Fiskars Group

Interim report
January–September 2018

Making the everyday extraordinary.

Fiskars, Gerber, Iittala,
Royal Copenhagen, Waterford,
Wedgwood, Arabia, Gilmour,
Royal Albert, Royal Doulton,
Rörstrand

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INTERIM REPORT JANUARY–SEPTEMBER 2018: Comparable net sales and comparable EBITA decreased, cash flow improved

Third quarter 2018 in brief:

- Net sales decreased by 5.3% to EUR 255.8 million (Q3 2017: 270.1)
- Comparable net sales[1)] decreased by 4.2%
- Comparable[2)] EBITA decreased by 7.4% to EUR 27.0 million (29.1)
- EBITA decreased to EUR 26.7 million (30.5)
- Cash flow from operating activities before financial items and taxes was EUR 41.1 million (24.8)
- Earnings per share (EPS) were EUR 0.34 (1.20, comparable figure 0.34)[3)]

January–September 2018 in brief:

- Net sales decreased by 8.3% to EUR 794.5 million (Q1–Q3 2017: 866.3)
- Comparable net sales[1)] decreased by 3.7%
- Comparable[2)] EBITA decreased by 13% to EUR 72.9 million (83.5)
- EBITA decreased to EUR 68.9 million (82.7)
- Cash flow from operating activities before financial items and taxes was EUR 44.6 million (27.0)
- Earnings per share (EPS) were EUR 0.67 (2.59, comparable figure 0.77)[3)]

Outlook for 2018 unchanged:

In 2018, Fiskars expects the Group's comparable net sales[1)] to be slightly below the previous year. Comparable[2)] EBITA is expected to increase from 2017. The fourth quarter of the year is significant both in terms of net sales and profitability.

President and CEO, Fiskars, Jaana Tuominen:

"Our performance during the third quarter was mixed. In the Functional business the comparable EBITA increased clearly from the previous year, even though comparable net sales remained at the previous year's level. In the Living business, however, net sales and comparable EBITA decreased. On a positive note, the Group's cash flow improved from the previous year.

In the Living business, our performance was negatively impacted by the performance of the English & Crystal Living business in the UK and Australia. In addition, net sales in the hospitality channel decreased from the previous year. Net sales also decreased in the Scandinavian Living business. However, I was pleased to see that net sales increased in Finland, despite a strong comparison period with the Finland 100 anniversary sales last year. Net sales growth in the direct e-commerce channel accelerated in the third quarter. This channel is a priority area for us, and key in responding to the change in consumer behavior and the changing buying patterns.

In the Functional business, the good momentum in comparable EBITA was supported by all businesses, in particular by the Outdoor business that has increased net sales in the U.S.

As shared today, we will start the Transformation program in the Living business, aimed at increasing efficiency, reducing complexity and accelerating long-term strategic development. The proposed changes will involve optimization of global retail, distribution and supply networks as well as the organizational structure, and will focus primarily on the English & Crystal Living business, to improve its profitability. With this program we create a solid platform for long-term profitable growth and better position our brands to thrive and grow in a fast-changing retail environment.

1) In 2017, using comparable exchange rates, excluding the net sales reported in 2017 from the divested container gardening busness in Europe (December 2016). In the outlook for 2018, comparable net sales excludes the impact of exchange rates, acquisitions and divestments
2) Items affecting comparability in EBITA include items such as restructuring costs, impairment or provisions charges and releases, integration-related costs, and gain and loss from the sale of businesses
3) Earnings per share does not include net changes in the fair value of the investment portfolio. The comparable figures for Q3 2017 and Q1–Q3 2017 have been adjusted accordingly.

As communicated earlier, for 2018, we expect the comparable net sales to be slightly below the previous year, and the comparable EBITA is expected to increase from last year. The fourth quarter is significant for us, both in terms of net sales and profitability, in particular due to the gifting season in the Living and Outdoor businesses. Together with our team, we are focused on driving sales, leveraging our seasonal campaigns and own sales channels as well as providing great consumer experiences in all the markets in which we operate."

Group key figures

EUR million	Q3 2018	Q3 2017	Change	Q1–Q3 2018	Q1–Q3 2017	Change	2017
Net sales	255.8	270.1	-5.3%	794.5	866.3	-8.3%	1,185.5
Comparable net sales[1)]	255.8	267.0	-4.2%	794.5	825.3	-3.7%	1,184.0
EBITA	26.7	30.5	-12%	68.9	82.7	-17%	113.2
Items affecting comparability in EBITA[2)]	-0.3	1.3		-4.0	-0.9		-5.8
Comparable EBITA	27.0	29.1	-7%	72.9	83.5	-13%	119.0
Operating profit (EBIT)	23.3	26.8	-13%	59.1	72.1	-18%	97.9
Profit before taxes	31.0	123.3		73.1	271.5		217.8
Profit for the period	27.7	98.9		55.0	212.9		167.1
Net change in the fair value of investment portfolio	-1.3	88.7		-24.3	187.4		107.9
Earnings/share, EUR[3)]	0.34	0.34		0.67	0.77		0.98
Equity per share, EUR				15.40	16.14	-5%	15.53
Cash flow from operating activities before financial items and taxes	41.1	24.8	66%	44.6	27.0	65%	130.5
Equity ratio, %				69%	69%		69%
Net gearing, %				16%	17%		12%
Capital expenditure	12.2	8.6	42%	32.0	23.4	37%	35.4
Personnel (FTE), average	7,313	7,622	-4%	7,374	7,773	-5%	7,709

1) Using comparable exchange rates, excluding the net sales reported in 2017 from the divested container gardening business in Europe (December 2016)
2) In Q3 2018, items affecting comparability consisted of personnel-related costs and costs related to the Alignment program. In Q3 2017, items affecting comparability consisted of net costs related to the Alignment program. More information on the Alignment program is available in the Financial Statement Release published on February 7, 2018.
3) Earnings per share do not include net changes in the fair value of the investment portfolio. The comparable figures for Q3 2017, Q1–Q3 2017 and full year 2017 have been adjusted accordingly.

CHANGES IN FISKARS REPORTING IN 2018

Based on the new IFRS 9 standard that Fiskars adopted on January 1, 2018, Fiskars Group records the change in fair value of the Wärtsilä holding in other comprehensive income instead of recognizing fair value changes in the income statement.

Compared to the previous reporting principle, this has transferred the change in fair value of such investments from the income statement to other comprehensive income including deferred taxes. The change has not impacted the treatment of those items' balance sheet classification or dividends in the income statement.

From Q1 2018 onwards, Fiskars has not separately reported the operative earnings per share, which previously excluded the net change in the fair value of the investment portfolio and dividends received. Earnings per share (EPS) figures for 2017 have been adjusted accordingly.

More information on reporting changes is provided in the accounting principles section of this interim report.

INTERIM REPORT, JANUARY–SEPTEMBER 2018

GROUP PERFORMANCE

EUR million	Q3 2018	Q3 2017	Change	Comparable change*	Q1–Q3 2018	Q1–Q3 2017	Change	Comparable change*	2017
Net sales									
Group	255.8	270.1	-5.3%	-4.2%	794.5	866.3	-8.3%	-3.7%	1,185.5
Living	120.0	133.8	-10.3%	-9.1%	344.9	386.1	-10.7%	-7.2%	573.9
Functional	134.6	135.4	-0.6%	0.5%	446.8	477.3	-6.4%	-0.9%	607.8
Other	1.1	0.9	19.5%	19.5%	2.8	2.8	0.3%	0.3%	3.8
Comparable EBITA									
Group	27.0	29.1	-7%		72.9	83.5	-13%		119.0
Living	8.8	17.9	-51%		14.5	32.5	-55%		70.7
Functional	19.1	13.6	40%		66.4	58.7	13%		59.7
Other	-0.9	-2.3	62%		-8.0	-7.6	-5%		-11.5

*Using comparable exchange rates, excluding the divested container gardening business in Europe (December 2016)

Fiskars Group in Q3 2018

Fiskars Group's consolidated net sales decreased by 5.3% to EUR 255.8 million (Q3 2017: 270.1). Comparable net sales in the Functional segment remained at the previous year’s level. Comparable net sales decreased in the Living segment, impacted particularly by the English & Crystal Living business.

