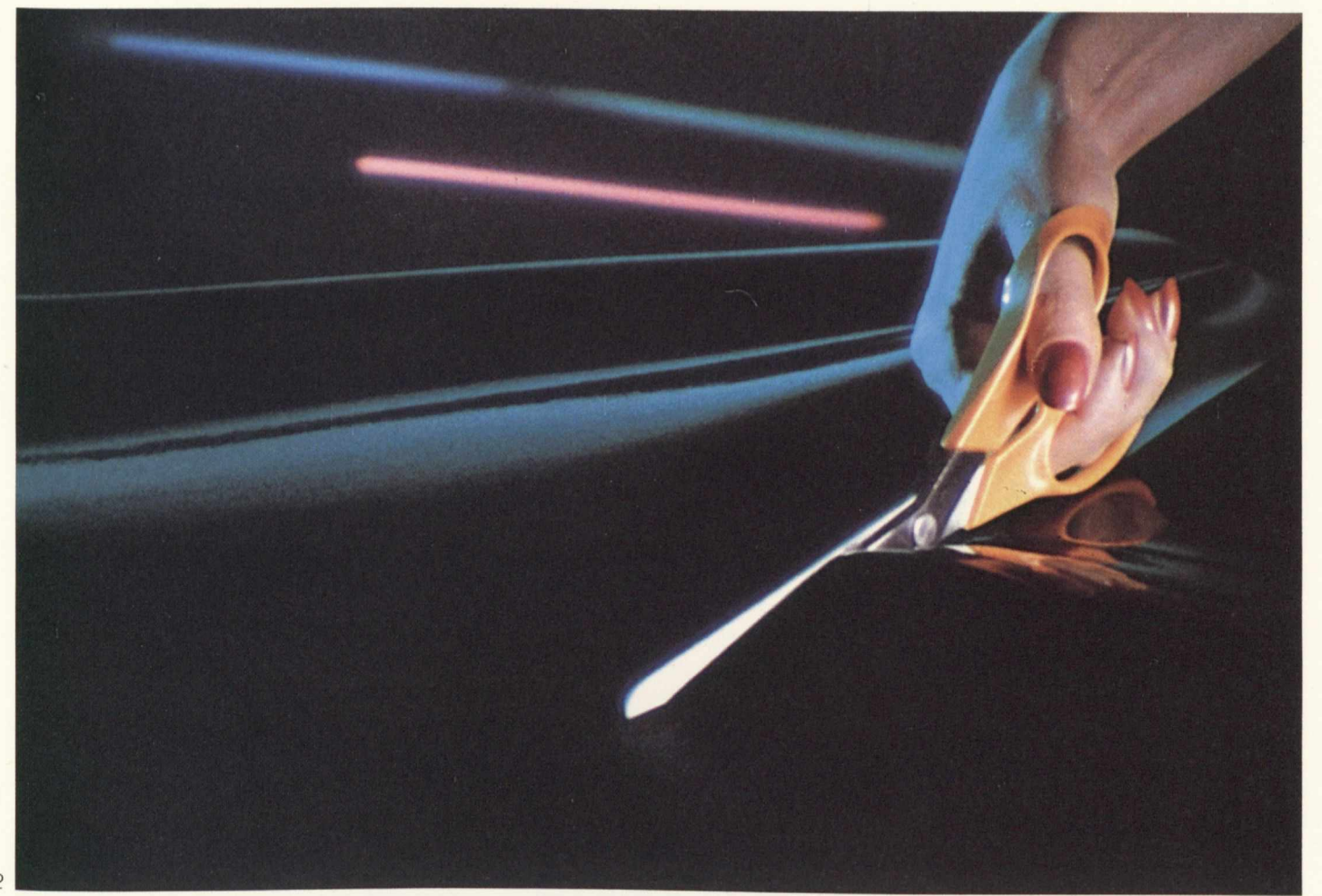
Through persistent marketing efforts, assisted by extensive product advertising both in the U.S. and in Europe, the Fiskars® brand has clearly gained prominence. Stronger hold on the global market also promotes the rapid launching of new products.

1. The consumer packages of the new Chef cutlery are designed safe and informative.

2. Fiskars famous scissors were impressively advertised in French television. "Fiskars libère la main de l'homme."

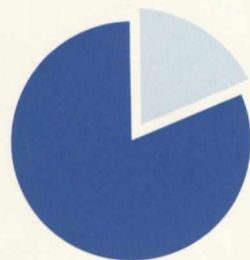
3. The new PowerGrip hand tool line features this five-in-one screwdriver with interchangeable bits that store in ribbed vinyl coated handle.

