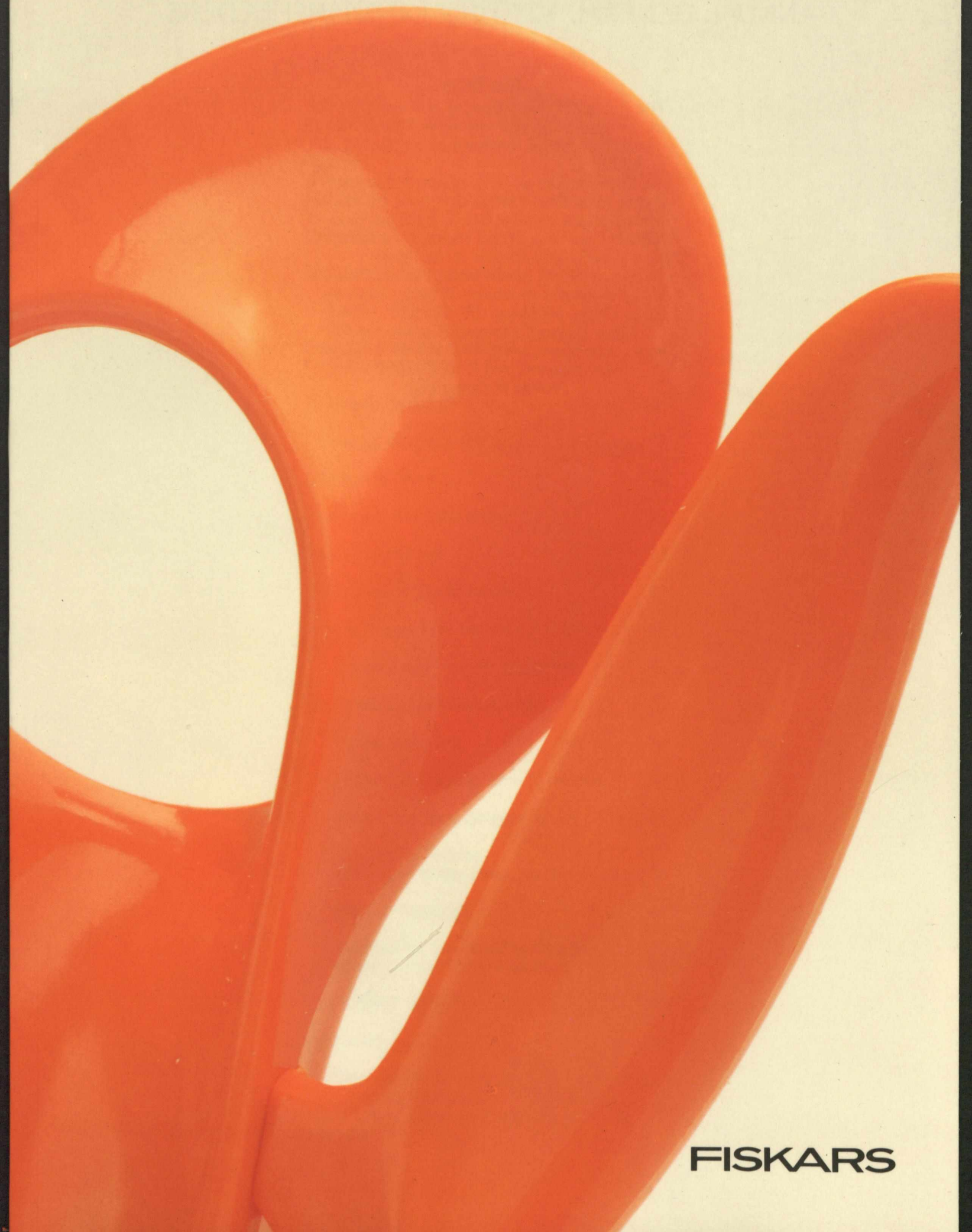


A N N U A L R E P O R T 1 9 8 6



FISKARS

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Fiskars Oy Ab will be held at Marski restaurant, Mannerheimintie 10, Helsinki, on Wednesday, April 8, 1987 at 4.30 p.m.

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 Monday, April 6, 1987 at 4.30 p.m. 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 1987 will be available in Finnish, Swedish and English as follows:

Review of Operations,
January 1 to April 30, 1987, in June
Review of Operations,
January 1 to August 31, 1987, in October.

ANNUAL REPORT 1986

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

FISKARS CORPORATION

Summary of operations, Million FIM	1982	1983	1984	1985	1986
Net sales	454	471	536	627	705
Sales outside Finland	185	239	290	372	480
as % of net sales	41	51	54	60	68
Operating margin	50	67	70	73	83
as % of net sales	11	14	13	12	12
Depreciation acc. to plan	16	16	18	19	25
Financial costs net	-30	-23	-23	-21	-20
Pre-tax earnings	+ 5	+ 30	+ 37	+ 41	+ 49 *)
as % of net sales	+ 1	+ 6	+ 7	+ 6	+ 7
Parent Company dividend	1,5	2,7	4,1	5,5	7,4 **)
Equity + reserves	157	219	249	293	525
Return on equity, % ¹⁾	1	14	13	14	11 *)
Return on net assets, % ²⁾	10	15	15	13	12
Equity ratio, %	30	39	39	40	49
Market value at Stock Exchange Dec. 31	45	96	154	260	715
Personnel at the year's end	1839	1733	1822	1998	2218
of which abroad	180	198	230	420	783
Investments	19	31	54	55	152

*) Does not include gain on sale of Ovako Oy Ab shares

***) Board proposal

¹⁾ $\frac{\text{Pre-tax earnings} - \text{taxes}}{\text{Equity} + \text{reserves (average)}} \times 100$

²⁾ $\frac{\text{Earnings after financial items} + \text{financial expense} - \text{forestry income} - \text{dividends received}}{\text{Balance sheet total} - \text{landholdings} - \text{shares} - \text{non-interest-bearing liabilities (average)}} \times 100$

CHAIRMAN'S REPORT



earnings in terms of FIM. Corporate net sales increased by 19 %, to 705 million FIM (USD 157 million).

Pre-tax earnings were exceptionally high, FIM 193 million, mainly as a result of a substantial book profit gained in connection with the transactions leading to the formation of the new steel company Ovako Steel AB, in which Fiskars holds a 20 % equity share.

FISKARS GETS CLOSER TO THE CUSTOMER

Sales outside Finland increased, accounting for 68 % of the Corporate net sales for the year. The corresponding percentage in 1985 was 60 %.

The Corporation's strategy to grow internationally and thereby get closer to the customers was successfully carried out. The Consumer Products Group substantially strengthened its position in the United States by acquiring two companies during the year: Wallace Manufacturing Corporation in Connecticut, a leading manufacturer of garden cutting tools, and Gerber Legendary Blades in Oregon, well-known for its lines of high quality kitchen and outdoor knives.

The acquisition of these companies will double Fiskars' sales of scissors, knives and other cutting tools in the United States.

The Electronics Group also expanded its activities in the U.S. by the acquisition of Warren Communications Corporation in Massachusetts. This company specializes in manufacturing and marketing of disturbance free powersupply products for telecommunications applications.

Other Electronics Group manufacturing and marketing companies outside Finland are Behlman Engineering in California and Kraft-elektronik AB near Gothenburg in Sweden.

NEW ALLIANCES

Fiskars also strives to develop manufacturing and marketing of products based on strategic alliances. An agreement between Fiskars and Elkem of Norway will establish a new Scandinavian-based enterprise. It will combine both companies' production and marketing of hand tools and will have production facilities in Finland, Norway and Denmark. Fiskars has a 33 % equity ownership in the joint company.

Based on an agreement between Fiskars and Soviet officials certain log loaders will be manufactured for the USSR domestic market.

During the year, an interesting new market

In keeping with the trend over the last four years, the global economic growth continued in 1986. The inflation rate slowed down mainly because the price of oil remained low in the beginning of the year. The OECD countries recorded an average rise in price level of only 2.5 %, the lowest inflation rate in 20 years. The fall in the value of the dollar continued, as did the fall in international interest rates. In Finland, the general economic environment was favorable, although its 3.4 % inflation exceeded the average inflation rate of competing countries.

The development of the Fiskars Corporation remained solid in 1986, though the dropping U.S. dollar rate reduced sales and

area emerged when agreement was reached between Fiskars and an Indian business group to establish a scissors production plant in Pune near Bombay. The Finnish Fund for Industrial Development (Finnfund) is participating in this project.

ABILITY TO CHANGE

The above indicates Fiskars' ability to consolidate its position on competitive international markets. However, of equal importance has been the development of flexible and adaptive production facilities in Finland. During the year, a new enclosure plant was completed in Tammisaari. An investment program for the modernization of log loader production facilities at the Salo Engineering Plant was also completed.

The maintenance of the Corporation's competitiveness requires a capability not only to improve existing production methods but to create new ones as well. Only by investing in comprehensive research and development programs can the Corporation's competitive edge on the markets remain sharp.

It is not enough to compete only with superior technology. It is equally important to continually invest in training the people running the production process. By investing in training and know-how Fiskars develops its total quality with the aim to stay out in front of its competitors.

FINANCIAL STRENGTH BUILDS COMPETITIVENESS

Fiskars' strong financial position is a basis for its rapid development. To maintain its business growth and financial stability, the Corporation decided on two share issues during the year. It also floated an issue of convertible bonds which represents a new form of investment for its shareholders. These actions, together with the steady development of earnings will secure an equity ratio of about 50 % and the implementation of creative corporate development.

FISKARS' POWER — ITS PEOPLE

As a result of the internationalization almost half of Fiskars personnel is employed outside Finland. This means fundamental change for Finland's oldest industrial company previously active mainly on domestic markets. Fiskars corporate culture is facing a continuous challenge. The Corporation has been able to meet that challenge. Fiskars offers an inspiring working environment marked by drive for excellence. Fiskars corporate culture will continue to be nurtured with great care.

I would like to express the Corporation's sincere thanks and gratitude to our customers and business associates. Thanks are also extended to our shareholders for the trust and faith they have shown in subscribing to the Corporation's share issues. And finally, warm greetings to all Fiskars people around the world.

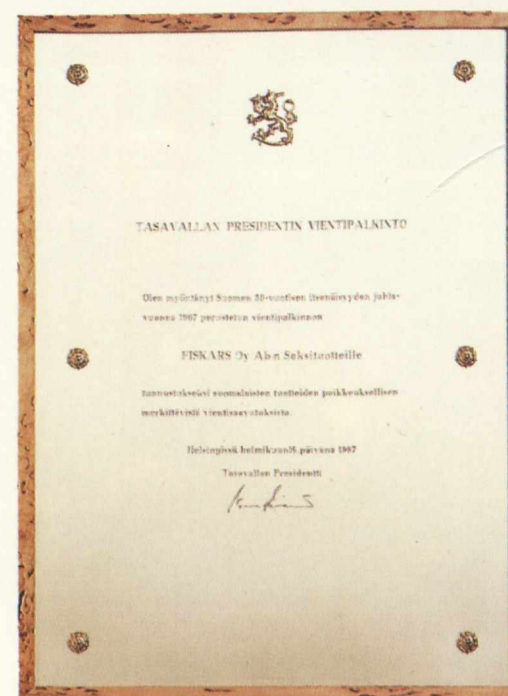
Helsinki, January 30, 1987

Göran J. Ehrnrooth
Göran J. Ehrnrooth
Chairman

THE PRESIDENT OF FINLAND'S AWARD



The President of the Republic of Finland, Mr. Mauno Koivisto presents the President's export award to representatives of Fiskars scissors products, Managing Director Reijo Kaukonen, Director Kimmo Käyhkö and Product Development Manager Olavi Lindén.



Fiskars Scissors products received the President of Finland's Award for outstanding international trade achievements. Special emphasis was given to "high quality, advanced product development and marketing performance".

HIGHLIGHTS 1986



Mrs. Tellervo Koivisto, Wife of the President of Finland, visited Fiskars old iron works in the summer of 1986. Here she is seen at Stenhuset — Manor House in Fiskars.