Comparable EBITA (excluding items affecting comparability) decreased by 7% to EUR 27.0 million (29.1), due to the unfavorable sales development in the Living business. Items affecting comparability in EBITA amounted to EUR 0.3 million (-1.3) and consisted of the Alignment program. Fiskars Group’s third quarter EBITA totaled EUR 26.7 million (30.5).

Fiskars Group in January–September 2018

Fiskars Group's consolidated net sales decreased by 8.3% to EUR 794.5 million (Q1–Q3 2017: 866.3, which included EUR 1.7 million from divested businesses). Comparable net sales increased in the Functional Americas and Outdoor businesses, offset by the decrease in the Functional EMEA business, resulting in a decrease in comparable net sales in the Functional segment. In the Living segment, comparable net sales decreased by 7.2%, impacted primarily by the decline in the English & Crystal Living business, which has faced challenges in several markets and channels throughout the year.

Comparable EBITA (excluding items affecting comparability) decreased by 13% to EUR 72.9 million (83.5). In the Functional segment, the comparable EBITA increased during the period. The comparable EBITA was, however, impacted by the decrease in the Living segment. Items affecting comparability in EBITA amounted to EUR 4.0 million (0.9) and mainly consisted of the Alignment Program and personnel-related costs. Fiskars Group’s EBITA totaled EUR 68.9 million (82.7) during the first nine months of the year.

OPERATING ENVIRONMENT IN Q3 2018

The operating environment remained mixed, as some areas improved and others turned weaker. In the U.S., economic growth continued, whereas overall retail sales showed some signs of weakness. Concerns over escalating international trade issues impacted consumer confidence in the U.S. A weak August was balanced by a stronger reading in confidence in September.

In the eurozone, the operating environment deteriorated during the quarter. Both consumer confidence and retail sales lost some of their momentum and decreased during the quarter, and consumer confidence in particular was weak. This trend was visible e.g. in the UK. Despite some of the headwinds at EU level, the environment in the Nordics remained relatively favorable.

In Japan, retail sales picked up speed compared to the second quarter of the year. On the other hand, the Australian market situation remained challenging during the quarter.

REPORTING SEGMENTS

This interim report reflects Fiskars' organizational structure, which features two Strategic Business Units (SBU): Living and Functional. Fiskars Group's three primary reporting segments are Living, Functional, and Other. In addition, Fiskars reports net sales for three geographical areas: Europe, Americas and Asia-Pacific.

SBU Living offers premium and luxury products for tabletop, giftware and interior décor. It consists of the English & Crystal Living and the Scandinavian Living businesses. The English & Crystal Living business includes brands such as Waterford, Wedgwood, Royal Albert and Royal Doulton. The Scandinavian Living business includes brands such as Iittala, Royal Copenhagen, Rörstrand and Arabia.

SBU Functional provides tools for use in and around the house as well as outdoors. SBU Functional consists of the Functional Americas, the Functional EMEA and the Outdoor businesses, and includes brands such as Fiskars, Gerber and Gilmour.

The Other segment contains the Group's investment portfolio, the real estate unit, corporate headquarters and shared services.

Living segment

EUR million	Q3 2018	Q3 2017	Change	Q1–Q3 2018	Q1–Q3 2017	Change	2017
Net sales*	120.0	133.8	-10.3%	344.9	386.1	-10.7%	573.9
Comparable EBITA	8.8	17.9	-51%	14.5	32.5	-55%	70.7
Capital expenditure	5.4	4.6	16%	16.5	9.1	81%	14.0

*Using comparable exchange rates, net sales in the Living segment decreased by 9.1% in Q3 2018 and by 7.2% in Q1–Q3 2018

Living segment in Q3 2018

Net sales in the Living segment decreased year-on-year and amounted to EUR 120.0 million (Q3 2017: 133.8). Comparable net sales decreased by 9.1%, even though net sales growth accelerated in the direct e-commerce channel. The decrease was mainly a result of the negative development in the English & Crystal Living business. The business faced headwinds in several markets, mainly in Australia and the UK. In the UK, some trade customers faced challenges in their operations, which had a negative impact on sales in the English & Crystal Living business. In addition, the English & Crystal Living business in Japan has focused on strengthening the own retail channel, which impacted profitability. Sales in the hospitality channel decreased from the previous year, however sales in this channel typically fluctuate between the quarters.

Net sales decreased in the Scandinavian Living business, however the decrease in the Nordics was mitigated by positive development in Finland. In Japan, the distribution of the Iittala brand was transferred from a local distributor to Fiskars Group at the beginning of the year, and this has had a negative short-term impact on net sales, as the renewal of the distribution network is ongoing.

Comparable EBITA for the Living segment decreased by 51% and amounted to EUR 8.8 million (17.9), mainly impacted by unfavorable sales volumes in English & Crystal Living. Comparable EBITA decreased in the Scandinavian Living business as well, as a result of unfavorable product mix and investments in own retail.

Living segment in January–September 2018

Net sales in the Living segment decreased year-on-year and amounted to EUR 344.9 million (Q1–Q3 2017: 386.1). Comparable net sales decreased by 7.2%, impacted mainly by the English & Crystal Living business. The business has faced challenges in some of its key markets, either related to the overall market environment or sales channels.

Comparable net sales in Scandinavian Living decreased as a result of challenges in Scandinavia. Comparable net sales increased by double digit numbers in the direct e-commerce channel. In Japan, the distribution of the Iittala brand was transferred from a local distributor to Fiskars Group at the beginning of the year, and this has had a negative short-term impact on net sales, as the renewal of the distribution network is ongoing.

Comparable EBITA for the Living segment decreased by 55% and amounted to EUR 14.5 million (32.5), primarily due to the changes in the product mix in the Scandinavian Living business during the reporting period. Comparable EBITA also decreased in the English & Crystal Living business, where the increased operational efficiencies were offset by decreased sales volumes.

Marketing highlights in the Living segment

Royal Copenhagen was introduced in the Australian market during the quarter. The brand is available in department stores and through the direct e-commerce channel. Additionally, Royal Copenhagen expanded the distribution of the new Blomst series to the Korean and Taiwanese markets.

Arabia in Finland and Rörstrand in Sweden are participating in the Pink Ribbon campaign this fall. The Pink Ribbon fundraising supports breast cancer patients. In August, Arabia participated in celebrating Tove Jansson’s anniversary with an exclusive Moomin’s day mug. The mug was sold for one day only, attracting attention especially in Finland and Sweden.

Wedgwood partnered with the Japanese ceramicist Hitomi Hosono. Hosono has created a ceramics collection for Wedgwood as part of the Artist in Residence program.

Functional segment

EUR million	Q3 2018	Q3 2017	Change	Q1–Q3 2018	Q1–Q3 2017	Change	2017
Net sales*	134.6	135.4	-0.6%	446.8	477.3	-6.4%	607.8
Comparable EBITA	19.1	13.6	40%	66.4	58.7	13%	59.7
Capital expenditure	6.1	3.3	84%	13.2	12.8	3%	19.4

*Using comparable exchange rates and excluding the net sales of the divested container gardening business in Europe (in December 2016), net sales in the Functional segment increased by 0.5% in Q3 2018 and decreased by 0.9% in Q1–Q3 2018

Functional segment in Q3 2018

Net sales in the Functional segment decreased year-on-year by 0.6% to EUR 134.6 million (Q3 2017: 135.4). Comparable net sales increased by 0.5%, supported by the Outdoor business, as the positive momentum continued in the Americas. In particular, the multitool category and government demand have been supportive. In Functional EMEA, net sales decreased primarily due to weak sales in certain Eastern European markets. The distribution network is being rationalized in these markets, and this has negatively impacted net sales in the short term. The comparable net sales decreased in the Functional Americas business, impacted by weak gardening sales. This was primarily due to certain trade customers winding down gardening replenishments earlier than in previous years. On the other hand, the increased sales in the school, office and craft category partially offset the decrease in gardening sales.

