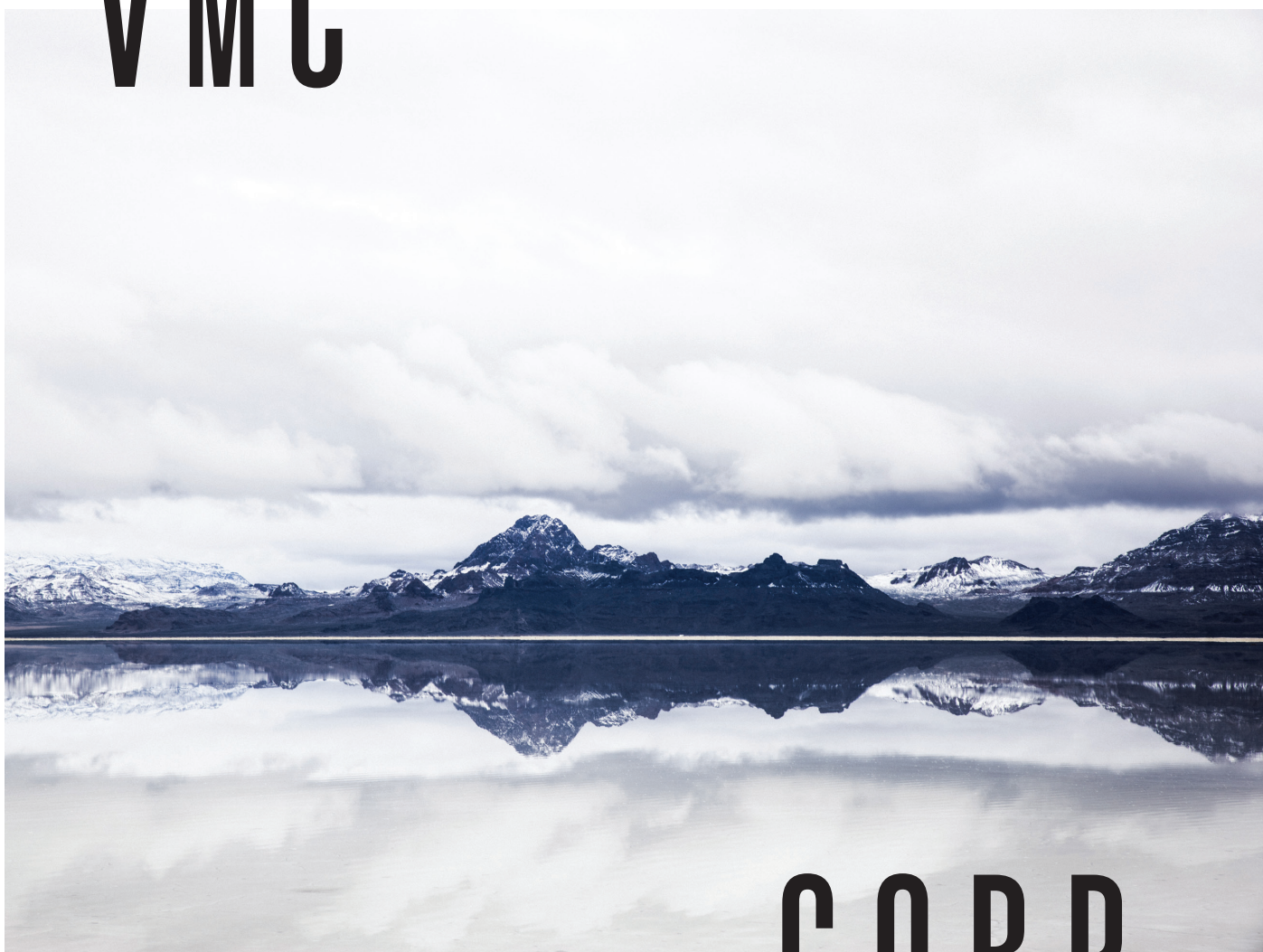


**RAPALA  
VMC**



**CORP.**

**FINANCIAL STATEMENT RELEASE FY 2017**  
FEBRUARY 16, 2018

## **RAPALA VMC CORPORATION'S ANNUAL ACCOUNTS 2017: SOLID CASH FLOW, WHILE SALES AND PROFITABILITY DECREASED AS A RESULT OF DIFFICULT RETAIL MARKETS – STRATEGY EXECUTION PROGRESSING**

### **January-December (FY) in brief:**

- Net sales were 253.3 MEUR, down 3% from previous year (260.6). With comparable exchange rates sales were 3% lower than last year.
- Operating profit was 8.9 MEUR (7.2), Comparable operating profit\* was 11.4 MEUR (18.8).
- Cash flow from operations was 19.1 MEUR (26.7).
- Earnings per share was 0.05 EUR (-0.08).
- Dividend proposal is 0.04 EUR per share (0.10).
- 2018 guidance: Full year net sales with comparable FX rates expected to be above last year's level and comparable operating profit to exceed 15 MEUR.

### **July-December (H2) in brief:**

- Net sales were 112.4 MEUR, down 4% from previous year (117.5). With comparable exchange rates sales were 1% lower than last year.
- Operating profit was -2.1 MEUR (-7.0).
- Comparable operating profit\* was 0.1 MEUR (3.2).
- Cash flow from operations was 11.1 MEUR (20.5).
- Earnings per share was -0.11 EUR (-0.27).

President and CEO Jussi Ristimäki: "2017 turned out to be an exceptional and challenging year. Consequently, our net sales decreased by 3% from last year. The decrease was mainly driven by lower Third Party Products sales, while the sales of Group Products decreased only marginally. The positive highlights for the year were good sales development in carp business and Marttiini knives as well as successful turnarounds in Canada and Southeast Asia.

The ongoing structural changes in the US retail market had a negative impact on our sales and profitability as consumers are increasingly going online. We are responding to this by making more investments into our digital presence and by increased focus on customers operating online. Big European markets were affected by cold spring and late start of the summer as well as tighter competition.

Our profitability decreased from last year followed by operational challenges at our Indonesian manufacturing facility, retail turmoil in North America and declined market conditions in Russia and France. Two of our key customers entered Chapter 11 in North America, which led to write downs of account receivables and loss of business with these customers. Focus on working capital management yielded results and inventories decreased 9.7 MEUR to 92.5 MEUR.

Execution of our strategy of improving profitability, lightening balance sheet and improving operational performance is proceeding well. In July, we made some changes in our management organization to speed up the strategy execution. One of the key priorities for 2018 is to generate a significant profitability improvement at our Indonesian lure factory. We will elaborate more on our strategy and its execution in a capital markets day organized in May 2018."

\* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. "Other items affecting comparability" include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Rapala Group presents alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Definitions and reconciliation of key figures are presented in the financial section of the release.

### Key figures

	H2	H2	Change	FY	FY	Change
MEUR	2017	2016	%	2017	2016	%
Net sales	112.4	117.5	-4%	253.3	260.6	-3%
Operating profit/loss	-2.1	-7.0	+70%	8.9	7.2	+24%
% of net sales	-1.9%	-6.0%		3.5 %	2.8 %	
Comparable operating profit *	0.1	3.2	-97%	11.4	18.8	-39%
% of net sales	0.0%	2.7%		4.5 %	7.2 %	
Cash flow from operations	11.1	20.5	-46%	19.1	26.7	-28%
Gearing %	47.5%	70.6%		47.5%	70.6%	
EPS, EUR	-0.11	-0.27	+59%	0.05	-0.08	+163%

\* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. "Other items affecting comparability" include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

Rapala Group presents alternative performance measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS. Definitions and reconciliation of key figures are presented in the financial section of the release.

### Market environment

Trading conditions were challenging throughout the year, particularly during the first half. Especially in the US, consumers are increasingly shifting to digital sales channels, which is disrupting the traditional retail channels. The turmoil had a negative impact on the Group's sales in North America as two major customers entered Chapter 11. However, the Group has been able to shift lost business to other customers in the marketplace.

In Europe, cold spring and late start of the summer impacted negatively the main fishing season. In addition, the increased price competition in Europe led to underperformance of certain product categories.

### Business Review January-December 2017

The Group's net sales for the year were 3% below last year. Changes in translation exchange rates had a minor negative impact on sales.

#### North America

With comparable exchange rates, sales were at last year's level in North America. The weakened US dollar, however, pulled the sales below last year. The ongoing changes in the US retail landscape, where e-commerce is taking market share from the traditional retail business, caused turmoil during the year. The Group expects to have kept its market share in the US market as the whole fishing tackle business is hit by the same challenges. Canada contributed positively to the whole region's sales as the full year sales grew well above last year's level. The fourth quarter sales in North America were below last year partly driven by early deliveries of certain winter fishing products in the third quarter.

*Nordic*

In the Nordic countries, full year sales were slightly below the level of last year. During the second half of the year, sales recovered well from the first half drop caused by lower hunting sales in Denmark and unfavorable weather conditions in Finland, and the whole region's sales in the second half exceeded last year's level. The Group's knife factory Marttiini showed strong growth supported by the Finland 100 Anniversary Knife sales. Sweden and Norway were also able to significantly increase sales from last year.

*Rest of Europe*

Full year sales for Rest of Europe were below last year's level. Foreign exchange rates supported the region's sales as the Russian ruble appreciated. Unfortunately, the strengthened ruble did not materialize into higher consumer demand. Sales in the other large market in Europe, France, also lagged last year. Sales in France were affected by generally weak demand of fishing tackle products and, at the same time, tightened competition in the industry. Poland, on the other hand, suffered from product portfolio changes. On a positive note, Spain's and Portugal's sales exceeded last year.

*Rest of the World*

Sales for the region were below last year despite positive development in some of the markets. New hunting and outdoor business and sales to Middle East and North Africa helped South Africa to grow sales. Latin America also contributed positively to the region's sales. On the other hand, Thailand suffered from difficult market conditions, especially during the first half of the year. Sales in Australia were impacted by changes in product portfolio and outsourcing of the warehouse operations, which had a negative impact on sales.

*External Net Sales by Area\**

MEUR	FY 2017	FY 2016	Change %	Comparable change %
North America	89.4	91.3	-2%	0%
Nordic	54.3	55.3	-2%	-1%
Rest of Europe	77.6	81.3	-5%	-6%
Rest of the World	31.9	32.7	-2%	-3%
<b>Total</b>	<b>253.3</b>	<b>260.6</b>	<b>-3%</b>	<b>-3%</b>

MEUR	H2 2017	H2 2016	Change %	Comparable change %
North America	41.8	44.9	-7%	0%
Nordic	22.6	21.9	+3%	+4%
Rest of Europe	31.8	33.3	-5%	-5%
Rest of the World	16.2	17.4	-7%	-4%
<b>Total</b>	<b>112.4</b>	<b>117.5</b>	<b>-4%</b>	<b>-1%</b>

MEUR	Q4 2017	Q4 2016	Change %	Comparable change %
North America	18.7	23.6	-21%	-13%
Nordic	11.8	11.0	+7%	+8%
Rest of Europe	13.6	14.6	-7%	-6%
Rest of the World	7.9	8.9	-11%	-7%
<b>Total</b>	<b>52.0</b>	<b>58.1</b>	<b>-10%</b>	<b>-6%</b>

\*Geographical areas are presented based on unit location. Rest of Europe includes France, Russia, Eastern Europe, Spain, Portugal, Great Britain, the Baltic countries, Switzerland and Kazakhstan. Rest of the World includes Asia, Latin America, Australia and South-Africa.

## Financial Results and Profitability

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) operating profit decreased by 7.4 MEUR from last year. The effect of translation exchange rates was slightly positive and with comparable translation exchange rates comparable operating profit was 7.6 MEUR lower than last year. Reported operating profit increased by 1.7 MEUR from last year as the items affecting comparability were lower than last year.

Comparable operating profit margin was 4.5% (7.2) for the year. The decline in profitability was driven by lower sales, operational challenges at the factory in Indonesia and write-downs of account receivables in North America. Despite investments in strategic development areas, which increased fixed costs, Group's overall fixed costs decreased from last year.

Reported operating profit margin was 3.5% (2.8) for the full year. Reported operating profit included loss of mark-to-market valuation of operative currency derivatives of 0.3 MEUR (1.6). Net expenses of other items affecting comparability included in the reported operating profit were 2.3 MEUR (10.0). 2017 items affecting comparability included mainly organizational restructuring expenses and restructuring of the Batam plant in Indonesia. In 2016 items affecting comparability consisted for the most part of inventory write-offs according to renewed Group policy and restructurings.

Total financial (net) expenses were 3.2 MEUR (5.0) for the year. Net interest and other financing expenses were 2.1 MEUR (3.7) and (net) foreign exchange expenses were 1.2 MEUR (1.3). In the second half of the year, the future change in the U.S. federal corporate income tax rate reduced Group's deferred tax liability by 0.6 MEUR, with a corresponding deferred tax income in the income statement.

Net profit for the year was above last year's level and earnings per share were 0.05 EUR (-0.08). The share of non-controlling interest in net profit decreased from last year and totaled 0.0 MEUR (1.0).