4. Fiskars lightweight, tubular steel handled loppers received the Seal of Good Design from the Finnish Design Council.



Electronics Group

34 Growth by increased internationalization



Electronics group accounted for 21 % of total Group sales

Sales, FIM mill.	126
of which outside Finland	56 %
Personnel	385

The sales of the Electronics group increased by 41% over the previous year. Growth took place in all Fiskars electronics businesses: in Power Electronics, Traffic Electronics, Enclosures and Advanced Products.

Fiskars strengthened the international posture of the Electronics Group by acquiring two manufacturing companies. Fiskars acquired the business of Behlman Engineering Corporation in Santa Barbara, California and agreed upon the acquisition of the Kraffelektronik Company located near Gothenburg, Sweden.

Electronics group was organized into two operations: Electronics, Europe and Electronics, U.S.A.

To further develop our Electronics USA, Fiskars Electronics Corporation in Cupertino, California was established. It is supported by Electronics Advisory Council consisting of experts in the field.

Total quality benefits the customer

The power electronics products are now smaller, with lower noise levels and are easier to use. Simultaneously, the quality of service has been emphasized by flexibility in delivery, end-user training and product maintenance.

In Europe, Fiskars launched a series of new uninterruptible power supply (UPS) systems in different power ranges. They are specially designed for the computer and the office-of-the-future markets. The new products are both user-friendly and appealing.

Behlman Engineering gained recognition in the AC Power marketplace. Key products, such as the microprocessor controlled AC power sources and intelligent power distribution systems, are developed for a wide range of manual, computer and ATE applications. Behlman Engineering's marketing was strengthened by additional staff members and the completion of a representative sales force across

North America. Behlman Engineering has consolidated its long-term affiliations to several major companies.

In cooperation with its customers, the Traffic Electronics unit developed a new FISKTEAM family of products, especially suited for area traffic control and highways. Customer orientation was emphasized by establishing a customer service department covering end-user training, technical support, product maintenance.

New enclosures plant

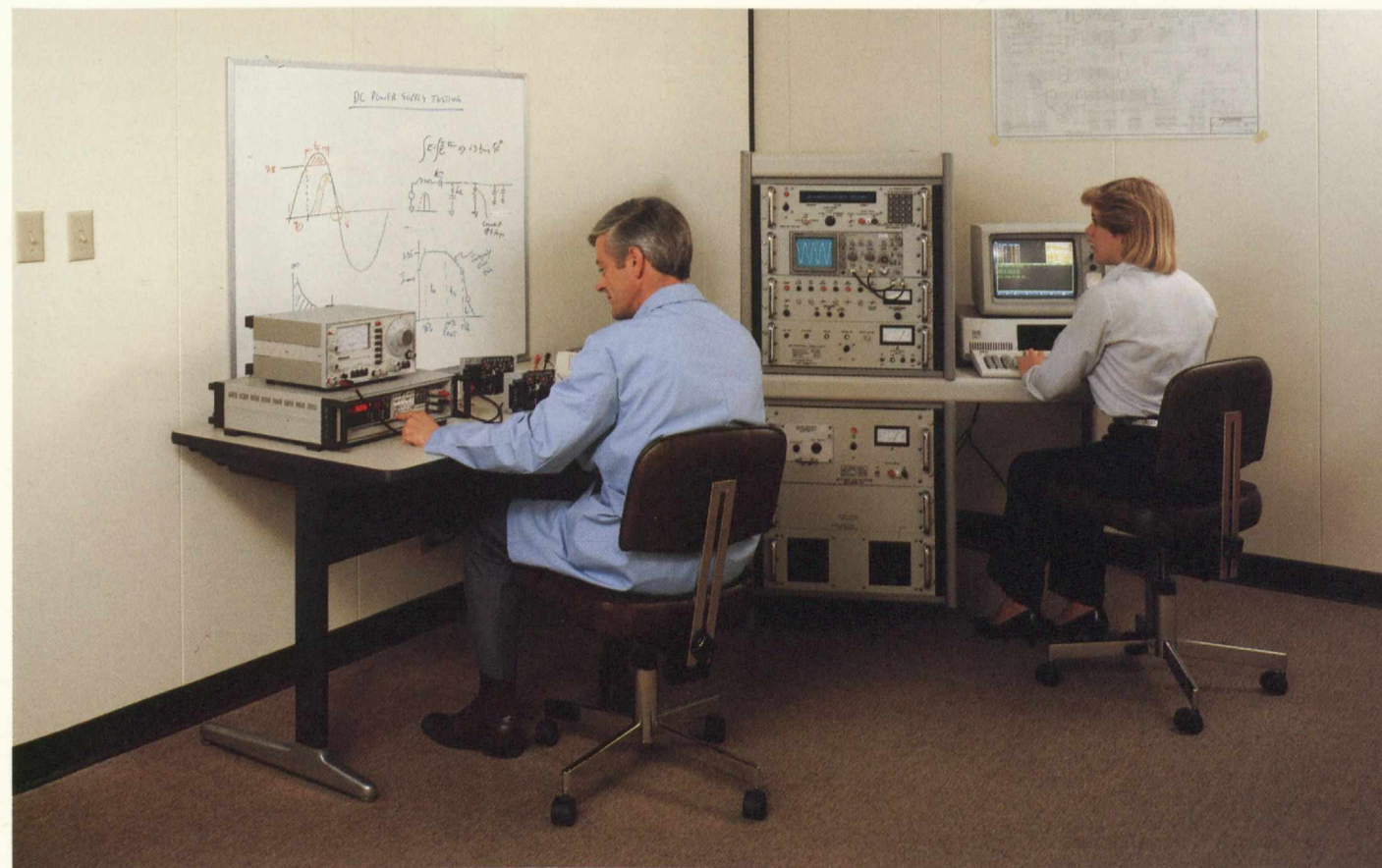
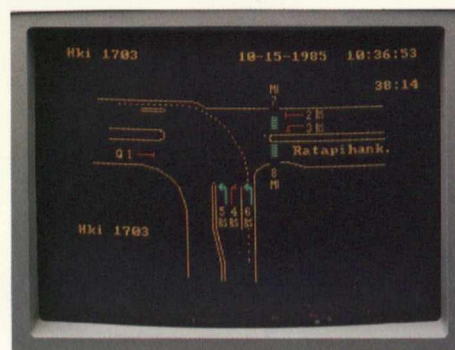
Fiskars Enclosures unit manufactures and markets polycarbonate enclosures and control boxes for protection of electrical equipment from environmental damage and for casing of electrotechnical, electronic and pneumatic instruments.