Comparable EBITA for the Functional segment increased during the third quarter and amounted to EUR 19.1 million (13.6). The increase was supported by all businesses, in particular by the Outdoor business.

Functional segment in January–September 2018

Net sales in the Functional segment decreased year-on-year by 6.4% to EUR 446.8 million (Q1–Q3 2017: 477.3). Comparable net sales decreased by 0.9%, impacted by Functional EMEA. The second quarter development in the gardening category did not fully compensate for the shortfall in the first quarter. In Eastern Europe, the rationalization of the distribution network also had a negative impact in the third quarter. Additionally, the comparison period in 2017 included some campaign-related sales that were not repeated in the first nine months of 2018.

Comparable net sales increased in the Outdoor business, supported by government sales, the multitool category and the launch of products in the fishing category. Comparable net sales also increased in Functional Americas, supported by new distribution.

Comparable EBITA for the Functional segment increased during the first nine months of the year and amounted to EUR 66.4 million (58.7). The increase was mainly supported by increased sales volumes in Functional Americas and the Outdoor business, as well as operational efficiencies.

Marketing highlights in the Functional segment

Fiskars won a Teachers' Choice Award for its battery-powered pencil sharpener, celebrating the 13th consecutive year when Fiskars' products have been awarded. The continued success of the crafting products supported the back-to-school -season.

In Europe, Fiskars launched a fall and winter gardening campaign during the quarter. The "Tidy Up" campaign was launched across Europe, focusing on tidying up outdoor spaces and preparing for the winter season. The campaign is part of driving a second gardening season in the autumn.

The Outdoor business introduced new products to the market. The new FlatIron pocket folding knife has received positive reviews and started shipping to consumers in July. Additionally, the new ComplEAT series was introduced during the quarter. ComplEAT is a series of dedicated tools, which work independently and can be transformed into tongs to bring the convenience of a home kitchen into the wild. It will start shipping to customers and consumers in early 2019.

Other segment

EUR million	Q3 2018	Q3 2017	Change	Q1–Q3 2018	Q1–Q3 2017	Change	2017
Net sales	1.1	0.9	19.5%	2.8	2.8	0.3%	3.8
Comparable EBITA	-0.9	-2.3	62%	-8.0	-7.6	-5%	-11.5
Capital expenditure	0.8	0.8	1%	2.3	1.5	15%	2.0

Other segment in Q3 2018

Net sales in the Other segment increased year-on-year and amounted to EUR 1.1 million (Q3 2017: 0.9), consisting of timber sales and rental income. The comparable EBITA for the Other segment amounted to EUR -0.9 million (-2.3).

Other segment in January–September 2018

Net sales in the Other segment remained stable year-on-year and amounted to EUR 2.8 million (Q1-Q3 2017: 2.8), consisting of timber sales and rental income. Comparable EBITA for the Other segment amounted to EUR -8.0 million (-7.6).

Net sales by geography

EUR million	Q3 2018	Q3 2017	Change	Comparable change*	Q1–Q3 2018	Q1–Q3 2017	Change	Comparable change*	2017
Europe	119.4	131.3	-9.1%	-7.9%	369.1	402.6	-8.3%	-6.6%	568.5
Americas	104.1	105.8	-1.6%	-1.2%	332.4	355.8	-6.6%	1.2%	463.0
Asia-Pacific	29.1	33.6	-13.1%	-10.6%	93.0	106.4	-12.6%	-7.0%	152.8
Unallocated**	3.2	-0.6			0.0	1.5			1.2

*Using comparable exchange rates, excluding the divested container gardening business in Europe (in December 2016)
**Geographically unallocated exchange rate differences

Net sales in Q3 2018

Net sales in Europe decreased by 9.1% and amounted to EUR 119.4 million (Q3 2017: 131.3). Comparable net sales decreased by 7.9%, mainly impacted by the challenges in the English & Crystal Living business. Majority of the net sales in the hospitality channel is incorporated in the English & Crystal Living business in Europe, which contributed to the decrease. Comparable net sales in Europe decreased also in the Scandinavian Living and Functional EMEA businesses.

Net sales in the Americas decreased by 1.6% to EUR 104.1 million (105.8). Comparable net sales decreased by 1.2%, impacted by the Functional Americas and English & Crystal Living businesses. Comparable net sales in the Outdoor business increased.

Net sales in Asia-Pacific decreased by 13.1% and amounted to EUR 29.1 million (33.6). Comparable net sales decreased by 10.6%, impacted by the English & Crystal Living business.

Net sales in January–September 2018

Net sales in Europe decreased by 8.3% and amounted to EUR 369.1 million (Q1–Q3 2017: 402.6). Comparable net sales decreased by 6.6%, impacted by the Functional EMEA and English & Crystal Living businesses. Majority of the net sales in the hospitality channel is incorporated in the English & Crystal Living business in Europe, which contributed to the decrease.

Net sales in the Americas decreased by 6.6% to EUR 332.4 million (355.8). Comparable net sales increased by 1.2%. Comparable net sales increased in the Functional Americas and the Outdoor businesses, partly offset by the decrease in the English & Crystal Living business.

Net sales in Asia-Pacific decreased by 12.6% and amounted to EUR 93.0 million (106.4). Comparable net sales decreased by 7.0%, impacted by the English & Crystal Living business and the Scandinavian Living business in Japan.

Research and development

The Group's research and development expenditure totaled EUR 3.9 million (Q3 2017: 3.7) in the third quarter of 2018, equivalent to 1.5% (1.4%) of net sales. During the first three quarters of the year, research and development expenses totaled EUR 13.2 million (Q1–Q3 2017: 12.4), equivalent to 1.7% (1.4%) of net sales.

Personnel

The average number of full-time equivalent employees (FTE) was 7,313 (Q3 2017: 7,622) in the third quarter. At the end of the quarter, the Group employed 7,761 (8,073) employees, of whom 1,120 (1,201) were in Finland. The year-on-year change was mainly related to unified definitions among retail and manufacturing personnel and the Alignment program.

Financial items and net result

Financial items and net result in Q3 2018 and January–September 2018

The share ownership in the Wärtsilä Corporation is no longer treated as a financial asset at fair value through profit or loss. At the end of the third quarter of 2018, Fiskars owned 32,645,343 shares in Wärtsilä, representing 5.52% of Wärtsilä's share capital.

The net change in the fair value of investments through other comprehensive income, consisting of the company's holdings in Wärtsilä, amounted to EUR -1.3 million (Q3 2017: 88.7, reported as net change in the fair value of investments through profit and loss) during the third quarter of 2018 and to EUR -24.3 million (Q1–Q3 2017: 187.4) during the first nine months of the year. The closing share price of Wärtsilä was EUR 16.79 (59.90, not directly comparable due to the issue of two new shares for each existing share) at the end of the third quarter.

Other financial income and expenses amounted to EUR 7.2 million (7.7) in the third quarter of 2018 and to EUR 12.7 million (11.7) in the first nine months of 2018, including amongst others EUR 7.5 and 15.0 million (7.1 and 14.1) of the dividends received on Wärtsilä shares and EUR -1.0 and -0.3 million (-0.6 and 0.7) of foreign exchange differences. The first instalment of the Wärtsilä dividend was received in March 2018 and the second in September 2018.

Profit before taxes was EUR 31.0 million (123.3) in the third quarter of 2018. Income taxes for the third quarter were EUR -3.2 million (-24.4). The difference is mainly due to the change in the recording of the fair value in the Wärtsilä holding. Earnings per share were EUR 0.34 (0.34). Earnings per share does not include net changes in the fair value of the investment portfolio. The comparable figure for Q3 2017 has been adjusted accordingly.

Profit before taxes for the Q1-Q3 of the year was EUR 73.1 million (271.5). Income taxes for nine months of the year were EUR -18.0 million (-58.6). The difference is primarily due to the change in the recording of the fair value in the

Wärtsilä holding. Earnings per share were EUR 0.67 (0.77). Earnings per share do not include net changes in the fair value of the investment portfolio. The comparable figure for Q1–Q3 2017 has been adjusted accordingly.