### Key figures

MEUR	H2 2017	H2 2016	Change %	FY 2017	FY 2016	Change %
Net sales	112.4	117.5	-4%	253.3	260.6	-3%
Operating profit / loss	-2.1	-7.0	+70%	8.9	7.2	+24%
Comparable operating profit *	0.1	3.2	-97%	11.4	18.8	-39%
Net profit / loss	-3.7	-10.2	+64%	2.3	-2.0	+215%

\* Excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability. Other items affecting comparability include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items.

**Bridge calculation of comparable operating profit**

MEUR	H2 2017	H2 2016	Change %	FY 2017	FY 2016	Change %
<b>Operating profit/loss</b>	<b>-2.1</b>	<b>-7.0</b>	<b>+70%</b>	<b>8.9</b>	<b>7.2</b>	<b>+24%</b>
Mark-to-market valuations of operative currency derivatives	0.2	0.7	-71%	0.3	1.6	-81%
Other items affecting comparability	2.0	9.5	-79%	2.3	10.0	-77%
<b>Comparable operating profit</b>	<b>0.1</b>	<b>3.2</b>	<b>-97%</b>	<b>11.4</b>	<b>18.8</b>	<b>-39%</b>

More detailed bridge of comparable operating profit and definitions and reconciliation of key figures are presented in the financial section of the release.

**Segment Review***Group Products*

With comparable exchange rates, sales of Group Products were slightly below last year's level.

Group fishing product sales were below last year's level driven by lower lure sales in North America as a consequence of the retail turmoil. Carp fishing sales grew clearly from last year following the increased focus and investments on the product category. Winter fishing products benefited from good winter conditions and the sales were higher than last year, especially in the US.

Sales of other group products were up from last year. The sales of hunting products were supported by increased Marttiini Finland 100 Anniversary Knife sales. The sales of winter sports products were also up from last year.

Comparable operating profit for Group Products declined compared to last year. Operating profit was burdened by operational challenges in lure manufacturing and write-downs of account receivables in North America.

*Third Party Products*

The sales of Third Party Products were below last year's level, driven by the loss of a product category in Poland as well as challenging market situation affecting sales especially in Russia and France. Additionally, Third Party hunting products were struggling in Denmark.

Comparable operating profit for Third Party Products was below last year's level burdened by lower sales and increased competition.

**Net Sales by Segment**

MEUR	FY 2017	FY 2016	Change %	Comparable change %
Group Products	168.8	172.1	-2%	-1%
Third Party Products	84.5	88.5	-5%	-6%
<b>Total</b>	<b>253.3</b>	<b>260.6</b>	<b>-3%</b>	<b>-3%</b>

MEUR	H2 2017	H2 2016	Change %	Comparable change %
Group Products	73.9	77.1	-4%	0%
Third Party Products	38.6	40.3	-4%	-3%
<b>Total</b>	<b>112.4</b>	<b>117.5</b>	<b>-4%</b>	<b>-1%</b>

MEUR	Q4 2017	Q4 2016	Change %	Comparable change %
Group Products	35.3	39.2	-10%	-5%
Third Party Products	16.7	18.9	-12%	-9%
<b>Total</b>	<b>52.0</b>	<b>58.1</b>	<b>-10%</b>	<b>-6%</b>

**Comparable operating profit by Segment**

MEUR	H2 2017	H2 2016	Change %	FY 2017	FY 2016	Change %
Group Products	1.6	5.4	-72%	13.0	17.4	-25%
Third Party Products	-1.5	-2.2	+30%	-1.6	1.4	-214%
<b>Comparable operating profit</b>	<b>0.1</b>	<b>3.2</b>	<b>-97%</b>	<b>11.4</b>	<b>18.8</b>	<b>-39%</b>
Items affecting comparability	-2.2	-10.2	+79%	-2.6	-11.6	+78%
<b>Operating profit / loss</b>	<b>-2.1</b>	<b>-7.0</b>	<b>+70%</b>	<b>8.9</b>	<b>7.2</b>	<b>+24%</b>

**Financial position**

Cash flow from operations decreased from last year's record level to historically good level of 19.1 MEUR (26.7) for the year. As a consequence of decreased inventories and timing of trade payables, working capital continued to develop positively and the net change in working capital was -11.6 MEUR (-10.5). The declined profitability, however, pulled cash flow from operations below last year.

Despite lower than anticipated sales, inventories decreased from the end of last year amounting to 92.5 MEUR (102.2). Organic decrease in inventories was 8.0 MEUR, while the rest of the decline is related to changes in translation exchange rates and inventory allowance. The inventory reduction is driven by the ongoing focus on working capital management and various supply chain initiatives.

Net cash used in investing activities was on last year's level amounting to 6.4 MEUR (6.0). Capital expenditure was 6.0 MEUR (8.4), net acquisitions 1.5 MEUR and disposals 0.8 MEUR (2.2). The acquisition was related to South-African subsidiary where the non-controlling interest of the company was acquired. In 2017, the Group received the final installment related to the disposal of the gift business in 2011.

The Group issued a 25 MEUR hybrid bond in May 2017. The bond is treated as equity in the financial statements. It has no maturity but the company may exercise an early redemption option at the earliest on 31 May 2019.

Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to 59.9 MEUR at the end of the year. Following the successful issuance of a hybrid bond in 2017, gearing and net interest-bearing debt decreased from last year and equity-to-assets increased from last year's level. Following the higher ratio between net interest bearing debt and reported EBITDA at the end of the year, the Group renegotiated the leverage covenant for the last quarter of 2017. The Group expects to fulfill the requirements of the lenders also at the end of the first quarter of 2018.

### Key figures

MEUR	H2 2017	H2 2016	Change %	FY 2017	FY 2016	Change %
Cash flow from operations	11.1	20.5	-46%	19.1	26.7	-28%
Net interest-bearing debt at end of period	67.8	96.1	-29%	67.8	96.1	-29%
Gearing %	47.5%	70.6%		47.5%	70.6%	
Equity-to-assets ratio at end of period, %	53.9%	43.1%		53.9%	43.1%	

Definitions and reconciliation of key figures are presented in the financial section of the release.

### Strategy Implementation

The Group updated its strategy in February 2017. Following the conclusions of the strategy update, in order to build a solid financial and operational platform for long term growth, the Group's primary focus in the coming years will be on capturing organic growth opportunities in the fishing tackle business. The Group will also take determined actions to improve its profitability, lighten balance sheet and improve operational performance. In longer term, the target is to return to more aggressive growth track and actively seek synergistic growth opportunities also outside the fishing tackle business.