Decision to invest in a new plant was made in late 1985. The plant, inaugurated in the spring of 1986 in Southern Finland, is one of the most modern in the world. It offers improved operations for fast deliveries to more than 40 customer countries. Access to U.S. markets was gained by first orders.

1. Traffic electronics launched a control and supervision center as part of its area traffic control system. A display of intersections can be seen real time on a screen.

2. Fiskars power electronics unit in California, Behlman Engineering, supplies Automatic Test Equipment and control systems to demanding projects.

3. Fiskars' new UPS-systems protect data processing equipment from power line disturbances and complete loss of line power. Small and noiseless, they are also fit for modern offices.



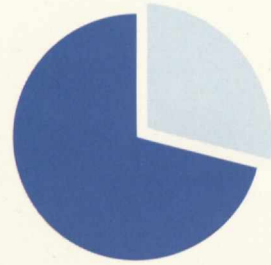
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3

Investment Products Group

36 Top quality for increasing export



Investment Products group accounted for 34 % of total Group sales

Sales, FIM mill.	214
of which outside Finland	52 %
Personnel	548

The sales of the Investment Products group rose 25%. The group's core products are designed for transportation and materials handling under critical conditions.

The Salo Engineering unit made plans to invest in a new layout and a new, productive technology.

Log loader sales grew substantially. The high market share of the Buster boats was maintained, although the overall demand for small boats decreased in the Nordic countries.

Stronger market position for log loaders

Fiskars' hydraulic log loaders have become an established brand. Each Fiskars loader is a highly-specialized tool. It is mounted on very expensive basic machinery and must therefore be absolutely reliable especially under demanding conditions and at low temperatures.

The manufacturing of an ideal log loader takes many years of experience, careful product development and continuous cooperation with different end-users.

To maintain and increase its competitiveness, Fiskars has invested in total quality and put considerable emphasis on addressing customer needs more effectively.

As a result of customer-oriented product development efforts, several new models were brought onto the market. A new product, designed to load selectively cut timber, as well as a new forest tractor loader, scored successes on the North European markets. The foldable Z-models, pioneers in the transport of long logs in Central Europe, continued to gain new customers in Alpine environments.

The sales to the Soviet Union continued vigorously on an agreed level. More than two-thirds of the entire log loader production was exported.

Buster Boats – safe at sea

The rugged Buster® aluminum boat is a leading all-weather motorboat in the Nordic countries. The Buster range comprises five basic boats with 4 to 60 hp engines. Buster has gained recognition as a safe, carefree and versatile boat. The boats have been successful in areas such as: family transportation, fishing, professional use, rescue and fire prevention operations.