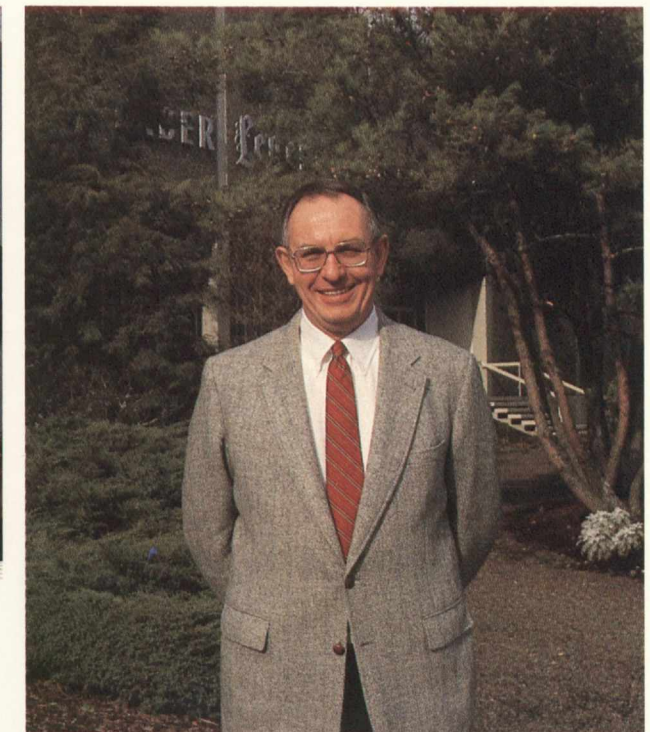
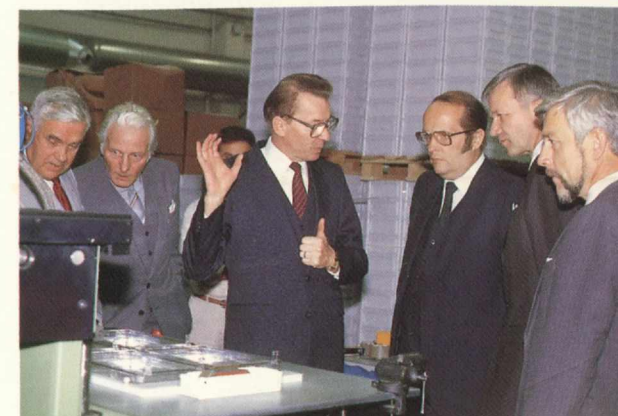
An agreement with Soviet officials was reached aiming towards productional cooperation in the Soviet Union. In the picture a Russian delegation is visiting the Salo hydraulic log loader plant.



During the year Fiskars decided on two share issues and a convertible bonds issue. Fiskars was one of the most popular placements on the Helsinki Stock Exchange in 1986.



During the fall Fiskars and the Norwegian Elkem Group decided on combining their hand-tools production to one big Scandinavian company. The agreement was signed in Fiskars December 9, 1986.



The Consumer Products Group activities in the US were notable strengthened by the acquisition of two companies. Wallace that produces garden cutting tools and Gerber Legendary Blades that make the most respected knives on the US market are now part of the Fiskars Corporation. In the picture Joseph (Pete) R. Gerber, Jr.



The modern Enclosure plant in Tammisaari (Finland) was inaugurated October 3, 1986.

BOARD OF DIRECTORS, AUDITORS AND FISKARS MANAGEMENT

BOARD OF DIRECTORS

Elected until the Annual General Meeting in

Jacob von Julin, Honorary Chairman, 1989
Göran J. Ehrnrooth, Chairman, 1988
Lauri Kalima, Deputy Chairman, 1987
Robert G. Ehrnrooth, 1987
Thomas Tallberg, 1988
Jarl Engberg, 1989
Gustaf Gripenberg, 1989
Reijo Kaukonen, 1988

AUDITORS

Ordinary

Eric Haglund
Brita Hisinger-Jägerskiöld
Christian Hildén

Deputy

Sixten Nyman
Peter Hartwall
Henry Lind

MANAGEMENT

Chairman of the Board Göran J. Ehrnrooth*
President Reijo Kaukonen*

Corporate Functions

Finance Juha Toivola*
Development Ingmar Lindberg*

Consumer Products Group

Europe Kimmo Käyhkö*
USA Wayne G. Fethke*
Fiskars International Lars Palmgren*

Electronics Group

USA Kalevi Puonti*
 David Weibel

Investment Products Group

Hydraulic loaders Väinö Korpeinen*
Inha products Pauli Lantonen

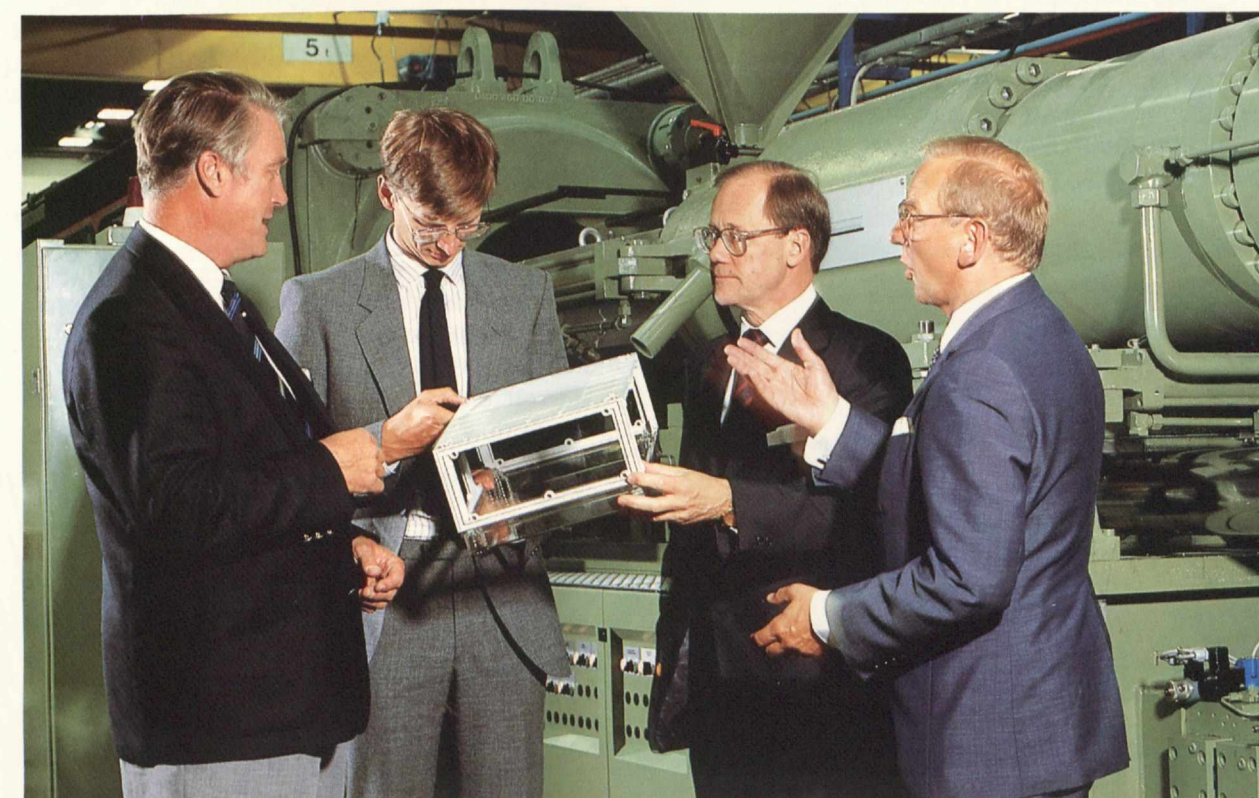
Real Estate Group

Olof Bruncrona*

* Members of the Management Board



Deputy Chairman Lauri Kalima, member of the Board Robert G. Ehrnrooth, Honorary Chairman Jacob von Julin and Managing Director Reijo Kaukonen get acquainted with products from Fiskars.



Members of the Board Mr. Thomas Tallberg and Mr. Gustaf Gripenberg, Chairman of the Board Göran J. Ehrnrooth and member of the Board Jarl Engberg at the new enclosure plant in Tammi-saari, Finland.

FISKARS BUSINESS GROUPS

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

CONSUMER PRODUCTS GROUP

Through an expanding international marketing organisation, Fiskars delivers high-quality scissors, knives and lawn and garden shears for household, professional and do-it-yourself use.

Fiskars is the world's leading scissors brand as well as the leading manufacturer of kitchen knives and cheese slicers in Scandinavia.

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.

The innovations in the production of scissors are being applied to a wide range of other indoor and outdoor cutting tools. This will not only increase the number of customers for Fiskars products but also consolidate and strengthen the group's position as an international manufacturer of consumer products.

The group has four production plants in Finland, two in Sweden and four in the United States and sales companies in ten 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.

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 has four manufacturing plants in Finland, one in Sweden and two in the United States.

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 aluminium boats have become extremely popular among safety- and quality-conscious users.

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

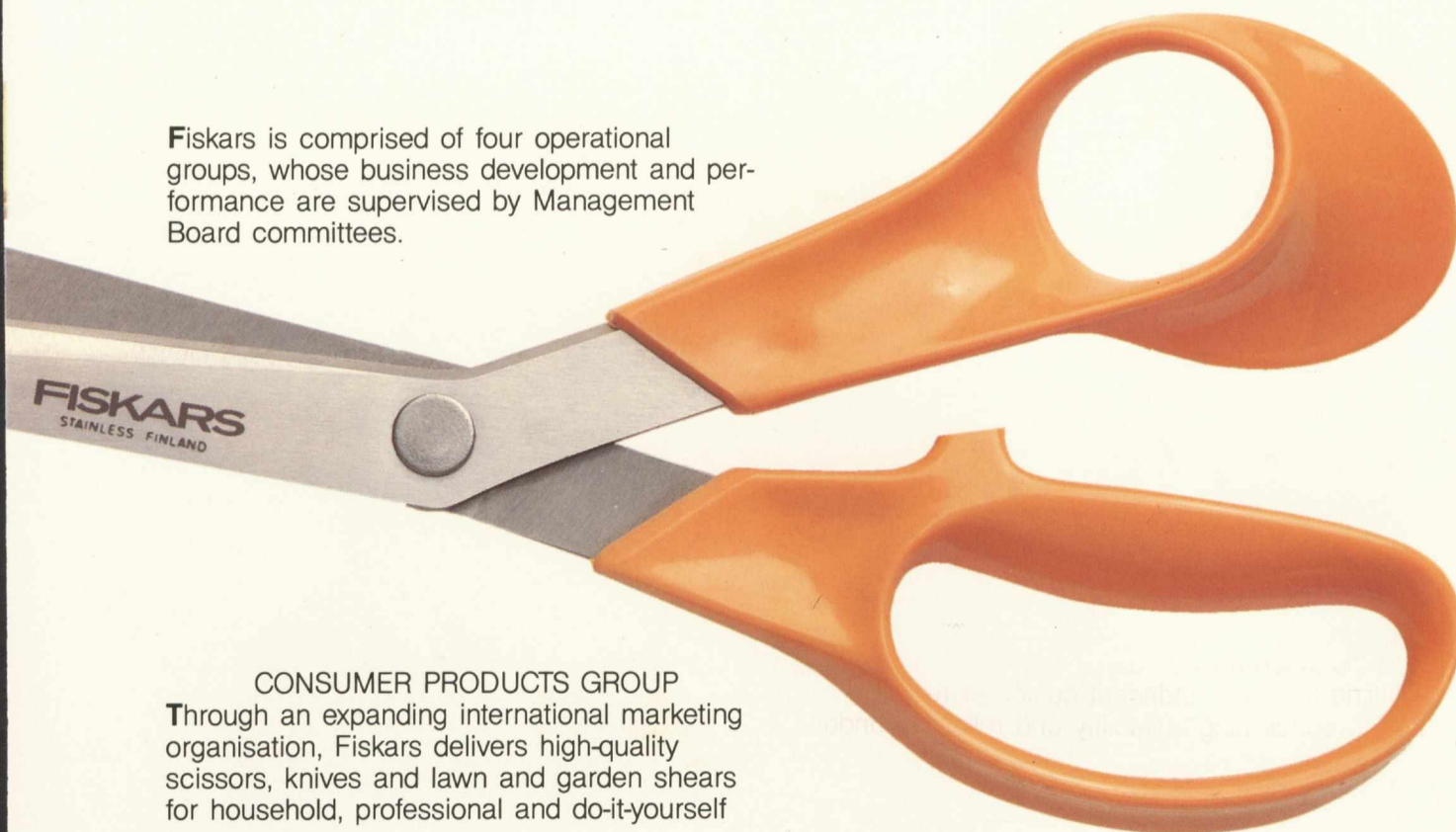
REAL ESTATE GROUP

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

The Fiskars Corporation 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.