Cash flow, balance sheet and financing

Cash flow, balance sheet and financing in Q3 2018 and January–September 2018

The third quarter cash flow from operating activities before financial items and taxes increased to EUR 41.1 million (Q3 2017: 24.8). The change was primarily due to the change in current assets. Cash flow from financial items and taxes amounted to EUR -2.3 million (0.9). Cash flow from investing activities was EUR -4.2 million (-3.4), including EUR -12.2 million of capital expenditure on fixed assets and EUR 1.8 million proceeds from sale of fixed assets. Cash flow from financing activities was EUR -33.6 million (-24.1), including EUR -29.4 million of paid dividends and EUR -2.6 million of change in current receivables. The comparison figure from Q3 2017 included EUR -24.6 million of paid dividends.

During the first nine months of the year cash flow from operating activities before financial items and taxes was EUR 44.6 million (Q1–Q3 2017: 27.0). Cash flow from financial items and taxes amounted to EUR -20.5 million (-15.3). Cash flow from investing activities was EUR -14.3 million (-8.8), including EUR -32.0 million of capital expenditure on fixed assets, EUR 2.8 million of proceeds from sale of fixed assets and EUR 15.0 million from dividends received. Cash flow from financing activities was EUR -25.3 million (-7.9), including EUR 45.4 million of change in current debt, EUR 20.0 million of change in current receivables, EUR -30.2 million of repayment of non-current debt and EUR -59.3 million of dividends paid. The comparison figure from Q1–Q3 2017 included positive cash flow of EUR 22.0 million from money market investments, EUR -83.0 million payment of dividends and EUR 53.0 million from change in current debt.

Capital expenditure for the third quarter totaled EUR 12.2 million (8.6), mainly relating to facility expansions and efficiency investments. Depreciation, amortization and impairment were EUR 9.3 million (9.2) in the third quarter. Capital expenditure for the first nine months of the year totaled EUR 32.0 million (23.4), primarily relating to facility expansions and efficiency investments. Depreciation, amortization and impairment were EUR 27.1 million (27.9) in the first nine months of the year.

Fiskars' working capital totaled EUR 232.2 million (252.5) at the end of September. The decrease was primarily related to trade and other receivables. The equity ratio was 69% (69%) and net gearing was 16% (17%).

Cash and cash equivalents at the end of the period totaled EUR 15.6 million (13.0). Net interest-bearing debt amounted to EUR 203.8 million (226.3). The shares in Wärtsilä were valued at EUR 548.1 million (651.8) at the end of the period.

Short-term borrowing totaled EUR 69.1 million (88.5) and long-term borrowing totaled EUR 151.4 million (151.9). Short-term borrowing mainly consisted of commercial papers. In addition, Fiskars had EUR 300.0 million (300.0) in unused, committed credit facilities with Nordic banks. Of these, EUR 240.0 million was long-term and EUR 60.0 million short-term.

Changes in organization and management

On January 11, 2018, the renewal and expansion of the Fiskars Group Leadership Team (FGLT) was announced. At the same time, Fiskars discontinued the Extended Leadership Team and the Corporate Office to simplify its leadership structure. Fiskars appointed Ulla Lettijeff (M.Sc.Tech) as President, SBU Living and a member of the Fiskars Group Leadership Team. The following new members were also appointed to the Group Leadership Team: Chief Supply Chain Officer Risto Gaggl (M.Sc.Tech), General Counsel Päivi Timonen (LL.M.) and VP, Corporate Communications and Sustainability Maija Taimi (M.Sc.Econ). Fiskars also appointed CFO Sari Pohjonen as the Deputy to the CEO.

On March 15, 2018, Fiskars announced the appointment of Niklas Lindholm (Ph.D. Econ and M.Sc. Econ) as Chief Human Resources Officer and member of the FGLT. He joined the company on August 1, 2018, and reports to the Group's President and CEO, Jaana Tuominen.

On June 11, 2018, Fiskars announced that President, SBU Functional Paul Tonnesen has decided to leave the company. Fiskars has started the recruitment process for a successor. In addition to her role as the President and CEO, Jaana Tuominen will act as the interim President, SBU Functional.

On June 12, 2018, Fiskars announced the appointment of Tuomas Hyyryläinen (M.Sc.Econ) as Chief Growth Officer and member of the FGLT from September 1, 2018. He reports to the Group's President and CEO Jaana Tuominen.

Following these changes, the FGLT consists of nine members:

- Jaana Tuominen, President and CEO
- Sari Pohjonen, Chief Financial Officer and Deputy to the CEO
- Risto Gaggl, Chief Supply Chain Officer
- Tuomas Hyyryläinen, Chief Growth Officer
- Ulla Lettijeff, President, SBU Living
- Niklas Lindholm, Chief Human Resources Officer
- Maija Taimi, VP, Corporate Communications and Sustainability
- Päivi Timonen, General Counsel
- President, SBU Functional, to be appointed later

Other significant events during the reporting period

New share-based Long-term Incentive Plan for Fiskars Group's key employees

On February 7, 2018, Fiskars announced that the Board of Directors of Fiskars Corporation had decided on a new share-based Long-term Incentive Plan for the FGLT and other key employees. The plan will form a part of Fiskars' remuneration program for its key employees, and the aim of the plan is to support the implementation of the company's strategy and to align the objectives of key employees with those of shareholders to increase the value of the company.

The Long-term Incentive Plan has three performance periods of three calendar years each, 2018–2020, 2019–2021 and 2020–2022. The Board of Directors will decide separately for each performance period the participants in the incentive plan and the minimum, target and maximum rewards for each participant, as well as the performance criteria and related targets.

The amount of the reward paid to a key employee depends on achieving the pre-established targets. No reward will be paid if targets are not met or if the participant's employment or service ends before reward payment. For the first performance period, the plan has 48 participants at most and the targets for the Long-term Incentive Plan relate to the company's total shareholder return, Group EBITA and net sales.

If the targets of the plan are reached, rewards will be paid to participants after the end of each performance period. The reward will be paid in the company's shares, after the deduction of the relevant cash proportion that is required for covering taxes and tax-related costs due on the basis of the reward. However, the company has the right to pay the reward fully in cash under certain circumstances. If all maximum targets are reached, the maximum reward payable in shares on the basis of the 2018–2020 performance period would amount to a total gross maximum of 314,321 shares in the company. As a starting point, shares to be awarded to key employees will be paid as existing shares of the company and thus the Long-term Incentive Plan is not expected to have a diluting effect on the ownership of the company's shareholders.

Members of the FGLT participating in the long-term incentive plan are subject to a shareholding requirement and must retain at least 50% of the net shares received based on plan until their share ownership in Fiskars corresponds to at least 50% (and for the President and CEO at least 100%) of their annual gross base salary.

Fiskars Corporation's directed share issue without consideration based on the Long-term Incentive Plan 2015–2019

On March 14, 2018 Fiskars announced that the Board of Directors of Fiskars Corporation had decided on a directed share issue without consideration based on Fiskars' Long-term Incentive Plan 2015–2019 in order to pay the share rewards for the performance period 2015–2017.

In the share issue, 15,168 treasury shares were issued without consideration to the key personnel participating in the performance period 2015–2017, in accordance with the terms and conditions of the share based Incentive Plan 2015–2019. Information about the launch and the terms and conditions of the Incentive Plan have been published in a stock exchange release on February 6, 2015.

The decision on the share issue was based on the authorization granted to the Board of Directors by Fiskars Corporation's Annual General Meeting of Shareholders held on March 14, 2018. The shares were delivered to the participants of the Incentive Plan on March 15–16, 2018. After the share delivery, Fiskars Corporation held a total of 176,299 own shares.

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Outlook for 2018 updated on July 18, 2018

On July 18, 2018 Fiskars Group lowered its comparable net sales guidance for the full year 2018. Fiskars expects that the comparable net sales will be slightly below the previous year. Previously, Fiskars expected comparable net sales to increase from 2017. Fiskars continues to expect that in 2018, the comparable EBITA will increase from 2017.