The Group's existing assets and capabilities form the foundation for future strategies, both in short and long term. Future strategies are built upon utilizing and capitalizing the brand portfolio, manufacturing platform, research and development knowledge, as well as the broad distribution network and strong local presence all around the world supporting the sales of Group's own and selected synergistic third party products.

The execution of the updated strategy started on all levels in the Group. Several organic growth projects are ongoing in all businesses utilizing deep market and customer understanding. Special focus has been set to leverage our global innovation power to serve growing product categories and niches within fishing.

Significant focus and resources were allocated to streamline internal supply chains and to develop sales and operations planning to achieve lower group-wide inventories. Additionally, lean projects were ongoing in several factories. Certain production phases were transferred from Finland to Estonia and Russia. One of the key projects for 2018 is to develop the operations at the lure factory in Indonesia and to fix identified challenges.

The Group made investments in group-wide common IT systems to increase efficiencies and enable better end-to-end supply chain and product management. The Group also increased investments towards digital channels in order to exploit these opportunities stronger in the future.



The Group will organize a capital markets day in May 2018 to elaborate the updated strategy and its execution.

## Product Development

In line with the Group's updated strategy, strengthening and further leveraging the Group's global innovation power is one of the key success factors in the future and key requirement for enhancing the organic growth. By utilizing its unique global market knowledge combined with R&D, manufacturing and sourcing capabilities, the Group will address target markets with new innovative products and concepts and will swiftly respond to market needs.

The Group has reorganized and boosted its lure product development procedure by centralizing the product development know-how and key resources to one location in Vääksy, Finland. The R&D center serves both the European and Asian lure manufacturing units. This has also increased the agility of the product development procedures.

The most important product launch in 2017 was the introduction of the Storm 360 GT soft plastic lure in January 2017, supported with coordinated global marketing campaigns. Rapala Rip Stop hard bait was launched to the US market at the iCAST show in July, aimed mainly at the bass market, the largest target category in the US. The revolutionary Sufix Advance monofilament line with proprietary material technology, was introduced to the trade at EFTTEX in July, winning the Best New Monofilament Line award at the show.

Preparations for the first 2018 new product introductions were finished during the second half of the year 2017, and the Rapala big predator baits, targeted at the European pike and global large predator fishing, were launched with great success in January at the Clermont-Ferrand show in France. Other preparations for new lure and fishing line 2018 launches in the second and third quarter are well under way.

## Organization and Personnel

Average number of personnel was 2 736 (2 829) for the full year and 2 696 (2 740) for the last six months. At the end of December, the number of personnel was 2 626 (2 751).

The Group made the following appointments and changes in the Group's Executive Committee in 2017: Lars Ollberg was appointed as Chief Operating Officer (COO), Jan-Elof Cavander as Chief Financial Officer (CFO), Cyrille Viellard as Head of Market Intelligence and Business Development as well as Tom Mackin assuming a global role in brand management, marketing and e-commerce. Aku Valta left the Executive Committee.

## Short-term Outlook and Risks

2017 was a year of market turmoil and structural changes in retail especially in the US. There is still somewhat lower visibility to the North American market due to the structural changes experienced during 2017. However, the Group sees continued healthy consumer demand for its products via old and new channels. In Europe, the price competition in certain product categories has increased and the markets continue to be competitive.

The Group has launched various strategic initiatives to boost organic growth and improve cost and capital efficiency as well as operational performance in the future. These initiatives will continue to trigger some additional expenses and investments in 2018.

The Group expects full year net sales with comparable FX rates to be above last year's level and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to exceed 15 MEUR.

### **Proposal for profit distribution**

The Board of Directors proposes to the Annual General Meeting that a dividend of 0.04 EUR for 2017 (0.10 EUR) per share is distributed from the Group's distributable equity and remaining distributable funds are carried forward to retained earnings. It is proposed that the dividend is distributed in two equal installments. At December 31, 2017 the distributable equity in Group's parent company totaled 20.1 MEUR.

No material changes have taken place in the Group's financial position after the end of the financial year. The Group's liquidity is good and the view of the Board of Directors is that the distribution of the proposed dividend will not undermine this liquidity.

### **Financial Statements and Annual General Meeting**

Financial Statements for 2017 and Corporate Governance Statement will be published in the beginning of week 10 commencing on March 5, 2018. Annual General Meeting is planned to be held on March 29, 2018.

Half Year Financial Report 2018 will be published on July 20, 2018.

Helsinki, February 16, 2018

Board of Directors of Rapala VMC Corporation

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A conference call on the financial year result will be arranged today at 11:00 a.m. Finnish time (10:00 a.m. CET). Please dial +44 (0)330 336 9104 or +1 323 794 2442 or +358 (0)9 7479 0360 (pin code: 114489) five minutes before the beginning of the event. A replay facility will be available for 14 days following the teleconference. The number to dial +44 (0) 207 660 0134 (pin code: 7833646). Financial information and teleconference replay facility are available at [www.rapalavmc.com](http://www.rapalavmc.com).

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** (unaudited)

<b>STATEMENT OF INCOME</b>	<b>H2</b>	<b>H2</b>	<b>FY</b>	<b>FY</b>
MEUR	<b>2017</b>	2016	<b>2017</b>	2016
<b>Net sales</b>	<b>112.4</b>	117.5	<b>253.3</b>	260.6
Other operating income	<b>0.5</b>	1.1	<b>1.1</b>	1.3
Materials and services	<b>53.5</b>	65.3	<b>117.0</b>	129.0
Employee benefit expenses	<b>32.4</b>	32.5	<b>67.6</b>	67.6
Other operating expenses	<b>26.0</b>	24.1	<b>54.1</b>	51.1
Share of results in associates and joint ventures	<b>0.0</b>	-0.1	<b>0.0</b>	-0.1
<b>EBITDA</b>	<b>1.2</b>	-3.5	<b>15.7</b>	14.1
Depreciation, amortization and impairments	<b>3.3</b>	3.5	<b>6.9</b>	6.9
<b>Operating profit/loss (EBIT)</b>	<b>-2.1</b>	-7.0	<b>8.9</b>	7.2
Financial income and expenses	<b>1.4</b>	2.2	<b>3.2</b>	5.0
<b>Profit/loss before taxes</b>	<b>-3.5</b>	-9.2	<b>5.6</b>	2.2
Income taxes	<b>0.2</b>	1.1	<b>3.3</b>	4.2
<b>Net profit/loss for the period</b>	<b>-3.7</b>	-10.2	<b>2.3</b>	-2.0
<b>Attributable to:</b>				
Equity holders of the company	<b>-3.5</b>	-10.4	<b>2.4</b>	-3.0
Non-controlling interests	<b>-0.2</b>	0.2	<b>0.0</b>	1.0
<b>Earnings per share for profit attributable to the equity holders of the parent company:</b>				
Earnings per share, EUR (diluted = non-diluted)	<b>-0.11</b>	-0.27	<b>0.05</b>	-0.08
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>H2</b>	<b>H2</b>	<b>FY</b>	<b>FY</b>
MEUR	<b>2017</b>	2016	<b>2017</b>	2016
<b>Net profit/loss for the period</b>	<b>-3.7</b>	-10.2	<b>2.3</b>	-2.0
<b>Other comprehensive income, net of tax</b>				
Change in translation differences*	<b>-4.8</b>	6.2	<b>-13.6</b>	4.2
Gains and losses on cash flow hedges*	<b>0.0</b>	0.4	<b>0.2</b>	0.5
Gains and losses on net investment hedges*	<b>-1.1</b>	0.0	<b>-1.9</b>	0.8
Remeasurements of defined benefit liabilities	<b>0.0</b>	0.1	<b>0.0</b>	0.1
<b>Total other comprehensive income, net of tax</b>	<b>-5.9</b>	6.7	<b>-15.3</b>	5.6
<b>Total comprehensive income for the period</b>	<b>-9.5</b>	-3.6	<b>-12.9</b>	3.6
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent company	<b>-9.3</b>	-4.1	<b>-12.7</b>	1.9
Non-controlling interests	<b>-0.3</b>	0.5	<b>-0.3</b>	1.6