CONSUMER PRODUCTS GROUP

Fiskars' Consumer Products Group reinforced its position in Europe and the U.S. during the year under review. The sales of Fiskars consumer products was continually concentrated to the company's own distribution channels. These were also increased significantly through company acquisitions.

Even though the weak dollar exchange rate reduced the group's sales figures in Finnish Marks, it increased by 22 %.

The solid position of Fiskars products was reflected by market research, which showed that Fiskars' image has clearly gained prominence in both Europe and the United States through higher brand awareness among customers. The positive results indicate that investments in marketing are fulfilling expectations.

The strengthening of the Fiskars' brand is important, since international competition on the market is expected to remain tight in the Western countries. The market volume is unlikely to grow substantially in the near future.

Among the most notable events in 1986 was the agreement between the Norwegian Elkem Corporation and Fiskars to combine hand-tool production and marketing in Scandinavia. This new and strong business enterprise

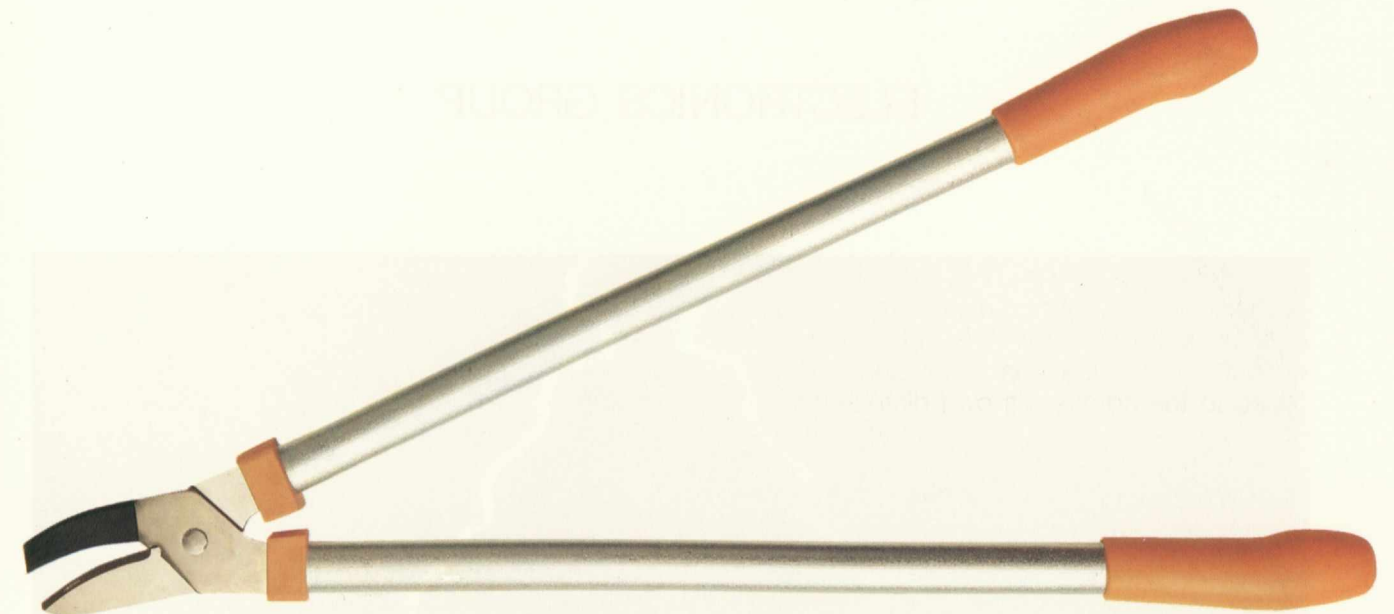


Gerber quality products will be marketed in Europe in 1987.

will be more able to counter competition from outside Scandinavia better than separate entities. Fiskars has a 33 % share in the new corporation.

In accordance with plans, the strengthening of the company's market position was continued in the United States. Fiskars is the leading scissors manufacturer in both the United States and Europe. During the year, Fiskars acquired the Wallace Manufacturing Corporation which is located in Connecticut on the east

Good design enable the kitchen shears to be used in most foodmaking.



Loppers aid in garden cutting.

coast. The company manufactures high-quality garden cutting tools such as shears, loppers and cutters.

The combined product range of Fiskars and Wallace will complement each other. As a result of this acquisition, Fiskars can offer a complete choice of shear products in the U.S. market.

In 1986, Fiskars also bought the well-known knife manufacturer Gerber Legendary Blades located in Oregon on the west coast

The Power Grip screwdriver gives ultimate torsion.

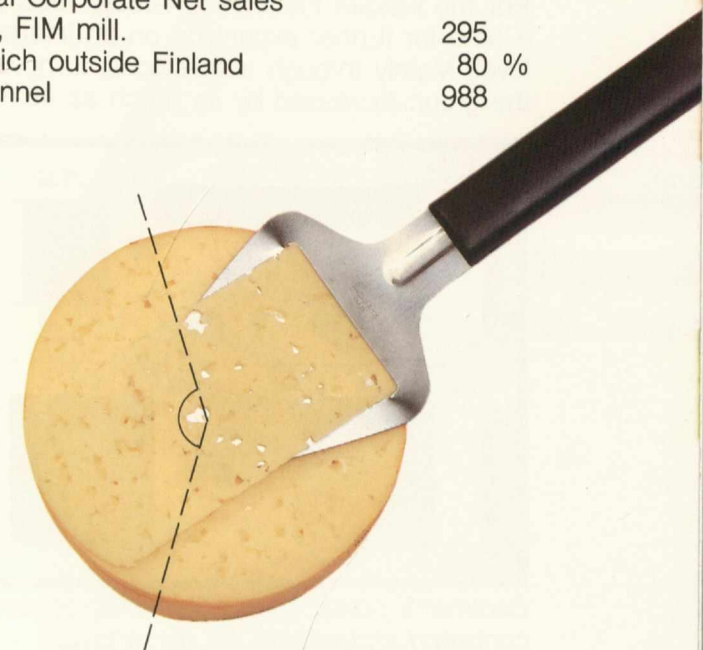


of the United States. The company employs a staff of 220.

Gerber manufactures and markets high-quality kitchen knives. The company's product range also includes outdoor knives for fishing and hunting. These new products enhance the Fiskars product range in the European market.

With the help of these acquisitions, Fiskars has achieved its goals of attaining new distribution channels and new customer contacts in the U.S.

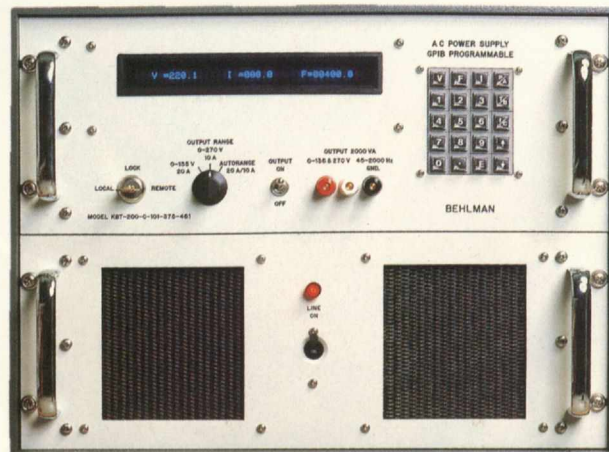
Consumer Products Group accounted for 41 % of total Corporate Net sales	
Sales, FIM mill.	295
of which outside Finland	80 %
Personnel	988



ELECTRONICS GROUP



For the Fiskars Electronics Group, 1986 was a time for further expansion on an international level. Mainly through acquisitions, turnover for the group increased by as much as 48 %



Behlman's power source is microprocessor controlled and reliable for demanding applications.

over the previous year. Markets for the group's principal products have been developing favorably, which make prospects look reasonably good.

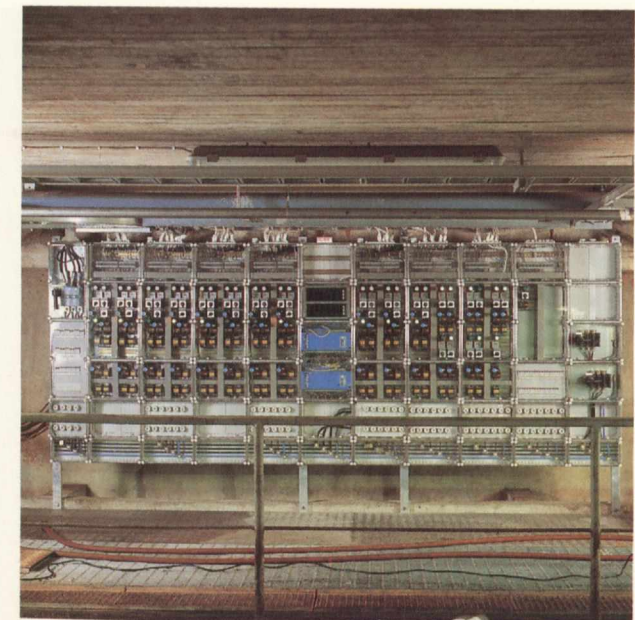
During the year new steps were taken by the Electronics Group to gain a foothold on the international market and they were shown to be justified. As an example, the Swedish company Krafftelektronik AB which was acquired at the end of the previous year has proceeded well and strengthened Fiskars' position in the Scandinavian market.

The acquisitions continued also in the United States. Fiskars bought the Warren Communications Corporation, a power electronics enterprise located near Boston on the east coast. The company specializes in the manufacture and marketing of disturbance-free power supply equipment for telecommunications use. The company employs 120 persons. Warren Communications increases production capacity for the group in the field

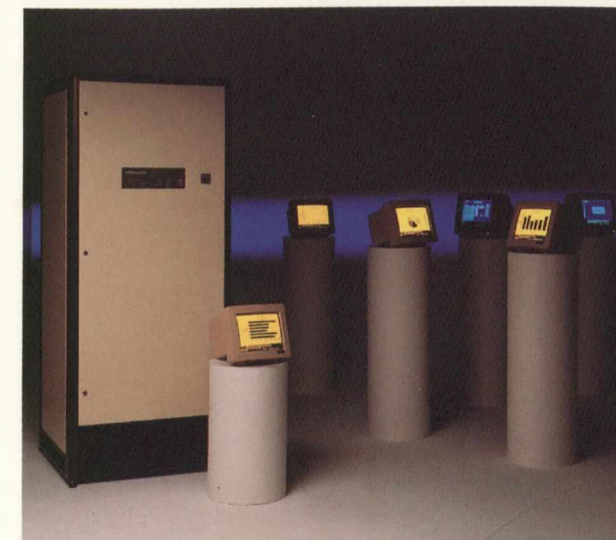
of information technology and provides new distribution channels as well.

To maintain and further develop its market position, Fiskars is continuously investing in product development in those areas of power electronics where the company has an international competitive edge. In 1986, the new UPS product series was launched into the growing market to compliment the existing range of uninterruptable power supply devices. In this business area, Fiskars has a production plant on the west coast, located in Santa Barbara, California, in addition to its facilities in Finland and Sweden.