During the first quarter 2018, the exceptionally cold spring in Europe and in the U.S. had an impact on the net sales in the gardening category, which is typically strong in the first half of the year. The sales performance of the gardening category in Europe was weaker than expected also during the second quarter. At the same time, the changing trade environment and challenges in certain key markets in the English & Crystal Living business continued to impact its net sales.

Record date and payment date of the second dividend instalment resolved by the Annual General Meeting 2018

The Board of Directors of Fiskars Group resolved on September 7, 2018 in accordance with the resolution of the Annual General Meeting that the dividend payment date for the second dividend instalment of EUR 0.36 per share was to be September 18, 2018. The ex-dividend date for the dividend instalment was to be September 10, 2018 and the record date September 11, 2018.

Shares and shareholders

Fiskars Corporation has one share series (FSKRS). All shares carry one vote and equal rights. The number of shares in the Corporation totals 81,905,242. Fiskars Corporation held 278,305 of its own shares at the end of the quarter. The share capital remained unchanged at EUR 77,510,200.

Fiskars shares are traded in the Large Cap segment of Nasdaq Helsinki. The volume weighted average share price during the third quarter was EUR 18.32 (Q3 2017: 20.63). At the end of September, the closing price was EUR 17.66 (EUR 20.35) per share and Fiskars had a market capitalization of EUR 1,441.5 million (1,662.9). The number of shares traded on Nasdaq Helsinki and in alternative market places from July to September was 0.8 million (2.4), which represents 1.0% (2.9%) of the total number of shares. The total number of shareholders was 19,809 (19,375) at the end of September 2018.

Flagging notifications

Fiskars was not informed of any significant changes among its shareholders during the quarter.

Purchase of own shares

On April 30, 2018, the Board of Directors of Fiskars Corporation decided to commence acquiring the company’s own shares on the basis of the authorization given by the Annual General Meeting held on March 14, 2018.

The maximum number of shares to be acquired is 200,000, corresponding to approximately 0.2% of the total number of shares. The shares will be acquired through public trading on the Nasdaq Helsinki exchange at the market price prevailing at the time of purchase. The share buyback started on May 9, 2018, and will end by the end of the next Annual General Meeting in 2019, at the latest.

Risks and business uncertainties

Fiskars’ business, net sales, and financial performance may be affected by several uncertainties. Fiskars Group has detailed the overall business risks and risk management in its Annual Report and on the company’s website www.fiskarsgroup.com/investors.

Fiskars Group entities are subject to tax audits in several countries. It is possible that tax audits may lead to reassessment of taxes. The tax reassessment claim raised by the Finnish Large Taxpayers’ Office in 2016, which obliged the company to pay a total of EUR 28.3 million in additional tax, interest expenses and punitive tax increases, has been appealed against by the company to the Board of Adjustment in the Finnish Large Taxpayers' Office. Fiskars will continue the appeal process in court, if necessary, in which case the process may take years. The dispute concerns intra-group loans forgiven by the company in 2003 and their tax treatment in subsequent tax years.

In December 2017, the U.S. tax reform was signed into law. The legislation includes, among other things, a reduction in the U.S. federal corporate income tax rate from 35% to 21%. The change is expected to have a slightly positive impact on Fiskars' net result from 2018 onwards.

Fiskars operates globally with a considerable part of its business in the U.S. and in other countries outside of the euro zone. Weakening of the U.S. dollar or other currencies relative to the euro may have a material impact on the reported financial figures due to the translation exposure. Less than 20% of Fiskars' commercial cash flows are exposed to fluctuations in foreign exchange rates.

A considerable part of Fiskars' business is in the U.S. The increasing uncertainty regarding trade in the form of e.g. tariffs might have an impact on the company's business, as part of the product portfolio sold in the country is imported. Based on the information available at the moment, the tariffs will not materially impact the current year financials.

The sale of homeware products is heavily geared towards the last quarter of the year, and any negative issues related to product availability or demand during this quarter could affect the full-year result of this business significantly.

Otherwise, no new or changed material risks and uncertainty factors have been identified during the quarter.

Events after the reporting period

On October 31, 2018 Fiskars Group announced the Transformation program in its Living business, aimed at increasing efficiency, reducing complexity and accelerating long-term strategic development.

The program will target annual cost savings of approximately EUR 17 million, subject to the full implementation of the program. The targeted cost savings are expected to be achieved gradually, and the majority of the savings are expected to materialize in the Group's results after the program is completed, which is estimated to be by the end of 2021. The total costs of the program are approximately EUR 40 million in 2018–2021, which will be recorded as items affecting comparability (IAC).

The proposed changes will involve optimization of global retail, distribution and supply networks as well as organizational structure, and will focus primarily on the English & Crystal Living business, to improve its profitability. As the planning progresses, Fiskars will engage and work closely with its employees and employee representatives to ensure that they are fully informed and consulted about our proposals. Processes and timelines will vary from one country to another.

In 2017, Fiskars Group completed the Supply Chain 2017 -program that focused on the optimization of the global supply chain network in Europe and Asia. The program was launched in September 2015 and excluded the manufacturing operations and distribution network of the English & Crystal Living business, which had been acquired in July 2015.

Outlook for 2018

In 2018, Fiskars expects the Group's comparable net sales to be slightly below the previous year. Comparable EBITA is expected to increase from 2017. The fourth quarter of the year is significant both in terms of net sales and profitability.

Comparable net sales excludes the impact of exchange rates, acquisitions and divestments. Items affecting comparability in EBITA include restructuring costs, impairment charges, integration related costs, acquisitions and divestments, and gain and loss from the sale of businesses.

Helsinki, Finland, October 30, 2018

FISKARS CORPORATION
Board of Directors

FISKARS

CONSOLIDATED INCOME STATEMENT

EUR million	Q3 2018	Q3 2017	Change %	Q1–Q3 2018	Q1–Q3 2017	Change %	Q1–Q4 2017
Net sales	255.8	270.1	-5	794.5	866.3	-8	1,185.5
Cost of goods sold	-147.5	-155.0	-5	-451.7	-493.5	-8	-673.3
Gross profit	108.3	115.2	-6	342.7	372.8	-8	512.2
Other operating income	2.1	2.2	-5	3.5	5.3	-34	7.1
Sales and marketing expenses	-61.9	-65.1	-5	-201.3	-218.7	-8	-300.2
Administration expenses	-22.3	-21.5	4	-73.0	-73.6	-1	-99.9
Research and development costs	-3.9	-3.7	6	-13.2	-12.4	7	-18.8
Other operating expenses	1.0	-0.3	417	0.4	-1.3	129	-2.5
Operating profit (EBIT)*	23.3	26.8	-13	59.1	72.1	-18	97.9
Change in fair value of biological assets	0.5	0.1		1.3	0.4		0.7
Investments at fair value through profit or loss - net change in fair value**		88.7			187.4		107.9
Other financial income and expenses	7.2	7.7		12.7	11.7		11.4
Profit before taxes	31.0	123.3		73.1	271.5		217.8
Income taxes	-3.2	-24.4		-18.0	-58.6		-50.8
Profit for the period	**27.7**	**98.9**		**55.0**	**212.9**		**167.1**
Attributable to:							
Equity holders of the parent company	27.7	98.7		54.9	212.4		166.4
Non-controlling interest	0.0	0.2		0.1	0.5		0.7
Earnings for equity holders of the parent company per share, euro (basic and diluted)***	0.34	0.34		0.67	0.77		0.98
*Comparable EBITA (detailed in notes)	27.0	29.1	-7	72.9	83.5	-13	119.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Profit for the period	**27.7**	**98.9**	**55.0**	**212.9**	**167.1**
Other comprehensive income for the period					
Items that may be reclassified subsequently to profit or loss					
Translation differences	1.9	-6.6	13.2	-25.8	-29.4
Cash flow hedges	0.1	0.1	0.3	0.5	0.6
Items that will not be reclassified to profit or loss					
Net change of investments at fair value through comprehensive income**	-1.0		-19.3		
Defined benefit plan, actuarial gains (losses) net of tax	-0.0	-0.0	-0.4	0.7	0.2
Other comprehensive income for the period net of tax total	1.0	-6.5	-6.1	-24.6	-28.6
Total comprehensive income for the period	**28.6**	**92.4**	**48.9**	**188.3**	**138.5**
Attributable to:					
Equity holders of the parent company	28.5	92.2	48.7	188.1	137.8
Non-controlling interest	0.2	0.2	0.2	0.2	0.7

**Based on the new IFRS 9 standard, adopted January 1, 2018 onwards, the change in fair value of the Wärtsilä holding is presented in other comprehensive income, including deferred taxes, instead of recognizing fair value changes in income statement. Previous period has not been restated.