\* Item that may be reclassified subsequently to the statement of income

STATEMENT OF FINANCIAL POSITION MEUR	Dec 31 2017	Dec 31 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	73.3	78.2
Property, plant and equipment	32.7	36.2
Non-current assets		
Interest-bearing	0.0	0.0
Non-interest-bearing	7.1	9.1
	<u>113.2</u>	<u>123.5</u>
<b>Current assets</b>		
Inventories	92.5	102.2
Current assets		
Interest-bearing	-	0.9
Non-interest-bearing	49.7	55.8
Cash and cash equivalents	10.3	33.8
	<u>152.4</u>	<u>192.7</u>
<b>Total assets</b>	<u><u>265.6</u></u>	<u><u>316.1</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Equity attributable to the equity holders of the parent company	110.7	127.5
Non-controlling interests	6.9	8.6
Hybrid bond	25.0	-
	<u>142.7</u>	<u>136.1</u>
<b>Non-current liabilities</b>		
Interest-bearing	34.6	41.5
Non-interest-bearing	9.3	11.6
	<u>43.9</u>	<u>53.1</u>
<b>Current liabilities</b>		
Interest-bearing	43.5	89.3
Non-interest-bearing	35.5	37.6
	<u>79.0</u>	<u>126.9</u>
<b>Total equity and liabilities</b>	<u><u>265.6</u></u>	<u><u>316.1</u></u>

<b>STATEMENT OF CASH FLOWS</b>	<b>H2</b>	<b>H2</b>	<b>FY</b>	<b>FY</b>
MEUR	<b>2017</b>	2016	<b>2017</b>	2016
<b>Net profit/loss for the period</b>	<b>-3.7</b>	-10.2	<b>2.3</b>	-2.0
Adjustments to net profit / loss for the period *	<b>3.5</b>	16.9	<b>11.6</b>	26.4
Financial items and taxes paid and received	<b>-3.0</b>	-3.9	<b>-6.4</b>	-8.2
Change in working capital	<b>14.3</b>	17.8	<b>11.6</b>	10.5
<b>Net cash generated from operating activities</b>	<b>11.1</b>	20.5	<b>19.1</b>	26.7
Investments	<b>-3.3</b>	-3.4	<b>-6.0</b>	-8.4
Proceeds from sales of assets	<b>0.1</b>	0.0	<b>0.2</b>	0.2
Acquisition of non-controlling interest in South African subsidiary	<b>-1.5</b>	-	<b>-1.5</b>	-
Proceeds from disposal of subsidiaries, net of cash	<b>0.8</b>	1.0	<b>0.8</b>	1.0
Proceeds from disposal of joint ventures	-	1.2	-	1.2
Change in interest-bearing receivables	<b>0.0</b>	0.0	<b>0.0</b>	0.0
<b>Net cash used in investing activities</b>	<b>-3.8</b>	-1.2	<b>-6.4</b>	-6.0
Dividends paid to parent company's shareholders	<b>-1.9</b>	-	<b>-3.8</b>	-5.7
Dividends paid to non-controlling interest	-	-	<b>-1.5</b>	-
Net funding	<b>-17.0</b>	1.9	<b>-51.2</b>	5.7
Hybrid bond	<b>-0.3</b>	-	<b>24.7</b>	-
Purchase of own shares	-	-	-	-0.2
<b>Net cash generated from financing activities</b>	<b>-19.2</b>	1.9	<b>-31.8</b>	-0.2
Change in cash and cash equivalents	<b>-11.9</b>	21.2	<b>-19.1</b>	20.5
Cash & cash equivalents at the beginning of the period	<b>24.0</b>	10.4	<b>33.8</b>	11.4
Foreign exchange rate effect	<b>-1.8</b>	2.2	<b>-4.4</b>	1.9
<b>Cash and cash equivalents at the end of the period</b>	<b>10.3</b>	33.8	<b>10.3</b>	33.8

\* Includes reversal of non-cash items, income taxes and financial income and expenses.

#### Changes in liabilities included in net funding

MEUR	
Liabilities Jan 1, 2017	130.3
Drawdowns	77.2
Repayments	-127.3
Unrealized foreign exchange differences*	-2.1
Liabilities Dec 31, 2017	78.1

#### Net funding

Drawdowns and repayments from loans	-50.1
Derivatives and other realized foreign exchange on financial activities	-1.1
<b>Net funding</b>	<b>-51.2</b>

\*Unrealized foreign exchange differences from loans are not included in cash flow statement