The Fiskars high quality enclosures are specially designed for protecting demanding electrical and electronics devices. They are well proven for tough applications. To fulfill the increased demand for enclosures, a new, modern factory was built in Tammissaari, Finland during the year. The transfer to the new premises caused no interruption in the production of enclosures assuring worldwide



Enclosures made of polycarbon protect electrical appliances even in the most demanding circumstances.



The Fiskars UPS secures the uninterrupted operation of your computer.

clientele of the company's ability to deliver orders quickly and efficiently.

During the year, Fiskars bought Geoinstruments Oy, an enterprise offering design and engineering services in the field of magnetic measurements.

On the whole, the activities of the Electronics Group during the year under review provide a strong growth platform. The group will pay particular attention in directing its efforts to fulfill the needs of the new clients.

Electronics Group accounted for 27 % of total Corporate Net sales	
Sales, FIM mill.	185
of which outside Finland	62 %
Personnel	587

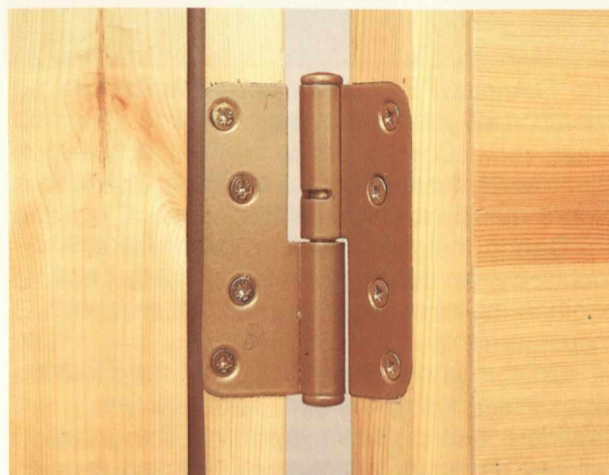
INVESTMENT PRODUCTS GROUP



In 1986, Investment Products Group sales developed favorably with an increase of 7 % over the previous year.

In its Salo plant, Fiskars manufactures specialized log loaders for harvesting, transportation and processing of timber. Extensive research and development based on customer needs enables Fiskars to maintain product quality with maximum reliability in operation. The comprehensive investment program completed during the year improves delivery flexibility to demanding customers. Important key work stations in the production process were equipped with advanced automation. The objective of the investment is to secure both continual productivity and product quality.

One indication of customer satisfaction is



The biggest customer group for the hinges is the industry making prefabricated houses.

the continued export of Fiskars' hydraulic log loaders to Eastern Europe. During the year an agreement with Soviet officials was reached aiming towards productional cooperation of certain hydraulic log loaders in the USSR.

A number of new log loader products were introduced in 1986 and these received a positive response in the export markets.

Buster aluminium boats, manufactured in Fiskars' Inha plant (Finland), continued to consolidate their market position. In addition to being a market leader in Finland among boats for coastal waters, the popular Buster is now increasingly used also in inland waterways.

The seaworthy Buster range comprises of five basic models, which are continuously based on feedback from various user groups. The aim is to maintain and securely anchor Buster's position as a safe and dependable multipurpose boat.

The production of hinges expanded according to plans at the Inha factory. Fiskars is today Finland's leading manufacturer of hinges and further gains on Scandinavian



The well planned Fiskars log loader guarantees safe and efficient working conditions.



The safe Big Buster.

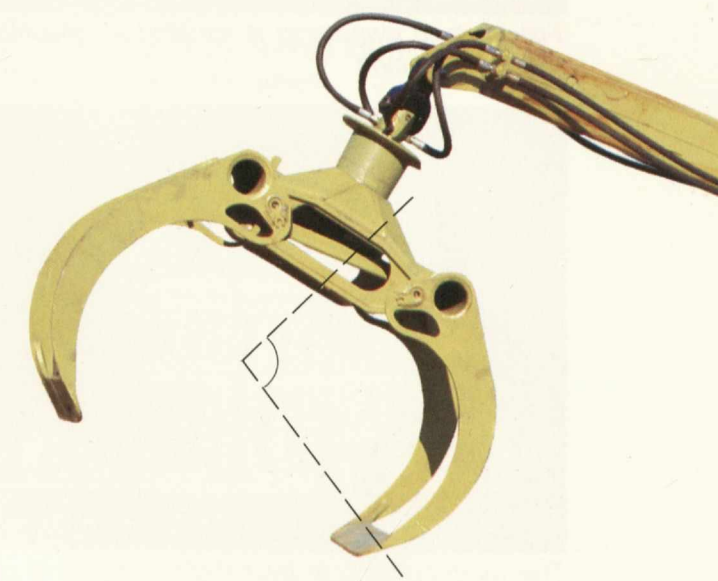
markets were made during the year under review. This development continued in the other Scandinavian countries as well.

The Formaterm thermal radiators, specifically designed for bathroom use, maintained their well achieved acceptance.

Fiskars is also the leading manufacturer of rail-mounting fixtures in Scandinavia. Product development is done in close cooperation with the customers.

Investment Products Group accounted for 27 % of total Corporate Net sales

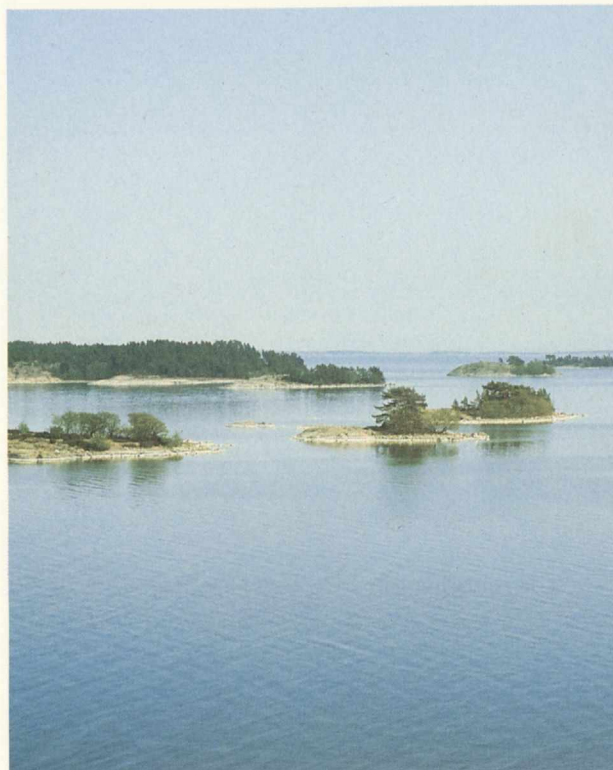
Sales, FIM mill.	191
of which outside Finland	58 %
Personnel	441



REAL ESTATE GROUP

The Fiskars Real Estate Group consists of several activities, e.g. farming and forestry, distribution of electricity with associated services, building maintenance and transport service.

Group activities developed positively in 1986. Agricultural output was relatively good due to high harvest yields. The forest fellings followed a long term plan which aims at the growth and improved age distribution of timber.



Fiskars land ownership is situated in beautiful southern Finland.



The main building in Inha (built in 1898) is part of the old environments around iron works that the company preserves.



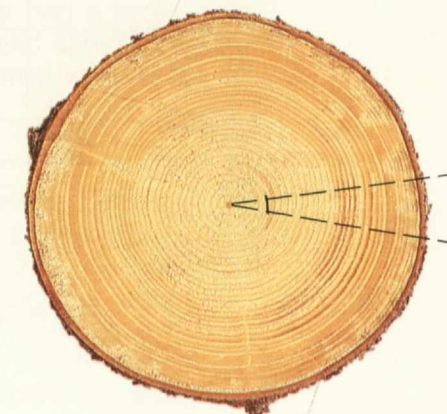
During the year under review a series of measures were taken to further develop the Real Estate Group's business activities. The objective is to create an efficient real estate management unit, which will expand its services beyond the needs of the company and in the Fiskars area in southwestern Finland.



Professional service.

The acquisition of Länsi-Uudenmaan Sähköpalvelu Oy, an enterprise specialized in electrical contracting, was one of the manifestations of this new, service oriented approach. The enterprise continues its business activities as an independent company.

Real Estate Group accounted for 5 % of total Corporate Net sales	
Sales, FIM mill.	34
Personnel	158



INFORMATION TO SHAREHOLDERS

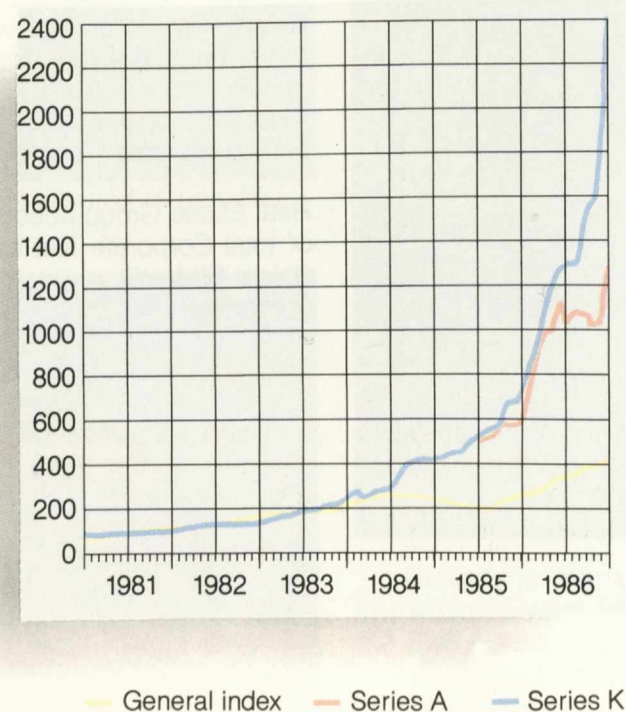
The Fiskars share, FIM	1982	1983	1984	1985	1986
Earnings after financial items, million FIM	- 2,0	+ 27,5	+ 28,8	+ 32,8	+ 38,0
Earnings before appropriations, after tax, million FIM	+ 2,3	+ 26,0	+ 30,6	+ 36,8	+ 45,6 *)
Average number of shares in '000 (adjusted for stock issues, including both issues in 1986)	3159	3159	3403	3551	3676
Earnings before appropriations, after tax, FIM/share	0,72	8,25	9,00	10,37	12,40 *)
Price/earnings Dec. 31, K A	19	3	5	7 6	21 10
Adjusted dividend, FIM/share K A	0,64	1,11	1,57	2,06 2,40	2,60 3,00 1)
Equity + reserves FIM/share Dec. 31	50	70	70	83	134 2)

1) Board proposal

2) Does not include share issue receivables

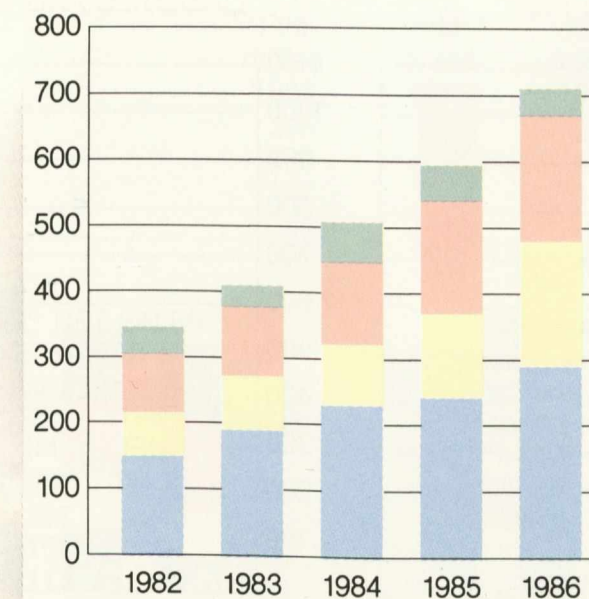
*) Does not include gain on sale of Ovako Oy Ab shares

DEVELOPMENT OF FISKARS SHARE PRICE compared to the Unitas general index (1975=100)



ANNUAL REPORT FROM THE BOARD OF DIRECTORS

CONSOLIDATED NET SALES
Present business groups, million FIM



Consumer Products Group
Electronics Group
Investment Products Group
Real Estate Group

GENERAL

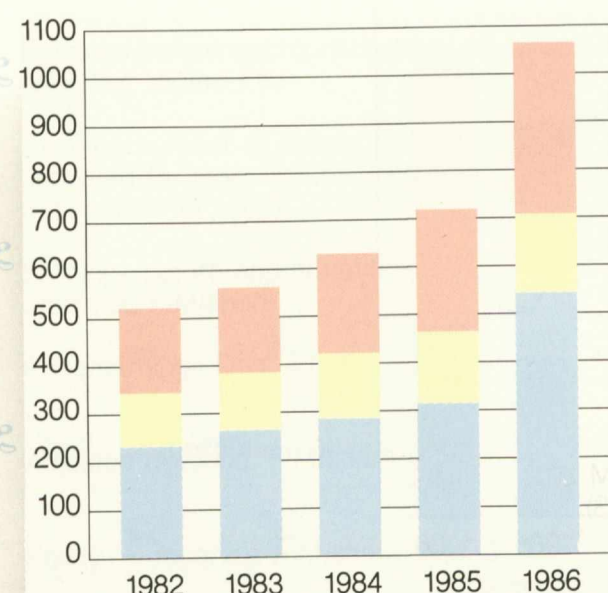
Development of the Fiskars business operations continued during 1986 according to the plans. Primary goal was to further improve profitability and to strengthen international market position also through acquisitions. All business groups continued their positive trend during the year.