***Earnings per share does not include net changes in the fair value of the investment portfolio. Reported figures of EUR 1.20 for Q3 2017, EUR 2.59 for Q1-Q3 2017 and EUR 2.04 for full year 2017 have been adjusted accordingly.

CONSOLIDATED BALANCE SHEET

EUR million	Sep 30 2018	Sep 30 2017	Change %	Dec 31 2017
ASSETS				
Non-current assets				
Goodwill	223.8	222.7	0	221.9
Other intangible assets	287.3	284.5	1	279.5
Property, plant & equipment	156.2	152.3	3	155.1
Biological assets	42.9	41.3	4	41.6
Investment property	5.1	5.3	-5	3.9
Financial assets				
Financial assets at fair value through profit or loss	28.4	21.4	33	21.7
Other investments	9.4	9.1	3	8.7
Deferred tax assets	31.2	30.7	2	29.2
Non-current assets total	784.2	767.3	2	761.7
Current assets				
Inventories	237.5	228.6	4	205.2
Trade and other receivables	198.4	212.7	-7	214.4
Income tax receivables	30.5	34.5	-12	33.2
Interest-bearing receivables	0.0	0.0	-23	20.0
Investments at fair value through other comprehensive income	548.1	651.8	-16	572.4
Cash and cash equivalents	15.6	13.0	19	31.1
Current assets total	1,030.0	1,140.6	-10	1,076.2
Assets total	**1,814.3**	**1,907.9**	**-5**	**1,837.9**
EQUITY AND LIABILITIES				
Equity				
Equity attributable to the equity holders of the parent company	1,257.0	1,318.7	-5	1,269.4
Non-controlling interest	2.5	2.6	0	2.8
Equity total	1,259.5	1,321.3	-5	1,272.1
Non-current liabilities				
Interest-bearing liabilities	151.4	151.9	0	151.4
Other liabilities	7.2	6.2	17	7.3
Deferred tax liabilities	67.4	89.3	-25	73.2
Pension liability	14.1	13.0	8	13.3
Provisions	5.5	5.4	2	6.9
Non-current liabilities total	245.5	265.8	-8	252.0
Current liabilities				
Interest-bearing liabilities	69.1	88.5	-22	48.5
Trade and other payables	222.6	209.3	6	246.9
Income tax liabilities	11.5	14.0	-18	10.0
Provisions	6.0	9.0	-34	8.4
Current liabilities total	309.2	320.8	-4	313.7
Equity and liabilities total	**1,814.3**	**1,907.9**	**-5**	**1,837.9**

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CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Q3 2018	Q3 2017	Q1–Q3 2018	Q1–Q3 2017	Q1–Q4 2017
Cash flow from operating activities					
Profit before taxes	31.0	123.3	73.1	271.5	217.8
Adjustments for					
Depreciation, amortization and impairment	9.3	9.2	27.1	27.9	38.8
Gain/loss on sale and loss on scrap of non-current assets	-1.7	-1.1	-2.0	-3.4	-4.3
Investments at fair value through profit or loss - net change in fair value	0.0	-88.7	0.0	-187.4	-107.9
Other financial items	-7.2	-7.6	-12.6	-11.6	-11.2
Change in fair value of biological assets	-0.5	-0.1	-1.3	-0.4	-0.7
Change in provisions and other non-cash items	-3.6	-1.9	-6.0	-10.4	-8.5
Cash flow before changes in working capital	**27.3**	**33.1**	**78.2**	**86.2**	**124.0**
Changes in working capital					
Change in current assets, non-interest-bearing	14.2	-8.3	17.6	-20.7	-23.8
Change in inventories	-4.2	4.1	-27.2	-16.7	8.5
Change in current liabilities, non-interest-bearing	3.8	-4.1	-24.0	-21.8	21.8
Cash flow from operating activities before financial items and taxes	**41.1**	**24.8**	**44.6**	**27.0**	**130.5**
Financial income received and costs paid	-1.0	1.0	-3.7	1.0	-0.7
Taxes paid	-1.2	-0.1	-16.8	-16.2	-26.0
Cash flow from operating activities (A)	**38.8**	**25.7**	**24.1**	**11.7**	**103.8**
Cash flow from investing activities					
Investments in financial assets		-1.6		-1.7	-1.9
Capital expenditure on fixed assets	-12.2	-7.6	-32.0	-24.0	-32.8
Proceeds from sale of fixed assets	1.8	-1.2	2.8	2.7	9.5
Proceeds from sale of non-current assets held for sale				0.0	-1.3
Proceeds from sale of subsidiary shares		-0.0	0.0	-0.1	0.0
Proceeds from sale of investments at fair value through profit or loss	-0.0	-0.0	-0.0	0.2	-0.0
Other dividends received	7.5	7.1	15.0	14.1	14.1
Cash flow from other investments	-1.3		0.0		0.0
Cash flow from investing activities (B)	**-4.2**	**-3.4**	**-14.3**	**-8.8**	**-12.4**
Cash flow from financing activities					
Purchase of treasury shares	-1.0		-1.9	-0.1	-0.1
Change in current receivables	-2.6	0.0	20.0	22.0	2.0
Borrowings of non-current debt	0.2	-0.2	0.5	0.6	0.9
Repayment of non-current debt	-0.1	0.8	-30.2	-0.5	-1.3
Change in current debt	-0.9	-0.3	45.4	53.0	7.3
Payment of finance lease liabilities	-0.1	0.2	-0.2	0.0	-0.6
Cash flow from other financing items	0.3	0.1	0.3	0.2	0.7
Dividends paid	-29.4	-24.6	-59.3	-83.0	-87.0
Cash flow from financing activities (C)	**-33.6**	**-24.1**	**-25.3**	**-7.9**	**-78.0**
Change in cash and cash equivalent (A+B+C)	**1.0**	**-1.8**	**-15.5**	**-4.9**	**13.5**
Cash and cash equivalent at beginning of period	10.5	17.7	31.1	17.7	17.7
Translation difference	5.0	-2.9	-0.0	0.2	-0.1
Cash and cash equivalent at end of period	15.6	13.0	15.6	13.0	31.1

Non-cash changes on interest bearing net debt amounted to EUR 0.2 million arising from unrealized foreign exchange differences.

CONDENSED STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

EUR million	Share capital	Treasury shares	Cumul. transl. diff.	Fair value reserve	Actuarial gains and losses	Financial assets at FVTOCI	Retained earnings	Non-controlling interest	Total
	Attributable to the equity holders of the parent company								
Dec 31, 2016	**77.5**	**-3.2**	**32.3**	**-1.2**	**-4.6**		**1,117.3**	**1.9**	**1,220.1**
Total comprehensive income for the period			-26.4	0.5	0.7		212.4	1.1	188.3
Purchase of treasury shares		-0.1							-0.1
Dividend distribution							-86.6	-0.4	-87.0
Sep 30, 2017	**77.5**	**-3.2**	**6.0**	**-0.7**	**-3.9**		**1,243.1**	**2.6**	**1,321.3**
Total comprehensive income for the period			-3.0	0.1	-0.5		-46.0	-0.4	-49.8
Capital injected by non-controlling interest								0.7	0.7
Dividend distribution								0.0	0.0
Dec 31, 2017	**77.5**	**-3.2**	**3.0**	**-0.6**	**-4.4**		**1,197.1**	**2.8**	**1,272.1**
Adoption of IFRS 9							-1.0		-1.0
Adoption of amendment to IFRS 2							0.5		0.5
Opening Balance Jan 1, 2018	**77.5**	**-3.2**	**3.0**	**-0.6**	**-4.4**		**1,196.5**	**2.8**	**1,271.6**
Total comprehensive income for the period			13.1	0.3	-0.4	-19.3	54.9	0.2	48.9
Disposal and purchase of treasury shares		-1.6							-1.6
Dividend distribution*							-58.8	-0.5	-59.3
Sep 30, 2018	**77.5**	**-4.8**	**16.0**	**-0.3**	**-4.8**	**-19.3**	**1,192.6**	**2.5**	**1,259.5**

*Dividend distribution includes first installment paid in March 2018 and second installment paid in September 2018

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NOTES TO THE INTERIM REPORT

ACCOUNTING PRINCIPLES

This unaudited interim report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements apart from the changes in accounting principles stated below.