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MEUR	Attributable to equity holders of the company									Total equity
	Share capital	Share premium fund	Hedging fund	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Non-controlling interests	Hybrid bond	
<b>Equity on Jan 1, 2016</b>	<b>3.6</b>	<b>16.7</b>	<b>-0.7</b>	<b>4.9</b>	<b>-5.4</b>	<b>-2.6</b>	<b>115.0</b>	<b>8.5</b>	<b>-</b>	<b>140.0</b>
Comprehensive income *	-	-	0.5	-	-	4.3	-2.9	1.6	-	<b>3.6</b>
Purchase of own shares	-	-	-	-	-0.2	-	-	-	-	<b>-0.2</b>
Dividends	-	-	-	-	-	-	-5.7	-1.5	-	<b>-7.2</b>
<b>Equity on Dec 31, 2016</b>	<b>3.6</b>	<b>16.7</b>	<b>-0.2</b>	<b>4.9</b>	<b>-5.6</b>	<b>1.7</b>	<b>106.4</b>	<b>8.6</b>	<b>-</b>	<b>136.1</b>
<b>Equity on Jan 1, 2017</b>	<b>3.6</b>	<b>16.7</b>	<b>-0.2</b>	<b>4.9</b>	<b>-5.6</b>	<b>1.7</b>	<b>106.4</b>	<b>8.6</b>	<b>-</b>	<b>136.1</b>
Comprehensive income *	-	-	0.2	-	-	-15.3	2.4	-0.3	-	<b>-12.9</b>
Dividends	-	-	-	-	-	-	-3.8	-	-	<b>-3.8</b>
Transactions with non-controlling interests	-	-	-	-	-	-	-0.1	-1.4	-	<b>-1.5</b>
Hybrid bond	-	-	-	-	-	-	-	-	25.0	<b>25.0</b>
Hybrid bond expenses	-	-	-	-	-	-	-0.2	-	-	<b>-0.2</b>
<b>Equity on Dec 31, 2017</b>	<b>3.6</b>	<b>16.7</b>	<b>0.0</b>	<b>4.9</b>	<b>-5.6</b>	<b>-13.6</b>	<b>104.7</b>	<b>6.9</b>	<b>25.0</b>	<b>142.7</b>

## NOTES TO THE STATEMENT OF INCOME AND FINANCIAL POSITION

The financial information included in this financial statement release is unaudited.

This financial statement release has been prepared in accordance with IAS 34 (Interim Financial Reporting). Accounting principles adopted in the preparation of this report are consistent with those used in the preparation of the financial statements 2016. Any new amendments to IFRS standards or IFRIC interpretations did not have a material impact on the information presented in this release. The Group has implemented these new or amended IAS/IFRS standards and interpretations mandatory as of 1 January 2017: Annual Improvements to IFRS standards (IAS7 amendment requiring a new disclosure to consolidated statement of cash flows was added)

## Implementation of the new IFRS standards on January 1, 2018 and on January 1, 2019

On January 1, 2018 the Group will adopt the new standard IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments and subsequent amendments.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made.

In the fourth quarter of 2017 the Group finalized the impact evaluation and summarized results of the standard, taken necessary actions for implementation of the standard and prepared documentation before the standard effective date. The Group will start reporting according to IFRS 15 during H1/2018. The standard will not have a material impact on the Group's consolidated financial statement, although increasing disclosure requirements.

The Group is in the business of manufacturing, sourcing and distributing of mainly fishing tackle equipment as well as hunting, outdoor and winter sports equipment. Contract terms for sale of fishing tackle and other equipment cover only one distinct performance obligations per contract, which are normally not linked to any other goods or services, and are thus accounted for separately. The Group recognizes revenue at a point in time when it satisfies its performance obligations by transferring goods to customers, which is when the customer obtains control of the goods. Some contracts with customers include cash discounts, volume rebates and marketing support fees. Such provisions give rise to variable consideration under IFRS 15 and will be required to be estimated at contract inception. The accounting treatment does not materially differ from the Group's current practice.

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

In the fourth quarter of 2017 the Group finalized the impact evaluation and summarized results of the standard, taken necessary actions for implementation of the standard and prepared documentation before the standard effective date. The Group will start reporting according to IFRS 9 from January 1, 2018. No restatement of prior periods is required by the new standard.

The Group has observed that there will be modest, non-material, impacts on the bad debt provisions of trade receivables due to the new ECL (Expected Credit Loss) model introduced by the standard. The Group has finalized the impact assessment of the standard during the fourth quarter of 2017 and if the the Group had already applied this new ECL model at the end of 2017 bad debt provisions would have been 0.1 MEUR greater. The Group designed an ECL model where Group entities were divided by market areas and their trade receivables data were analyzed by aging, actual bad debts and allowance booked. The allowances were analyzed to be higher than the actual bad debts booked. For aging receivables, the percentages are rising based on best estimates regarding the increased risk of expected credit loss and for the receivables over 18 months old, 100% are written off.

IFRS 16 Leases. According to the current Leases standard, IAS17, a lessee has to separate leases into finance lease agreements booked on the balance sheet and operating lease agreements classified as off-balance sheet items. IFRS 16 standard specifies how to recognize, measure, present and disclose leases. It introduces a single model for accounting leases on a balance sheet of a lessee. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and low value leases. Lessor accounting remains similar to the current standard, where leases are classified either as finance or operating leases. Based on the Group's industry and business model it acts mostly as lessee in numerous contracts. The Group has started a preliminary assessment of the impacts on its financial statements. The Group will recognize new assets and liabilities for its operating leases of facilities and vehicles. The nature of lease expenses will change, as IFRS 16 replaces the lease expenses currently shown in other operating expenses with a depreciation charge for right-of-use assets and interest expense on lease liabilities shown in financial expenses.

The amount of off-balance sheet commitments was EUR 11 million on December 31, 2017. 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. The Group continues with more detailed assessment of the impacts of this new standard.

### **Use of estimates and rounding of figures**

Complying with IFRS in preparing financial statements requires the management to make estimates and assumptions. Such estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the amounts of revenues and expenses. Although these estimates are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

All figures in these accounts have been rounded. Consequently, the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

### **Events after the end of the half year period**

The Group has no knowledge of any significant events after the end of the reporting period that would have a material impact on the financial statements for January-December 2017. Material events after the end of the half year period, if any, have been discussed in the commentary section of the Board of Directors.

### **Acquisitions**

In March 2017, the Group has acquired the non-controlling interest of 30% in Rapala VMC South-Africa Distributors Pty Ltd. After the acquisition the Group owns 100% of the shares of the subsidiary. The acquisition price of 1.5 MEUR is included in current non-interest-bearing liabilities.

### **Hybrid bond**

In May 2017, the Group issued a EUR 25 million hybrid bond, which is classified as equity with no maturity date and is subordinated to other debt obligations. The bond bears a fixed interest rate of 5.375 per cent per annum until May 31, 2019. The Group is entitled to redeem the hybrid bond after 2 years. The interest on hybrid bond is paid if the Annual General Meeting decides to pay a dividend or in other ways to distribute capital to shareholders. If a dividend is not paid the Group has the right to decide on the possible payment of interest at its own discretion. Non-payable interest accumulates and is disclosed as off-balance sheet commitment. The hybrid bond does not confer to its holders the rights of a shareholder and does not dilute the holdings of the current shareholders. According to IAS 33, interest accrued in local books has been taken into account as an expense in earnings per share calculation as described in calculation of key figures. The accrued interest on hybrid bond at December 31, 2017 is EUR 0.8 million.