Weakening of the US Dollar had a negative effect on consolidated results and consolidated balance sheet despite solid growth in the US operations.

NET SALES

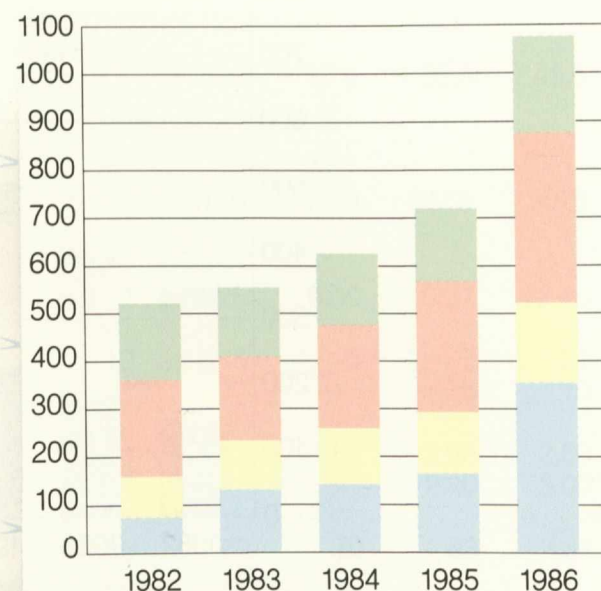
Consolidated net sales amounted to FIM 705 Million (627) while net sales of the present business groups increased by 19 %. Growth was achieved in sales outside Finland; sales to foreign customers increased to 68 % (61). New acquisitions accounted for nearly one third of the growth. Parent company net sales were FIM 478 Million (484).

CONSOLIDATED BALANCE SHEET
ASSETS, million FIM



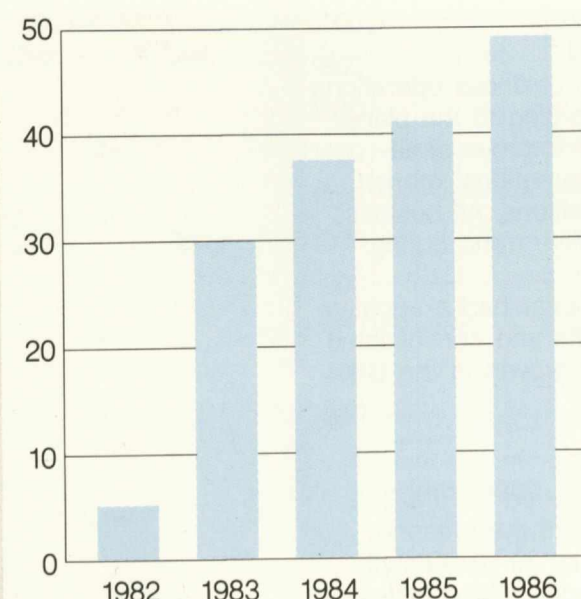
Fixed Assets
Inventories
Financial Assets

LIABILITIES AND EQUITY, million FIM

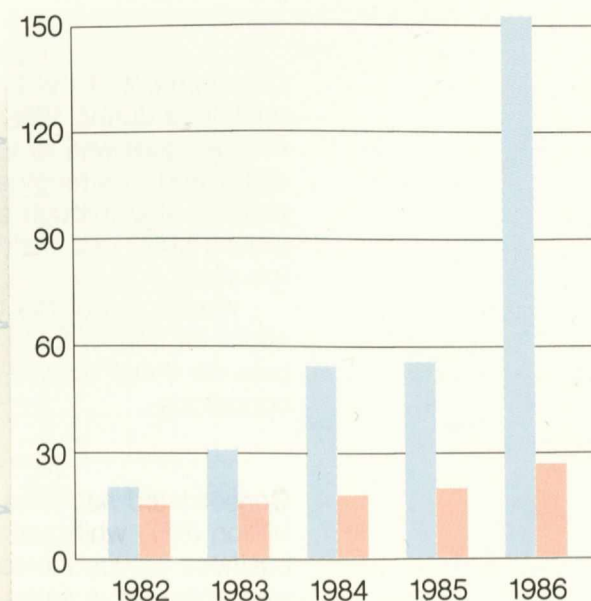


Equity
Reserves
Long-term liabilities
Short-term liabilities

CONSOLIDATED
PRE-TAX EARNINGS, million FIM



INVESTMENTS AND DEPRECIATION
ACCORDING TO PLAN, million FIM



Investments
Depreciation according to plan

CONSOLIDATED NET SALES
(present business groups)

	Total FIM million 1986	Net Sales FIM million 1985	Sales Abroad FIM million 1986	% 1986	% 1985
Consumer Products	295	241	236	80	79
Electronics	185	125	115	62	56
Investment Products	191	179	111	58	58
Real Estate	34	47	18	53	—
Total	705	592	480	68	61

CONSOLIDATED NET SALES
BY MARKET AREAS
(present business groups)

	1986 FIM million	1985 FIM million	Change %
Finland	237	240	- 1
Scandinavia	153	97	+ 57
Western Europe	113	83	+ 36
USA	167	135	+ 24
Soviet Union and other CMEA-countries	69	60	+ 15
Others	7	6	+ 17
	746	621	+ 20
- Adjusting items	- 41	- 29	
Net sales	705	592	+ 19

OPERATIONAL RESULTS OF
BUSINESS GROUPS

Consumer Product Group sales continued to increase. Especially, the scissors product line continued to strengthen its market position. Investments to improve recognition of the Fiskars brand as well as to strengthen distribution channels continued and burdened the result. Profitability of the group was satisfactory except for frames and mouldings.

Electronics Group showed continued strong growth in all product lines. Investments in product development and growth burdened the result. However, profitability of the group remained at a satisfactory level.

Investment Products Group's profitability remained good on an aggregate level.

Real Estate Group's activities have a long time span. Consequently, profitability cannot be assessed annually the same way as for the industrial groups. The farming results were satisfactory. Timber fellings were carried out according to the plans. Electricity distribution achieved previous year's level and a satisfactory result.

SUMMARY OF EARNINGS

Consolidated operating margin amounted to FIM 83.3 Million (72.8), 12 % of net sales (12).

Depreciation according to plan increased to FIM 25.1 Million (19.5).

Net financial expense decreased to FIM 20.2 Million (20.5), 2.9 % of net sales (3.3).

Action was taken to further balance the foreign currency position. There were no material exchange losses or gains.

Other income and expense was exceptionally large, FIM 155.3 Million (7.8), consisting mainly of a book profit of FIM 144.4 Million which occurred as a result of forming a new steel company, Ovako Steel AB.

Pre-tax earnings excluding this Ovako effect increased to FIM 48.8 Million (40.5).

The FIM 5.6 Million depreciation in excess of plan increased total depreciation to the maximum amount allowable by Finnish Corporate Tax laws. Untaxed reserves were increased by FIM 40.3 Million, primarily as Investment Reserves.

Net profit amounted to FIM 44.1 Million (19.4) after a FIM 100 Million transfer to the Contingency Reserve.

Return on net assets employed in industrial operations was 12 % (13 %) and return on equity 11 % (14 %), respectively.

Parent company's Net Profit amounted to FIM 43.5 Million (32.5).

FINANCIAL POSITION

Increase in financial assets was mainly due to funds raised by the Parent company as a result of the share issues. Decrease in Loan Receivables is due to repayments in connection with structural changes of the Group.

Increase in Short-term liabilities resulted from normal business requirements.

New long-term loans were arranged

primarily for acquisitions. New loans were raised for the amount of FIM 123.6 Million. Repayments amounted to FIM 41.7 Million.

Consolidated equity plus untaxed reserves increased to FIM 525 Million, 49 % of the total assets (40). Corresponding equity ratio for the Parent company was 59 % (48).

The Parent company's pension liabilities totalled FIM 12.9 Million (11.4) with the deficit in the Pension Fund amounting to FIM 5 Million (4).

INVESTMENTS

Total investments reached FIM 152 Million (55) of which the Parent company's share was FIM 83 Million (excluding shares in Ovako Steel AB).

For Consumer Products Group the most important investment was the acquisition of Wallace Manufacturing Corporation in the USA.

Electronics Group acquired Krafftelektronik AB in Sweden and Warren Communications Corporation in the USA. In Finland the new enclosure plant project was completed.

In Investment Products Group the technology development program for log loaders was continued.

New real estate acquired consists of approximately 170 acres (70 hectares) of land property located in Hanko, on the southern coast of Finland.

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

FIXED ASSETS INVESTMENTS, FIM Million		
	1986	1985
Consumer Products	42.3	29.8
Electronics	55.4	4.5
Investment Products	15.0	11.2
Real Estate	23.9	4.1
Others	15.2	5.2
	151.8	54.8

PERSONNEL

Employees at the year-end amounted to 2 218 (1 998), of whom 783 (420) outside Finland. Parent company employed 1 401 (1 570) persons.

ORGANIZATION

Mr. Kalevi Puonti was appointed as Director of the Electronics group and member of the Management Board.

Mr. Carl-Erik Kortman was appointed as Director, Special projects.

Further details on organization are presented on page 10.

CHANGES IN CORPORATE STRUCTURE, ACQUISITIONS AND JOINT VENTURES

In order to strengthen the corporate structure and operations, ownership of the European sales companies was concentrated to a Dutch company Fiskars Europe B.V. Ownership of the Swedish companies, Knivman and Kraft-elektronik, was transferred to Fiskars AB.

In June Fiskars acquired Wallace Manufacturing Corporation in Connecticut, USA. The company is one of the leading manufacturers of cutting tools for lawn and garden use. The Wallace product range provides excellent support for the strong market position Fiskars enjoys as a major manufacturer and marketer of scissors in the US. Wallace has 110 employees.

At year-end Fiskars acquired Gerber Legendary Blades Inc. in Portland, Oregon. The company is one of the leading manufacturers of high quality kitchen and sporting knives. Employees amount to 220 persons. (The company is not included in the consolidated financial statements for 1986.)

The joint venture company for the production of traditional hand tools established by Fiskars and the Norwegian Elkem group started operations at the beginning of 1987. Fiskars will transfer the ownership of Oy Rahkola Ab and the Billnäs hand tool plant to the joint venture company. Fiskars is a 33 % owner in this new company.

At year-end Fiskars entered into an agreement with an Indian investor group to build a scissors manufacturing plant in Pune near Bombay. Through this Fiskars will have an entry into the rapidly growing Indian consumer goods market. Fiskars owns 40 % of this company together with Finnfund.