Industrial components to Nordic countries

The Inha Plant improved the cost effectiveness of its hinge production as planned. A new cooperation agreement will lead to a stronger market position of Fiskars hinges in Norway and Denmark. The export to Sweden increased.

As one of the components serving the building industry, the Formaterm special-purpose radiators have been well received by customers.

Inha continued to deliver rail attachment equipment to the Finnish State Railways in line with long-term agreements. Export to Sweden grew.

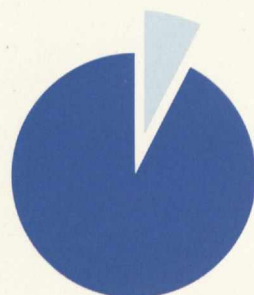
Fiskars' hydraulic log loaders have become an established brand name product. The new forest tractor loader 60 F was well received in Northern Europe.

Safe, carefree Buster® aluminum boats are excellent for fishing.



The Real Estate Group

38 Modern farming and forestry



Real Estate group accounted for 7% of total Group sales

Sales, FIM mill.	47
Personnel	156

The Fiskars corporation owns a total of about 16,000 hectares (40,000 acres) of land and forests in the Fiskars area in Southern Finland. These holdings provide the company with a solid asset base.

Fiskars' forests are managed according to a long-term plan which aims at the growth and improved age distribution of timber. Fellings were kept intentionally lower than the annual growth.

In farming, Fiskars applies modern methods by concentrating on the production of selected types of grain.

Land and forest holdings were

increased during the year.

Effective real estate services

The Real Estate group constructs and maintains buildings used in the Company's manufacturing activities.

The modernization program of the plants in the Fiskars area was brought to a successful completion.

The real estate services were further strengthened. The services included transportation and distribution of electricity to the area's industrial and private users.

Fiskars takes good care of its forests.



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Production tool plant, 10330 Billnäs. Tel. + 358-11-3771. Telex 13157 fbill sf. Telefax + 358-11-322 10. Mr. Tapio Särkkä.

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Fiskars AG Büttenehalde 38, CH-6006 Luzern, Schweiz. Tel. 41-312 897. Telex 868 195 fisk ch. Mr. Oskar Leutwiler.

Fiskars A/S Maglebjergvej 4, DK-2800 Lyngby, Danmark. Tel. 2-881666. Telex 37361 tecco dk. Telefax 2-881666. Mr. Aage Baekke.

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Fiskars Ges.m.b.H. Lamezanstrasse 5, A-1232 Wien, Österreich. Tel. 222-615291. Telex 112011 banw a. Telefax 222-615293. Mr. Walter Klobutschar.

Fiskars Ltd. 8 Sloane Street, Birmingham B1 3BL, England. Tel. 21-2365672. Telex 337 410 rauta g. Telefax 21-2360893. Mr. Michael McBreen.

Fiskars Nederland B.V. Groningenweg 6, NL-2803 PV. Gouda, Holland. Tel. 1820-37211. Telex 62055 fkars nl. Telefax 1820-37888. Mr. Tim van de Kieft.

Knivman AB Stålbrännaregatan 5, Box 1117, S-631 80 Eskilstuna, Sverige. Tel. 16-147250. Telex 46073 knivman s. Telefax 16-146594. Mr. Jan Ekman.

Knivman Nederland b.v. Kellenseweg 2a, NL-4004 JD Tiel, Postbus 6019, NL-4000 HA Tiel, Holland. Tel. 3440-15470. Telex 70049 knvmn nl. Mr. Henk de Lange.

Consumer Products Group, USA

Fiskars Manufacturing Corporation P.O. Box 1727, Wausau, Wisconsin 54401, USA. Tel. 715-842-2091. Telex 290840 fiskars mc wasu. Telefax 715-845-2740. Mr. Wayne Fethke.

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Enclosures, Ajurinpuistotie 2, P.O. Box 42, 10601 Tammisaari. Tel. + 358-11-129 00. Telex 13123 feken sf. Telefax + 358-11-139 99. Mr. Niils Ewalds.

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Elesco, Soukantie 13, P.O. Box 19, 02361 Espoo. Tel. + 358-0-801 9433. Telex 124826 fhels sf. Telefax + 358-0-604 053. Mr. Pekka Pylkkänen.

Kraftelektronik AB Box 2102, S-44502 Surte, Sverige. Tel. 31-982025. Telex 21210 kraft s. Telefax 31-981313. Mr. Curt Hansson.

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Fiskars Electronics Corporation 19925 Stevens Creek Blvd., Cupertino, CA 95014, USA. Tel. 408-973-7837. Telex 5101007634 amex. Telefax 408-725-8885. Mr. David Weibel.

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FISKARS