Key figures	H2	H2	FY	FY
	2017	2016	2017	2016
EBITDA, % of net sales	1.0%	-2.9%	6.2%	5.4%
Operating profit, % of net sales	-1.9%	-6.0%	3.5%	2.8%
Return on capital employed, %	-2.0%	-5.8%	4.0%	3.0%
Capital employed at end of period, MEUR	210.5	232.2	210.5	232.2
Net interest-bearing debt at end of period, MEUR	67.8	96.1	67.8	96.1
Equity-to-assets ratio at end of period, %	53.9%	43.1%	53.9%	43.1%
Debt-to-equity ratio at end of period, %	47.5%	70.6%	47.5%	70.6%
Earnings per share, EUR (diluted = non-diluted)	-0.11	-0.27	0.05	-0.08
Equity per share at end of period, EUR	2.89	3.33	2.89	3.33
Average personnel for the period	2 696	2 740	2 736	2 829

Definitions and reconciliation of key figures are presented in the end of the financial section.

Key figures by half year MEUR	H1	H2	H1	H2	H1	H2
	2015	2015	2016	2016	2017	2017
Net sales	154.0	124.2	143.1	117.5	140.9	112.4
EBITDA	20.9	7.2	17.6	-3.5	14.5	1.2
Operating profit/loss	17.4	3.6	14.2	-7.0	11.0	-2.1
Profit/loss before taxes	13.3	0.9	11.4	-9.2	9.2	-3.5
Net profit/loss for the period	8.3	-0.2	8.2	-10.2	6.0	-3.7

Bridge calculation of comparable operating profit MEUR	H2	H2	Change	FY	FY	Change
	2017	2016	%	2017	2016	%
<b>Operating profit/loss</b>	<b>-2.1</b>	<b>-7.0</b>	<b>+70 %</b>	<b>8.9</b>	<b>7.2</b>	<b>+24 %</b>
<i>Items affecting comparability</i>						
Mark-to-market valuations of operative currency derivatives	0.2	0.7	-71%	0.3	1.6	-81%
<i>Other items affecting comparability</i>						
Restructurings						
Management restructuring	1.1			1.1		
Indonesia manufacturing restructuring	0.8			0.8		
France restructuring	0.0	0.5		0.3	0.7	
Southeast Asian distribution restructuring					0.2	
Finland restructuring	-0.1			0.1		
Other restructurings	0.0	0.2		0.1	0.2	
Insurance compensations		-0.6		-0.2	-0.6	
Redefined provision on inventory value		9.2			9.2	
Other items	0.2	0.3		0.2	0.3	
<b>Comparable operating profit</b>	<b>0.1</b>	<b>3.2</b>	<b>-97 %</b>	<b>11.4</b>	<b>18.8</b>	<b>-39 %</b>

**Segment information**

MEUR	H2	H2	FY	FY
<b>Net sales by operating segment</b>	<b>2017</b>	2016	<b>2017</b>	2016
Group Products	<b>73.9</b>	77.1	<b>168.8</b>	172.1
Third Party Products	<b>38.6</b>	40.3	<b>84.5</b>	88.5
<b>Total</b>	<b>112.4</b>	117.5	<b>253.3</b>	260.6

**Operating profit/loss by operating segment**

Group Products	<b>1.6</b>	5.4	<b>13.0</b>	17.4
Third Party Products	<b>-1.5</b>	-2.2	<b>-1.6</b>	1.4
<b>Comparable operating profit</b>	<b>0.1</b>	3.2	<b>11.4</b>	18.8
Items affecting comparability	<b>-2.2</b>	-10.2	<b>-2.6</b>	-11.6
<b>Operating profit/loss</b>	<b>-2.1</b>	-7.0	<b>8.9</b>	7.2

**Assets by operating segment**

MEUR	Dec 31	Dec 31
	<b>2017</b>	2016
Group Products	<b>204.8</b>	226.3
Third Party Products	<b>50.4</b>	55.1
Non-interest-bearing assets total	<b>255.3</b>	281.4
Unallocated interest-bearing assets	<b>10.3</b>	34.7
<b>Total assets</b>	<b>265.6</b>	316.1

**External net sales by area**

MEUR	H2	H2	FY	FY
	<b>2017</b>	2016	<b>2017</b>	2016
North America	<b>41.8</b>	44.9	<b>89.4</b>	91.3
Nordic	<b>22.6</b>	21.9	<b>54.3</b>	55.3
Rest of Europe	<b>31.8</b>	33.3	<b>77.6</b>	81.3
Rest of the world	<b>16.2</b>	17.4	<b>31.9</b>	32.7
<b>Total</b>	<b>112.4</b>	117.5	<b>253.3</b>	260.6

**Commitments**

MEUR	Dec 31	Dec 31
	<b>2017</b>	2016
<b>Minimum future lease payments on operating leases</b>	<b>10.6</b>	14.2

The accrued interest on hybrid bond at December 31, 2017 is EUR 0.8 million.

Related party transactions MEUR	Sales and other income	Pur- chases	Rents paid	Other expen- ses	Recei- vables	Pay- ables
<b>FY 2017</b>						
<b>Associated company Lanimo Oü</b>	<b>0.0</b>	<b>0.1</b>	-	-	<b>0.0</b>	-
<b>Entity with significant influence over the Group*</b>	-	-	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	-
<b>Management</b>	<b>0.0</b>	-	<b>0.3</b>	<b>0.0</b>	-	<b>0.0</b>
<b>FY 2016</b>						
Joint venture Shimano Normark UK Ltd	2.8	-	-	-	-	-
Associated company Lanimo Oü	-	0.1	-	-	0.0	-
Entity with significant influence over the Group*	-	-	0.2	0.1	0.0	-
Management	-	-	0.2	0.0	-	0.0

\* Lease agreement for the real estate for the consolidated operations in France and a service fee.