In order to strengthen its position in the power electronics market Fiskars acquired Krafftelektronik AB in Gothenburg, Sweden in the beginning of the year. The company employs 70 persons. During the summer Fiskars also acquired another power electronics company with 120 employees called Warren Communications in Massachusetts, USA.

In September, Fiskars signed an agreement to purchase Geoinstruments, a Helsinki-based engineering company, specialized in

manufacturing and sales of geophysical measuring instruments and systems.

In the beginning of 1987, Fiskars announced its intention to sell the traffic electronics product line to L.M. Ericsson Ab.

An agreement was reached with the Soviet officials for the purpose of manufacturing selected log loaders in Archangel, the USSR.

At year-end Fiskars acquired an electrical service and maintenance company in the Fiskars area, Finland.

AFFILIATED COMPANIES

In October, the merger between Ovako Oy Ab and the Swedish SKF-Steel AB was consummated which resulted in the incorporation of a new specialty steel company, Ovako Steel AB in Sweden. Net sales of Ovako Steel AB amounted to approx. SEK 5 Billion. After a large extraordinary item the company shows a loss result.

Waterman Oy (previously Teijon Telakka Oy) operations were not profitable. Fiskars owns 43 % of the company.

INCREASES OF SHARE CAPITAL, TURNOVER OF FISKARS SHARES AND MAIN SHAREHOLDER GROUPS

The Annual Shareholders' Meeting held on April 4, 1986 decided to increase the share capital of the parent company from FIM 44 640 000 to FIM 60 864 000 through a bonus issue of FIM 4 464 000 and a new issue of FIM 11 760 000. In addition, the Board was given the authorization to increase the share capital during a one year period starting from April 4, 1986 with a maximum amount of FIM 9 129 600 through one or more new issues. Maximum amount of 456 480 of new series A- or K-shares with a nominal value of FIM 20 each, with the number of K-shares restricted to a maximum of 152 160, can be offered for subscription according to the terms stipulated by the Board including the option to subscribe new shares against asset contributions.

The Extraordinary Shareholders' Meeting held on December 10, 1986 decided to increase the share capital from FIM 60 864 000 to FIM 79 123 200 through a FIM 6 086 400 bonus issue and a FIM 12 172 800 new issue. Furthermore, it was decided that Fiskars would launch a convertible bond issue amounting to FIM 33 813 000. The bonds, with nominal value of FIM 1 000 each, are convertible at

the earliest after three years into nine shares of series A- and/or K-shares. Bond interest rate is 7 % p.a. and the term February 1, 1987 — January 31, 1992.

Turnover of Fiskars shares on the Helsinki Stock Exchange during 1986 was as follows:

Series	Trading Value		Quotation (FIM)	
	FIM Millions	Quantity	High	Low
K	62.9	263 718	315	125
A	14.4	103 251	215	92
Total	77.3	366 969		

Trading volume for the year 1986 totalled 366 969 shares, corresponding to 12 % of the total amount of the shares.

The 1986 Finnish taxation values per share were as follows:

Series	Taxation value	
	Old shares (FIM)	New shares (FIM)
K	265	280
A	160	120

Old shares have the right to full dividend for 1986, while new shares have half dividend for 1986.

At the year-end Fiskars had 2 381 (1 507) registered shareholders.

Share ownership as of December 31, 1986 was distributed as follows:

	(% of share capital)	
	1986	1985
Private individuals	52.0	62.9
Non-profit organizations	9.3	9.0
Business enterprises	30.7	20.2
Banks and insurance companies	8.0	7.9
	100.0	100.0

The ten largest shareholders own 39.6 % of the shares and 41.8 % of the votes. Agrofina Oy Ab owns 11.8 % of the shares and 12.4 % of the votes. The Board members and the Managing Director together own 196 795 shares, corresponding to 6.56 % of the voting rights.

1987 OUTLOOK

The cornerstone of business development of Fiskars will continue to be the emphasis on customer satisfaction, the development of innovative high quality products, the strengthening of the Fiskars brand image and the deeper understanding of international business activities.

Resources will be allocated to selected business sectors in which the Corporation can achieve and maintain a strong position.

In 1987, the Consumer Products Group will concentrate in the consolidation of current operations with those of the acquired companies. Future emphasis will be given on enhancing the expertise in marketing, product development and production technology and on preparing for entry into markets outside

Europe and the USA.

Electronics Group will continue its growth. Solid foundation for expansion has been created through structural changes in the group. Primary goal is to integrate the product development and the manufacturing activities between operating units in Europe and USA.

Investment Group's present structure forms a strong footing for future development. Resources will be allocated for further expansion of present business sectors.

Real Estate Group activities will be developed in accordance with its long-term plans.

Overall, the Corporate net sales are expected to increase by approximately 15 % with improved profitability. Liquidity and financial position will remain good.

CONSOLIDATED INCOME STATEMENT

(1000 FIM)

	1986	%	1985	%
NET SALES	+ 704 913	100,0	+ 627 468	100,0
COSTS OF MANUFACTURING, SELLING AND ADMINISTRATION	- 621 656	88,2	- 554 703	88,4
OPERATING MARGIN	+ 83 257	11,8	+ 72 765	11,6
DEPRECIATION ACCORDING TO PLAN	- 25 119	3,6	- 19 457	3,1
OPERATING PROFIT	+ 58 137	8,2	+ 53 308	8,5
FINANCIAL INCOME AND EXPENSE				
Dividends received	+ 6 402		+ 6 373	
Financial income	+ 12 189		+ 8 884	
Financial expense	- 38 766	2,9	- 35 797	3,3
EARNINGS AFTER FINANCIAL ITEMS	+ 37 962	5,4	+ 32 768	5,2
OTHER INCOME AND EXPENSE				
Other income	+ 163 091		+ 22 980	
Other expense	- 7 840	22,0	- 15 228	1,2
PRE-TAX EARNINGS	+ 193 213	27,4	+ 40 520	6,5
DEPRECIATION IN EXCESS OF PLAN	- 5 560	0,8	- 2 737	0,4
CHANGE IN RESERVES	- 40 264	5,7	- 14 733	2,3
TAXES	- 3 253	0,5	- 3 699	0,6
EARNINGS BEFORE TRANSFER TO THE CONTINGENCY FUND	+ 144 136	20,4	+ 19 351	3,1
TRANSFER TO THE CONTINGENCY FUND	- 100 000	14,2	-	-
NET PROFIT FOR THE FINANCIAL YEAR	+ 44 136	6,3	+ 19 351	3,1

CONSOLIDATED BALANCE SHEET

(1000 FIM)

ASSETS	31.12.1986	%	31.12.1985	%
FINANCIAL ASSETS				
Cash and bank deposits	174 455		69 232	
Trade receivables	134 888		122 228	
Loans	7 624		31 688	
Advance payments to suppliers	5 730		6 297	
Prepaid expenses and accrued income	12 241		9 971	
Other financial assets	33 511	368 449 34,1	18 920	258 336 35,5
INVENTORIES				
Materials and supplies	53 779		44 867	
Finished and semi-finished goods	109 754	163 533 15,1	96 507	141 374 19,5
FIXED ASSETS				
Construction-in-progress	1 688		2 039	
Land and water	131 721		118 689	
Buildings and constructions	69 979		54 533	
Machinery and equipment	62 288		44 761	
Other tangible assets	2 007		2 178	
Bonds and shares	196 892		34 087	
Intangible assets	1 616		2 441	
Other long-term expenditure	12 057		6 526	
Goodwill	10 189		6 863	
	488 437		272 117	
Depreciation in excess of plan	59 755	548 192 50,8	54 548	326 665 45,0

1 080 174 100,0

726 375 100,0

LIABILITIES AND EQUITY	31.12.1986	%	31.12.1985	%
LIABILITIES				
Short-term				
Trade payables	52 704		40 724	
Advances from customers	13 124		4 809	
Prepaid income and accrued expenses	55 271		46 151	
Notes payable	14 982		8 440	
Current portion of long-term debts	41 906		40 254	
Other short-term liabilities	20 478	198 465 18,4	16 137	156 515 21,5
Long-term				
Loans from financial institutions	234 402		161 141	
Pension fund loans	89 963		82 772	
Bonds	4 750		8 500	
Other long-term debts	27 603	356 718 33,0	24 267	276 680 38,1
TOTAL LIABILITIES	<u>555 183</u>	51,4	<u>433 195</u>	59,6
RESERVES AND DEPRECIATION IN EXCESS OF PLAN				
Depreciation in excess of plan	59 755		54 548	
Investment reserve	50 719		13 000	
Other reserves	64 379	174 853 16,2	61 692	129 240 17,8
EQUITY				
Restricted equity				
Share capital	60 864		44 640	
Paid-in new issue	3 428			
Reserve fund	36 513		4 139	
Other restricted reserves	57 849		67 123	
	<u>158 654</u>		<u>115 902</u>	
Unrestricted equity				
Unappropriated profits	147 348		28 687	
Net profit for the financial year	44 136		19 351	
	<u>191 484</u>	350 138 32,4	<u>48 038</u>	163 940 22,6
	<u>1 080 174</u>	100,0	<u>726 375</u>	100,0

FUNDS STATEMENTS

(1000 FIM)

	Consolidated		Parent Company	
	1986	1985	1986	1985
SOURCE OF FUNDS				
From operations				
Operating margin	83 257	72 765	55 665	57 650
Net financial expenses	- 20 175	- 20 540	- 11 529	- 11 054
Taxes	- 3 253	- 3 699	- 753	- 3 158
Total from operations	59 829	48 526	43 383	43 438
Other income and expense	155 251	7 752	158 497	18 558
New issue	47 528		47 528	
Net increase in long-term borrowing	81 690	53 400	29 243	32 567
Translation differences on consolidation	- 89	6 967		
TOTAL FUNDS PROVIDED	<u>344 209</u>	<u>116 645</u>	<u>278 652</u>	<u>94 563</u>
APPLICATION OF FUNDS				
Net increase in fixed assets	246 999	46 064	231 697	57 317
Dividends	5 506	4 092	5 506	4 092
TOTAL FUNDS APPLIED	<u>252 505</u>	<u>50 156</u>	<u>237 203</u>	<u>61 409</u>
CHANGE IN WORKING CAPITAL	<u>91 704</u>	<u>66 489</u>	<u>41 449</u>	<u>33 154</u>
	<u>344 209</u>	<u>116 645</u>	<u>278 652</u>	<u>94 563</u>
BREAKDOWN OF CHANGE IN WORKING CAPITAL				
Financial assets	+ 110 113	+ 49 852	+ 62 409	+ 55 055
Inventories	+ 22 159	+ 8 353	- 13 042	- 3 067
Short-term liabilities	- 40 568	+ 8 284	- 7 918	- 18 834
	<u>91 704</u>	<u>66 489</u>	<u>41 449</u>	<u>33 154</u>

PARENT COMPANY INCOME STATEMENT

(1000 FIM)

	1986	%	1985	%
NET SALES	+ 478 043	100,0	+ 483 959	100,0
COSTS OF MANUFACTURING, SELLING AND ADMINISTRATION	- 422 378	88,4	- 426 309	88,1
OPERATING MARGIN	+ 55 665	11,6	+ 57 650	11,9
DEPRECIATION ACCORDING TO PLAN	- 13 913	2,9	- 11 841	2,4
OPERATING PROFIT	+ 41 752	8,7	+ 45 809	9,5
FINANCIAL INCOME AND EXPENSE				
Dividends received	6 402		+ 9 078	
Financial income	12 493		+ 9 019	
Financial expense	- 30 424	- 11 529	- 29 151	- 11 054
		2,4		2,3
EARNINGS AFTER FINANCIAL ITEMS	+ 30 223	6,3	+ 34 755	7,2
OTHER INCOME AND EXPENSE				
Other income	+ 162 629		+ 32 910	
Other expense	- 4 132	+ 158 497	- 14 352	+ 18 558
		33,2		3,8
PRE-TAX EARNINGS	+ 188 720	39,5	+ 53 313	11,0
DEPRECIATION IN EXCESS OF PLAN	- 5 425	1,1	- 2 737	0,5
CHANGE IN RESERVES	- 39 000	8,2	- 14 878	3,1
TAXES	- 753	0,2	- 3 158	0,7
EARNINGS BEFORE TRANSFER TO THE CONTINGENCY FUND	+ 143 542	30,0	+ 32 540	6,7
TRANSFER TO THE CONTINGENCY FUND	- 100 000	20,9	-	-
NET PROFIT FOR THE FINANCIAL YEAR	+ 43 542	9,1	+ 32 540	6,7