Figures presented have been rounded and therefore the sum of individual figures might differ from the presented total figure.

Changes in the accounting principles

The Group adopted the following standards, amendments to standards and interpretations as of 1 January 2018:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the previous revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

The standard includes a five-step model for the revenue recognition. Revenue is allocated to performance obligations based on relative transaction prices. Revenue recognition takes place over time or at a specific point in time, and the key criterion is the passing of control.

The principles in IFRS 15 are applied using the following five steps:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted IFRS 15 using the full retrospective method of adoption. There are no changes impacting the comparative information and therefore, no restatements have been made in the Group's financial statements.

Sale of goods
The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The exact timing of the transfer of control is analyzed contract by contract taking into account the delivery terms, customer acceptance clauses and customer's ability to benefit from the goods delivered. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Warranty obligations
The Group generally provides warranties for general repairs of defects that existed at the time of sale, as required by law. As such, most warranties are assurance-type warranties under IFRS 15, which the Group accounts for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, consistent with its practice prior to the adoption of IFRS 15. If any other warranties, like warranties with extended warranty period, are provided, the impact of those is considered as immaterial.

Variable consideration
The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration to determine the amount of variable consideration that can be included in the transaction price. Some contracts for the sale of goods provide customers with a right of return, discounts and volume rebates. The variable consideration is estimated using expected value method at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration does not impact the comparative information and therefore, no restatements have been made in the Group's financial statements.

Royalties
Fiskars receives sales-based royalties mainly from UK. Fiskars applies the method where the fixed part (minimum guarantee) is recorded as revenue over time applying a measure of progress to the fixed amount on a cumulative basis. The sales based part of the royalty is recorded based on reported sales from counter parties. Sales from royalties is not significant part of the net sales.

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IFRS 9 Financial Instruments and subsequent amendments

The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting and replaces previous IAS 39. The impairment model in IFRS 9 is based on the premise of providing for expected losses.

The new standard primarily causes changes in the accounting principles of financial items and the evaluation of their impairment according to the new expected credit loss model (ECL). It enables to book the change in fair value of investments at fair value, consisting of Fiskars' holdings in Wärtsilä, either in income statement or in other comprehensive income, and from these two options, Fiskars has chosen to start applying reporting the change in fair value of investments at fair value in other comprehensive income. This change compared to previous reporting manner has transferred the change in fair value of such investments from the income statement to other comprehensive income including deferred taxes. The change has not impacted the treatment of those items' balance sheet classification or dividends in the income statement.

In addition, the standard change has moderate impacts on the bad debt provisions of trade receivables because of the expected credit loss model introduced by standard. Expected credit loss model has increased the bad debt provision by EUR 1.0 million, which has been recognized in retained earnings. Previous periods have not been restated.

IFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 are intended to eliminate diversity in three main areas: the effects of vesting conditions on the measurement of a cash-settled share based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. According to the amendments of the standard, Fiskars classifies the share-based arrangements with net settlement features as equity-settled. No restatement of prior periods is made.

Application of new and revised accounting pronouncements under IFRS

On January 1st, 2019, the Group will adopt IFRS 16 Leases

According to the current Leases standard, IAS17, a lessee must separate leases into finance lease agreements booked on the balance sheet and operating lease agreements classified as off-balance sheet items. According to the forthcoming standard IFRS16, all the lessees' lease agreements will be booked as fixed assets in the balance sheet, except short-term contracts with a duration of less than 12 months and lease contracts for which the underlying asset has a low value. The new standard transfers off-balance sheet commitments to the balance sheet, which results in an increase of fixed assets and liabilities and moves former lease expenses to Depreciation and Interest expenses. The amount of commitments was EUR 90 million on 30 September 2018. Agreements treated as commitments however differ from the lease agreements determined by IFRS16 and thus the amount of agreements that will be booked on balance sheet can differ from these commitments.

Based on Fiskars' industry and business model, it acts mostly as lessee in numerous contracts. Major part of the contracts that will be booked on balance sheet are consisting of the lease contracts of stores, offices and warehouses as well as some machinery and equipment. Fiskars has continued with accounting tool implementation during the third quarter of the year and will continue with the needed actions during 2018 to be ready by January 1st, 2019. It has been observed that the variety of contracts in the scope of the standard is comprehensive. Fiskars expects that there will be an impact on both accounting principles and reported figures. This change will also impact financial indicators which are based on the balance sheet, such as gearing. Fiskars is planning to use Cumulative Catch-up as its transition method to IFRS 16.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the valuation of the reported assets and liabilities and other information, such as contingent liabilities and the recognition of income and expenses in the income statement. Although the estimates are based on the management's best knowledge of current events and actions, actual results may differ from the estimates.

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REPORTING SEGMENTS

EUR million	Q3 2018	Q3 2017	Change %	Q1–Q3 2018	Q1–Q3 2017	Change %	Q1–Q4 2017
Net sales							
Living	120.0	133.8	-10	344.9	386.1	-11	573.9
Functional	134.6	135.4	-1	446.8	477.3	-6	607.8
Other	1.1	0.9	19	2.8	2.8	0	3.8
Group total	**255.8**	**270.1**	**-5**	**794.5**	**866.3**	**-8**	**1,185.5**

EUR million	Q3 2018	Q3 2017	Change %	Q1–Q3 2018	Q1–Q3 2017	Change %	Q1–Q4 2017
Operating profit (EBIT)							
Living	7.0	15.5	-55	8.1	25.7	-68	58.4
Functional	17.8	13.0	37	61.8	55.4	11	52.9
Other	-1.5	-1.7	-13	-10.9	-9.0	20	-13.4
Group total	**23.3**	**26.8**	**-13**	**59.1**	**72.1**	**-18**	**97.9**
Depreciation, amortization and impairment							
Living	5.1	4.9	5	15.2	15.1	0	21.3
Functional	3.9	4.1	-5	11.2	12.1	-7	16.5
Other	0.3	0.3	1	0.7	0.7	1	1.0
Group total	**9.3**	**9.2**	**1**	**27.1**	**27.9**	**-3**	**38.8**
Capital expenditure							
Living	5.4	4.6	16	16.5	9.1	81	14.0
Functional	6.1	3.3	84	13.2	12.8	3	19.4
Other	0.8	0.8		2.3	1.5		2.0
Group total	**12.2**	**8.6**	**42**	**32.0**	**23.4**	**37**	**35.4**

NET SALES BY GEOGRAPHY

EUR million	Q3 2018	Q3 2017	Change %	Q1–Q3 2018	Q1–Q3 2017	Change %	Q1–Q4 2017
Net sales							
Europe	119.4	131.3	-9	369.1	402.6	-8	568.5
Americas	104.1	105.8	-2	332.4	355.8	-7	463.0
Asia-Pacific	29.1	33.6	-13	93.0	106.4	-7	152.8
Unallocated	3.2	-0.6		0.0	1.5		1.2
Group total	**255.8**	**270.1**	**-5**	**794.5**	**866.3**	**-8**	**1,185.5**