PARENT COMPANY BALANCE SHEET

(1000 FIM)

ASSETS	31.12.1986	%	31.12.1985	%
FINANCIAL ASSETS				
Cash and bank deposits	135 681		43 004	
Trade receivables	91 715		118 796	
Loans	25 197		40 217	
Advance payments to suppliers	5 150		4 319	
Prepaid expenses and accrued income	8 348		7 794	
Other financial assets	24 827	290 918 32,1	14 379	228 509 35,7
INVENTORIES				
Materials and supplies	22 504		28 445	
Finished and semi-finished goods	60 678	83 182 9,2	67 779	96 224 15,1
FIXED ASSETS				
Construction-in-progress	990		1 715	
Land and water	130 324		118 901	
Buildings and constructions	36 533		32 099	
Machinery and equipment	34 711		23 694	
Other tangible assets	925		1 026	
Bonds and shares	267 361		80 625	
Intangible assets	1 393		1 574	
Other long-term expenditure	496		740	
	472 733		260 374	
Depreciation in excess of plan	59 618	532 351 58,7	54 548	314 922 49,2
	<u>906 451</u>	100,0	<u>639 655</u>	100,0

LIABILITIES AND EQUITY	31.12.1986	%	31.12.1985	%
LIABILITIES				
Short-term				
Trade payables	36 539		36 446	
Advances from customers	12 718		2 729	
Prepaid income and accrued expenses	39 285		37 390	
Notes payable	—		4 069	
Current portion of long-term debts	35 821		35 658	
Other short-term liabilities	11 068	135 431 14,9	11 058	127 350 19,9
Long-term				
Loans from financial institutions	130 942		105 796	
Pension fund loans	87 049		82 190	
Bonds	4 750		8 500	
Other long-term debts	9 527	232 268 25,6	6 702	203 188 31,8
TOTAL LIABILITIES	<u>367 699</u>	40,5	<u>330 538</u>	51,7
RESERVES AND DEPRECIATION IN EXCESS OF PLAN				
Depreciation in excess of plan	59 618		54 548	
Investment reserve	50 500		13 000	
Other reserves	62 000	172 118 19,0	60 500	128 048 20,0
EQUITY				
Restricted equity				
Share capital	60 864		44 640	
Paid-in new issue	3 428		—	
Reserve fund	36 466		4 126	
Revaluation fund	45 046		49 804	
Other restricted reserves	11 943		11 943	
	157 747		110 513	
Unrestricted equity				
Contingency reserve	129 666		29 372	
Unappropriated profits	35 679		8 644	
Net profit for the financial year	43 542		32 540	
	208 887	366 634 40,5	70 556	181 069 28,3
	<u>906 451</u>	100,0	<u>639 655</u>	100,0

ACCOUNTING POLICIES

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

The consolidated accounts include all companies in which the Parent Company, directly or indirectly, controls more than 50 per cent of the voting rights. However, Gerber Legendary Blades Inc., a company acquired at December 31st, 1986 has not been included in the consolidated accounts.

Operations of companies acquired during the financial year are reflected in the consolidated accounts to the extent that the operations have incurred after acquisition date.

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 liability in Other long term debts). The difference between net assets at the date of acquisition and corresponding purchase price has been applied to specific assets or treated as goodwill. 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, direct costs of manufacturing have been used in the Parent Company and its Finnish subsidiaries. The first-in-first-out principle has been applied.

Inventory in foreign subsidiaries has been valued in accordance with the principles prevailing in respective country, thus manufacturing 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. Thus both realized and unrealized exchange differences 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 corporation applies the following three methods of depreciation:

- 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. Current cost values are used for 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 and Sweden 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 income taxes payable for the current year. 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 on net assets employed in industrial operations is defined as earnings after financial items + financial expenses less income from forestry and dividends received.

Assets are calculated by deducting land not employed in industrial operations and shares and non-interest-bearing liabilities from the balance sheet total.

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

NOTES TO THE FINANCIAL STATEMENTS

All amounts in FIM 1 000.

1. INCOME STATEMENT

Due to the acquisition of new subsidiaries and exchange differences on consolidation the figure for "Change in inventory" does not equal the

figure arrived at when comparing the Balance Sheets of 1986 and 1985.

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.

3. COSTS OF MANUFACTURING, SELLING AND ADMINISTRATION

	Consolidated		Parent	
	1986	1985	1986	1985
Materials and supplies	266 451	245 212	186 111	206 211
Wages and salaries	153 358	140 826	93 724	98 784
Personnel costs	72 805	62 306	54 224	52 495
Rents and leases	18 427	15 201	14 726	13 344
Other fixed and variable costs	105 269	102 588	63 087	62 021
Production for own use	- 2 536	- 3 635	- 2 536	- 3 532
Change in inventory	7 882	- 7 795	13 042	- 3 014
	621 656	554 703	422 378	426 309

4. SALARIES

	Consolidated		Parent	
	1986	1985	1986	1985
Manufacturing wages	85 398	83 227	60 364	68 023
Other wages and salaries	91 205	79 750	55 023	52 335
	176 603	162 977	115 387	120 358
Vacations and sick-leave pay	- 23 245	- 22 151	- 21 663	- 21 575
	153 358	140 826	93 724	98 784

Directors' salaries and emoluments were FIM 1,5 million. The average number of

persons employed was 2 073 of which the Parent Company employed 1 435.

5. STATUTORY AND CONTRACTUAL PERSONNEL COSTS

	Consolidated		Parent	
	1986	1985	1986	1985
Finland				
Vacation and sick-leave pay	21 663	21 575	21 663	21 575
Social security charges	6 836	7 454	6 701	7 297
Pension costs	20 106	19 508	19 946	19 216
Pension costs, non-recurring	1 168	570	1 168	570
Transfer to Pension Fund	1 162	885	1 162	885
Other personnel costs	3 740	3 076	3 584	2 952
	54 675	53 068	54 224	52 495
Personnel costs abroad	18 130	9 238		
	72 805	62 306		

6. OTHER FIXED AND VARIABLE COSTS

Other fixed and variable costs include, for example, purchases of subcontractors' services, energy for own use and sale, costs for main-

taining production machinery and buildings, marketing costs and costs of personnel development.

7. DEPRECIATION ACCORDING TO PLAN

	Consolidated		Parent	
	1986	1985	1986	1985
Buildings	3 671	3 314	3 013	2 750
Machinery and equipment	16 515	13 819	9 929	7 827
Other tangible assets	118	213	100	104
Intangible assets	544	627	544	520
Other long-term expenditure	2 897	700	327	640
Goodwill	1 374	784	—	—
	25 119	19 457	13 913	11 841

8. BOOK DEPRECIATION

	Consolidated		Parent	
	1986	1985	1986	1985
Buildings	4 526	3 723	3 491	3 159
Machinery and equipment	21 220	16 147	14 876	10 155
Other tangible assets	118	213	100	104
Intangible assets	544	627	544	520
Other long-term expenditure	2 897	700	327	640
Goodwill	1 374	784	—	—
	30 679	22 194	19 338	14 578
Depreciation in excess of plan	5 560	2 737	5 425	2 737

As in 1985 book depreciation for 1986 corresponds to the maximum allowable under

tax laws in Finland and abroad.

Depreciation on current cost values, buildings, machinery (FIM million)

	Consolidated		Parent	
	1986	1985	1986	1985
	21,5	20,7	16,9	15,0

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—33 years
Machinery and equipment	3—12,5 years
Vehicles	4 years

9. FINANCIAL INCOME AND EXPENSE

Dividends received are mainly dividend paid by Ovako Oy Ab.

	Consolidated		Parent	
	1986	1985	1986	1985
Financial income				
Interest income	11 998	8 884	12 302	9 019
Exchange differences	191		191	
	12 189	8 884	12 493	9 019

	Consolidated		Parent	
	1986	1985	1986	1985
Financial expense				
Interest expenses	36 129	33 258	27 787	26 632
Other costs of long-term borrowing	2 637	2 539	2 637	2 519
	38 766	35 797	30 424	29 151

	Consolidated		Parent	
	1986	1985	1986	1985
Exchange differences on long-term debt				
Realized	+ 113	- 209	+ 113	- 229
Unrealized	+ 78	+ 194	+ 78	+ 194
	+ 191	- 15	+ 191	- 35

10. OTHER INCOME AND EXPENSE

A gain of 144,4 million FIM that occurred as a result of the exchange of the shares in Ovako Oy Ab for shares in Ovako Steel AB is included in other income. The Parent Company's gains on sales of real estate are included in

other income. Other costs include costs in connection with change in corporate structure, acquisition costs and costs in connection with the share issues.

11. TAXES

Taxes in the Income statement consist of income taxes paid and payable on net profit.

12. INTERCOMPANY RECEIVABLES AND LIABILITIES

	Parent	
	1986	1985
Trade receivables	30 199	45 790
Loans receivable	17 707	8 730
Trade payables	1 642	4 552

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	1 688	—	1 688
Land and water	131 721	—	131 721
Buildings and constructions	113 631	31 425	82 206
Machinery and equipment	198 996	89 182	109 814
Other tangible assets	2 644	637	2 007
Bonds and shares	196 892	—	196 892
Intangible assets, net	1 617	—	1 617
Other long-term expenditure	14 618	2 561	12 057
Goodwill, net	10 189	—	10 189
Total 1986	671 996	123 805	548 192
Total 1985	441 934	115 269	326 665

Gross capital expenditure and book depreciation	Gross investments	Accumulated depreciation	Residual value
Construction-in-progress	1 688	—	1 688
Land and water	131 721	—	131 721
Buildings and constructions	113 631	43 653	69 978
Machinery and equipment	198 996	136 708	62 288
Other tangible assets	2 644	637	2 007
Bonds and shares	196 892	—	196 892
Intangible assets, net	1 617	—	1 617
Other long-term expenditure	14 618	2 561	12 057
Goodwill, net	10 189	—	10 189
Total 1986	671 996	183 559	488 437
Total 1985	441 934	169 817	272 117
Depreciation in excess of plan 1986			59 755

15. CAPITAL EXPENDITURE

	Consolidated		Parent	
	1986	1985	1986	1985
Construction-in-progress	1 515	2 039	990	1 715
Land and water	12 282	2 395	12 262	2 342
Buildings and constructions	22 780	7 668	9 172	5 813
Machinery and equipment	30 118	22 444	24 767	15 309
Other tangible assets	120	75	—	75
Bonds and shares	76 462	18 825	35 740	21 693
Intangible assets	496	1 034	363	1 034
Other long-term expenditure	7 999	276	83	276
	151 772	54 756	83 377	48 257

The exchange of Ovako Oy Ab shares for Ovako Steel AB shares is not included as capital expenditure.

16. BOND LOANS, PARENT

Bond loan 1.12.1978—1.12.1988	
Rate 9.75 %	
Principal outstanding 31.12.1986	5 500
- current portion	- 2 750
	2 750
Bond loan 28.12.1984—28.12.1989	
Rate 10.5 %	
Principal outstanding 31.12.1986	3 000
- current portion	- 1 000
	2 000
Total as per balance sheet, long-term	4 750

17. RESERVES

	Consolidated		Parent	
	1986	1985	1986	1985
Investment reserve				
1.1.	13 000	—	13 000	—
Increase + /Decrease -	+ 37 679	+ 13 000	+ 37 500	+ 13 000
Other change	+ 40	—	—	—
31.12.	50 719	13 000	50 500	13 000
Other reserves:				
Operating reserve				
1.1.	24 000	15 000	24 000	15 000
Increase + /Decrease -	+ 5 000	+ 9 000	+ 5 000	+ 9 000
31.12.	29 000	24 000	29 000	24 000
in per cent of Parent Company's salaries			25	20
Maximum deductible for taxation purposes			25	20
Inventory reserve				
1.1.	33 658	42 269	32 500	27 558
Increase + /Decrease -	- 2 421	- 8 750	- 3 500	- 8 558
Merger				+ 13 500
Other change	- 32	+ 139	—	—
31.12.	31 205	33 658	29 000	32 500
in per cent of Parent Company's inventory value			35	34
Maximum deductible for taxation purposes			35	35
Doubtful debts reserve				
1.1.	4 034	2 695	4 000	2 564
Increase + /Decrease -	- 5	+ 1 483	—	+ 1 436
Other change	+ 145	- 144	—	—
31.12.	4 174	4 034	4 000	4 000
Total other reserves	64 379	61 692	62 000	60 500

18. CHANGES IN THE CONSOLIDATED EQUITY

	Share capital	Paid-in new issue	Reserve fund	Other restricted
Restricted equity				
1.1.	44 640		4 139	67 123
New issue I	+ 11 760		+ 32 340	
Transfer to Share capital	+ 4 464			- 4 464
New issue II		+ 3 428		
Transfer to Contingency reserve				- 294
Other change			+ 34	- 4 516
31.12.	60 864	3 428	36 513	57 849
Restricted equity, total				158 654

	Unappropriated profits	Net profit for the year
Unrestricted equity		
1.1.	48 038	
Revaluation on real estate realized through sale	+ 294	
Dividends paid	- 5 506	
Other change	+ 4 522	
Transferred from Income Statement	+ 100 000	
Profit for the year		44 136
31.12.	147 348	44 136
Unrestricted equity, total		191 484
Equity, total		350 138

Exchange differences on consolidation have been credited to restricted equity.

19. CHANGES IN THE PARENT COMPANY'S EQUITY

	Share capital	Paid-in new issue	Reserve fund	Revaluation fund	Other restricted equity
Restricted equity					
1.1.	44 640		4 126	49 804	11 943
New issue I	+ 11 760		+ 32 340		
Transfer to Share capital	+ 4 464			- 4 464	
New issue II ¹⁾		+ 3 428			
Transfer to Contingency reserve				- 294	
31.12.	60 864	3 428	36 466	45 046	11 943
Restricted equity, total					157 747

	Con- tingency reserve	Unappro- priated profits	Profit for the year
Unrestricted equity			
1.1.	29 372	41 185	
Revaluation on real estate realized through sale	+ 294		
Dividends		- 5 506	
Transfer from Income Statement	+ 100 000		
Profit for the year			43 542
31.12.	129 666	35 679	43 542
Unrestricted equity, total			208 887
Equity, total			366 634

¹⁾ Subscription period 15.12.1986—30.1.1987. A total of 608 640 A and K shares, at a nominal value of FIM 20 each, were offered for subscription. 585 312 K shares and 23 328 A shares were subscribed. The share issue premium was 41,9 million FIM. Simultaneously a convertible bond loan consisting of 33 813 bonds, each 1 000 FIM, totalling 33,8 MFIM was issued.

The bonds can be converted into shares as follows:
From Jan 2nd to Jan 15th 1990

From Jan 2nd to Jan 15th 1991
From Jan 2nd to Jan 15th 1992

The bonds can also be converted into shares if the company, during the loan period, decides to increase its share capital by new issue other than by private placement. Bonds can also be converted into shares if the company, during the loan period, decides to issue a new convertible bond loan.

An interest of 7 per cent is paid on the convertible bond loan.

20. THE PARENT COMPANY'S SHARE CAPITAL

The Parent Company's share capital consisted at the year-end of 2 394 496 K series shares

and 648 704 A series shares or a total number of 3 043 200 shares, nominal value FIM 20.

21. PLEDGED ASSETS AND CONTINGENCIES

	Consolidated 1986	1985	Parent 1986	1985
Real estate mortgages				
- for own liabilities	175 153	128 360	161 847	124 570
Chattel mortgages				
- for own liabilities	—	150	—	—
- other	—	900	—	—
Other mortgages				
- for own liabilities	7 114	3 357	—	—
	182 267	132 767	161 847	124 570
Pledged assets				
- other	—	291	—	—
Factoring liability	1 174	825	1 174	825
Contingencies				
- for own liabilities	—	—	73 987	30 892
- other	21 156	21 435	20 631	21 253
	22 330	22 551	95 792	52 970
Discounted Bills of Exchange				
- for own liabilities	—	—	14 272	4 347
- other	1 747	1 044	1 747	1 044
	1 747	1 044	16 019	5 391
Total pledged assets and contingencies	206 344	156 362	273 658	182 931

22. PENSION LIABILITY

	Consolidated 1986	1985	Parent 1986	1985
- Parent Company's pension liability	7 931	7 406	7 931	7 406
- Deficit in Pension Fund	4 984	3 955	4 984	3 955
	12 915	11 361	12 915	11 361

The increase in the deficit in the Pension Fund is due to a new actuarial assessment of pension liability. The income received by

the Pension Fund has been sufficient to cover pension payments and other expenses in the Pension Fund.

23. SHARES INCLUDED IN FIXED ASSETS

	Number of shares	% of share capital	Nominal value (1 000)	Book value (1 000)
Shares owned by the Parent Company				
In subsidiaries				
Fiskars Inc., USA	5 750	100	6 185 (USD)	35 665
Fiskars Europe B.V., Holland	150 000	100	150 (NLG)	4 299
Fiskars AB, Sweden	50 000	100	32 000 (SEK)	22 833
Oy Rahkola Ab	400	100	4	3 694
Geoinstruments Oy	50	100	50	1 865
Predium Oy Ab	150	100	15	15
Fastighets Ab Danskog gård	4 000	100	3 000	3 000
Housing companies				137
Non-operating companies				77
				71 585
In other companies				
Ovako Steel AB, Sweden	11 200 000	20	112 (MSEK)	179 578
Starckjohann-Telko Oy	2 250	18,7	1 687	2 231
Waterman Oy	300	42,9	3 000	4 500
Rautaruukki Oy	125	X	625	625
Wilkinson-Fiskars B.V., Holland	25	50	25 (NLG)	44
Housing companies				8 159
Other shares				639
				195 776
Total Fiskars Oy Ab				267 361
Shares owned by other Fiskars companies				
In subsidiaries				
Fiskars Manufacturing Corp., USA	4 500	100	4 500 (USD)	4 500 (USD)
Fiskars Electronics Corp., USA	2 500	100	2 500 (USD)	2 500 (USD)
Wallace Manufacturing Corp., USA	40	100	40 (USD)	5 247 (USD)
Knivman AB, Sweden	30 000	100	3 000 (SEK)	20 000 (SEK)
Knivman Bankeryd AB, Sweden	900	100	90 (SEK)	4 500 (SEK)
AB Plast- och Metallprodukter, Sweden	600	100	60 (SEK)	60 (SEK)
Kraftelektronik AB, Sweden	30 000	100	3 000 (SEK)	12 048 (SEK)
Fiskars A/S, Denmark	41	99,8	4 490 (DKK)	4 490 (DKK)
Fiskars A/S, Norway	30	100	150 (NOK)	150 (NOK)
Fiskars GmbH, FRG		100	50 (DEM)	50 (DEM)
Fiskars GesmbH, Austria		99	500 (ATS)	500 (ATS)
Fiskars SARL, France	500	100	500 (FRF)	500 (FRF)
Fiskars AG, Switzerland	50	100	60 (CHF)	50 (CHF)
Fiskars Ltd., Great Britain	66 000	100	66 (GBP)	66 (GBP)
Other Fiskars companies				35 (FIM)
In other companies				
Kraft-Dynatronix Inc., USA	6 288	45	6 (USD)	200 (SEK)

GENERAL MEETINGS

ANNUAL GENERAL MEETING OF SHAREHOLDERS 1986

At the annual general meeting of shareholders on April 4, 1986, the financial statements for 1985 were approved in accordance with the Board of Directors' proposal. A dividend of 14 % was declared for A-series shares i.e. FIM 2,80 per share, totalling FIM 1 041 600 and a dividend of 12 % for K-series shares was declared, i.e. FIM 2,40 per share, totalling FIM 4 464 000.

The annual general meeting re-elected retiring members of the Board Jacob von Julin and Jarl Engberg to the Board. Gustaf Gripenberg was elected to the Board as a new member to replace resigning Jarl Gripenberg.

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 by FIM 16 224 000 from FIM 44 640 000 to FIM 60 864 000 by a bonus issue of FIM 4 464 000 and a new issue of FIM 11 760 000.

In the bonus issue 223 200 new A-shares and in the new issue a total of 588 000 new A- and/or K-shares were offered to subscription out of which 30 000 A-shares were offered to the personnel.

The annual general meeting authorized the Board of Directors to increase the share capital by maximum 9 129 600 FIM by a new issue deviating from the shareholders prefer-

ential subscription rights. A total of 456 480 new A- or K-shares with a maximum of 152 160 K-shares, at a par value of 20 FIM, can be offered for subscription in accordance with conditions and at prices decided by the Board of Directors. The subscription can also be made against capital contributions. The authorization is valid for a period of one year as from April 4, 1986.

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS 1986

The extraordinary general meeting, held on December 10, 1986, decided to increase the share capital by 18 259 200 FIM, from 60 864 000 FIM to 79 123 200 FIM by a bonus issue of 6 086 400 FIM and a new issue of 12 172 800 FIM. In the bonus issue a total of 304 320 new A-shares and in the new issue a total of 608 640 new A- and/or K-shares were offered for subscription.

The extraordinary general meeting also decided that the company issue a convertible bonds loan at a maximum value of 33 813 000 FIM. The maturity of the loan is February 1, 1987 to January 31, 1992. The annual interest rate is 7 %.

Each bond of the par value of 1000 FIM can, for the first time after three years, be converted to 9 Fiskars shares of series A and/or K. By the conversion of the bonds the share capital can be increased with a maximum of 6 086 340 FIM and the amount of shares by 304 317.

PROPOSAL BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING 1987

Unrestricted equity according to consolidated balance sheet amounts to FIM 350 million

Unappropriated profits from previous years 35 679 227,60
Profit for the financial year 43 541 672,67
Total FIM 79 220 900,27

The Board proposes that the Annual General Meeting approves the transfer to the contingency reserve as shown in the Income Statement and that

- a dividend of 13 % corresponding to FIM 2,60/share/ FIM 1,30/share*) to be paid on shares of series K FIM 5 530 844,80
- a dividend of 15 % corresponding to FIM 3,00/share/ FIM 1,50/share**) to be paid on shares

of series A FIM 1 865 856,00
- and that the balance of FIM 71 824 199,47 is carried forward

If the Annual General Meeting approves the proposal of the Board, the Parent Company's equity amounts to FIM 359,2 million.
Breakdown of equity:

RESTRICTED EQUITY	1986	1985
Share capital	60,9	44,6
Paid-in new issue	3,4	—
Reserve fund	36,5	4,1
Revaluation fund	45,0	49,8
Other restricted reserves	11,9	11,9
	<u>157,7</u>	<u>110,5</u>
UNRESTRICTED EQUITY		
Distributable funds	129,7	29,4
Unappropriated profits	71,8	35,7
	<u>201,5</u>	<u>65,1</u>
Total	<u>359,2</u>	<u>175,6</u>

Helsinki March 4, 1987

Jacob von Julin

Göran J. Ehrnrooth

Lauri Kalima

Robert G. Ehrnrooth

Thomas Tallberg

Jarl Engberg

Gustaf Gripenberg

Reijo Kaukonen
Managing Director

*) 1 860 000/534 496 shares
**) 595 200/ 53 504 shares

AUDITORS' REPORT

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 1986. 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 43 541 672,67 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, 1987

Brita Hisinger-Jägerskiöld

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Authorized Public Accountant

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