OPERATING PROFIT AND COMPARABLE EBITA

EUR million	Q3 2018	Q3 2017	Change %	Q1–Q3 2018	Q1–Q3 2017	Change %	Q1–Q4 2017
Operating profit (EBIT)	**23.3**	**26.8**	**-13**	**59.1**	**72.1**	**-18**	**97.9**
Amortization	-3.4	-3.7		-9.9	-10.6		-15.3
EBITA	**26.7**	**30.5**	**-12**	**68.9**	**82.7**	**-17**	**113.2**
Items affecting comparability in EBITA							
Sale of boats business		-1.1			-1.1		-1.2
Personnel-related costs	0.0	-0.7		1.8	-0.6		
Sale of Spring USA	0.0			0.0	0.1		0.0
Ebertsankey related provisions and impairments							0.7
Alignment program	0.3	0.4		2.2	2.5		5.7
Other adjustments to operating profit							0.6
Total items affecting comparability in EBITA	**0.3**	-1.3		**4.0**	0.9		5.8
Comparable EBITA	**27.0**	**29.1**	**-7**	**72.9**	**83.5**	**-13**	**119.0**

INTANGIBLE AND TANGIBLE ASSETS

EUR million	Sep 30 2018	Sep 30 2017	Dec 31 2017
Intangible assets and goodwill			
Book value, Jan 1	501.5	526.0	526.0
Currency translation adjustment	6.7	-15.1	-17.6
Additions	11.9	6.1	6.9
Amortization and impairment	-9.4	-9.6	-13.6
Decreases and transfers	0.4	-0.2	-0.3
Book value at end of period	**511.1**	**507.2**	**501.5**
Investment commitments for intangible assets	2.2	2.1	2.5
Tangible assets and investment property			
Book value, Jan 1	159.0	164.6	164.6
Currency translation adjustment	-0.7	-4.3	-4.4
Additions	20.3	17.0	28.2
Depreciation and impairment	-16.6	-17.0	-23.0
Decreases and transfers	-0.6	-2.7	-6.4
Book value at end of period	**161.3**	**157.6**	**159.0**
Investment commitments for property, plant and equipment	6.0	12.9	9.1

CONTINGENCIES AND PLEDGED ASSETS

EUR million	Sep 30 2018	Sep 30 2017	Dec 31 2017
As security for own commitments			
Lease commitments	90.0	98.2	96.4
Guarantees	20.3	20.2	19.9
Other contingencies*	12.0	13.6	11.8
Contingencies and pledged assets total	**122.3**	**131.9**	**128.1**

*Other contingencies include a commitment of USD 13 million to invest in private equity funds.

Tax risks

Fiskars Group entities are subject to tax audits in several countries. It is possible that tax audits may lead to reassessment of taxes. The tax reassessment claim raised by the Finnish Large Taxpayers' Office in 2016, which obliged the company to pay a total of EUR 28.3 million in additional tax, interest expenses and punitive tax increases, has been appealed against by the company to the Board of Adjustment in the Finnish Large Taxpayers' Office. Fiskars will continue the appeal process in court, if necessary, in which case the process may take years. The dispute concerns intra-group loans forgiven by the company in 2003 and their tax treatment in subsequent tax years.

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DERIVATIVES

EUR million	Sep 30 2018	Sep 30 2017	Dec 31 2017
Nominal amounts of derivatives			
Foreign exchange forwards and swaps	230.6	257.1	184.9
Interest rate swaps	50.0	80.0	80.0
Electricity forward agreements	0.7	1.0	1.0
Fair value of derivatives			
Foreign exchange forwards and swaps	-0.3	0.8	-0.4
Interest rate swaps	-0.5	-1.0	-0.9
Electricity forward agreements	0.4	0.1	0.1

Derivatives have been valued at market value.

EXCHANGE RATE SENSITIVITY OF THE OPERATIONS

Less than 20% of Fiskars' commercial cash flows are exposed to fluctuations in foreign exchange rates. The most significant transaction risks relate to the appreciation of THB and depreciation of SEK, AUD and JPY. The following table presents the estimated annual net commercial cash flows in the most significant currencies:

EUR million	THB	SEK	AUD	JPY	CAD	IDR	USD	NOK
Operational currency position	-38.4	23.3	22.4	15.7	14.8	-13.3	-12.8	8.6
Exchange rate sensitivity of the operations*	3.8	-2.4	-2.2	-1.6	-1.5	1.3	1.3	-0.9

*Illustrates the impact of 10% depreciation of the currency against EUR on the Group's annual profit before taxes had the cash flows not been hedged.

Most of the foreign exchange transaction risks related to the commercial cash flows are hedged primarily through the use of currency forwards and swaps. As Fiskars does not apply hedge accounting to these currency derivatives, both the realized and unrealized gains and losses on the derivatives are included in the income statement.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Sep 30, 2018

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss			28.4	28.4
Investments at fair value through other comprehensive income	548.1			548.1
Other investments	0.4		9.0	9.4
Derivative assets		0.4		0.4
Total assets	**548.5**	**0.4**	**37.4**	**586.2**
Derivative liabilities		0.9		0.9
Total liabilities		**0.9**		**0.9**

Sep 30, 2017

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	651.8		21.4	673.2
Other investments	0.3		8.8	9.1
Derivative assets		0.9		0.9
Total assets	**652.1**	**0.9**	**30.1**	**683.2**
Derivative liabilities		1.0		1.0
Total liabilities		**1.0**		**1.0**

Dec 31, 2017

EUR million	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss	572.4		21.7	594.1
Other investments	0.4		8.5	8.9
Derivative assets		0.1		0.1
Total assets	**572.8**	**0.1**	**30.2**	**603.1**
Derivative liabilities		1.3		1.3
Total liabilities		**1.3**		**1.3**

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Fair value categories

Hierarchy level 1 includes financial assets that are publicly quoted in an active market. Level 2 includes financial assets and liabilities measured using directly observable market inputs. All interest-bearing debts and derivatives fall within this category. Level 3 includes financial assets and liabilities measured using non-market observable inputs. The asset classes in this category are unlisted equity investments and funds.

Investments	**FVTOCI**	**FVTPL**	**Other**		
EUR million	**Level 1**	**Level 3**	**Level 1**	**Level 3**	**Total**
Book value, Dec 31, 2016	**464.4**	**20.4**	**0.4**	**9.3**	**494.4**
Additions		0.1			0.1
Decreases		0.0		-1.1	-1.1
Change in fair value	187.4	0.9	-0.1	0.6	188.7
Book value, Sep 30, 2017	**651.8**	**21.4**	**0.3**	**8.8**	**682.2**
Additions		0.8			0.8
Decreases					
Change in fair value	-79.5	-0.5	0.0	0.2	-79.8
Book value, Dec 31, 2017	**572.4**	**21.7**	**0.4**	**8.5**	**602.9**
Additions	0.0	0.0			0.0
Decreases					
Change in fair value	-24.3	6.7	-0.0	0.5	-17.1
Book value, Sep 30, 2018	**548.1**	**28.4**	**0.4**	**9.0**	**585.8**

Investments at fair value through other comprehensive income (FVTOCI) comprise listed shares and investments at fair value through profit or loss (FVTPL) comprise unlisted funds. Listed shares have been recognized at their fair value based on quotation at the end of the reporting period (fair value hierarchy level 1). Level 1 investments consist mainly of 32,645,343 shares in Wärtsilä with a fair value of EUR 548.1 million. A 10% change in the Wärtsilä share price would have an impact of EUR 43.8 million in the total comprehensive income for the period. Based on the new IFRS 9 standard that Fiskars adopted from January 1, 2018 onwards, Fiskars Group will report the change in fair value in other comprehensive income instead of recognizing fair value changes in income statement. The fair value of unlisted funds is based on the market value reported by the fund (level 3). Changes in the fair value of these are recognized in the income statement as earlier.

Other financial assets comprise listed and unlisted shares as well as non-current receivables. Listed shares have been recognized at their fair value based on quotation at the end of the reporting period (level 1). Unlisted shares and other investments are measured at the lower of cost and fair value (level 3).

ACQUISITIONS AND DIVESTMENTS

Acquisitions and divestments in Q3 2018

There were no acquisitions or divestments during the third quarter 2018.

Acquisitions and divestments in 2017

There were no acquisitions or divestments during the year 2017. However, EUR 1.7 million of net sales reported in 2017 from the divested container gardening business in Europe (December 2016) affects Group's comparable net sales of 2017.