Open derivatives MEUR	31.12.2017		31.12.2016	
	Nominal Value	Fair Value	Nominal Value	Fair Value
<b>Derivative financial instruments designed as cash flow hedges</b>				
Interest rate swaps, less than 12 months	-	-	27.5	-0.1
Interest rate swaps, 1 to 5 years	<b>10.4</b>	<b>0.0</b>	16.7	-0.1
<b>Total</b>	<b>10.4</b>	<b>0.0</b>	44.1	-0.2
<b>Derivative financial instruments designed as cash flow and fair value hedges</b>				
Cross currency swaps, less than 12 months	-	-	15.0	-0.7
<b>Total</b>	-	-	15.0	-0.7
<b>Non-hedge accounting derivative financial instruments</b>				
Interest rate swaps, less than 12 months	-	-	20.0	-0.2
Interest rate swaps, 1 to 5 years	<b>16.0</b>	<b>0.1</b>	16.0	-
Currency derivatives, less than 12 months	<b>41.8</b>	<b>-0.5</b>	52.2	0.1
Cross currency swaps, 1 to 5 years	<b>10.1</b>	<b>-0.7</b>	-	-
<b>Total</b>	<b>67.9</b>	<b>-1.0</b>	88.2	-0.1

The changes in the fair values of derivatives that are designated as hedging instruments but do not qualify for hedge accounting are recognized based on their nature either in operative costs, if the hedged item is an operative transaction, or in financial income and expenses if the hedged item is a monetary transaction. Some derivatives designated to hedge monetary items are accounted for according to hedge accounting. Financial risks and hedging principles are described in detail in the financial statements 2017.

In 2017 full year, the amount of the ineffective portion that was recognized in the financial income and expenses of income statement was 0.0 MEUR (0.0).

**Changes in unrealized mark-to-market valuations for operative foreign currency derivatives**

	H2 2017	H2 2016	FY 2017	FY 2016
<b>Included in operating profit</b>	<b>-0.2</b>	<b>-0.7</b>	<b>-0.3</b>	<b>-1.6</b>

Operative foreign currency derivatives that are marked-to-market on reporting date cause timing differences between the changes in derivatives' fair values and hedged operative transactions. Changes in fair values for derivatives designated to hedge future cash flow, but are not accounted for according to the principles of hedge accounting, impact the Group's operating profit for the accounting period. The changes in unrealized valuations include both valuations of derivatives that will realize in the future periods as well as reversal of previously accumulated value of derivatives that realized in the accounting period.

<b>Fair values of financial instruments</b>	<b>Dec 31 2017</b>		<b>Dec 31 2016</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
MEUR				
<b>Assets</b>				
Available-for-sale financial assets (level 3)	<b>0.3</b>	<b>0.3</b>	0.3	0.3
Derivatives (level 2)	<b>0.3</b>	<b>0.3</b>	0.8	0.8
<b>Total</b>	<b>0.6</b>	<b>0.6</b>	1.0	1.0
<b>Liabilities</b>				
Non-current interest-bearing liabilities (excl. derivatives)	<b>34.6</b>	<b>34.6</b>	41.5	41.5
Derivatives (level 2)	<b>1.4</b>	<b>1.4</b>	1.7	1.7
<b>Total</b>	<b>36.0</b>	<b>36.0</b>	43.2	43.2

Fair values of other financial instruments do not differ materially from their carrying value.

**Shares and share capital**

On March 30, 2017 The Annual General Meeting (AGM) updated Board's authorization on repurchase of shares. A separate stock exchange release on the decisions of the AGM was given, and up to date information on the Board's authorizations and other decisions of the AGM are available also on the corporate website.

<b>Share related key figures</b>	<b>Dec 31, 2017</b>	<b>Dec 31, 2016</b>
Number of shares	<b>39 000 000</b>	39 000 000
Number of shares, average	<b>39 000 000</b>	39 000 000
Number of treasury shares	<b>677 208</b>	677 208
Number of treasury shares, %	<b>1.7%</b>	1.7%
Number of outstanding shares	<b>38 322 792</b>	38 322 792
Number of shares traded, YTD	<b>4 096 349</b>	2 782 154
Share price at the end of the period	<b>3.33</b>	4.13
Highest share price, YTD	<b>4.68</b>	4.90
Lowest share price, YTD	<b>3.29</b>	3.90
Average price of treasury shares, all time	<b>5.08</b>	5.08
Acquired treasury shares, YTD	-	37 537

### Short term risks and uncertainties

The objective of Rapala VMC Corporation's risk management is to support implementation of the Group's strategy and execution of business targets. Group management continuously develops its risk management practices and internal controls. Detailed descriptions of the Group's strategic, operative and financial risks as well as risk management principles will be included in the Financial Statements 2017.

Due to the nature of the fishing tackle business and the geographical scope of the Group's operations, the business has traditionally been seasonally stronger in the first half of the year compared to the second half. Weathers impact consumer demand and may have impact on the Group's sales for current and following seasons. However, the weather risk is well diversified as the Group has a wide geographical footprint as well as serving both summer and winter season markets.

The biggest deliveries for peak seasons are concentrated into relatively short time periods, and hence a well-functioning supply chain is required. The uncertainties in future demand as well as the length of the Group's supply chain increases complexity in supply chain management. Delays in shipments from internal or external suppliers or unexpected changes in customer demand upwards or downwards may lead to shortages and lost sales or excess inventories and subsequent clearance sales with lower margins.

The Group's credit facilities include some profitability, net debt and equity related financial covenants, which are actively monitored. Following decreased reported EBITDA, the Group and its lenders renegotiated the leverage covenant for fourth quarter of 2017. The Group expects to fulfill the requirements of its lenders at the end of the first quarter in 2018. Liquidity and refinancing risks are well under control, but leverage level may put pressure on Group's financing costs.

Increased uncertainties and downturns in the general economic climate may influence the sales of fishing tackle, when retailers reduce their inventory levels and face financial challenges. Also, quick and strong increases in living expenses, sudden fluctuations in foreign exchange rates and governmental austerity measures may temporarily affect consumer spending. However, the underlying consumer demand has historically proven to be fairly solid. Political tensions may have negative effects on the Group's business and geopolitical development is followed closely.

The truly global nature of the Group's sales and operations diversifies market risks. The Group is cautiously monitoring the development both in global macro economy as well as in the various local markets it operates in. While Group's customer base is generally diversified, changes in retail landscape may have impact on purchase behavior of customers.

Cash collection and credit risk management is high on the agenda of local management and this may affect sales to some customers. Quality of the accounts receivables is monitored closely and write-downs are initiated if needed.

The Group's sales and profitability are impacted by the changes in foreign exchange rates and the risks are monitored actively. To fix the exchange rates of future foreign exchange denominated sales and purchases as well as financial assets and liabilities, the Group has entered into several currency hedging agreements according to the foreign exchange risk management policy set by the Board of Directors. As the Group is not applying hedge accounting in accordance to IAS 39, the unrealized mark-to-market valuations of operative currency hedging agreements have an impact on the Group's reported operating profit. Some of Group's currency positions are not possible or feasible to be hedged, and therefore may have impact on the Group's net result. The Group is closely monitoring market development as well as its cost structure and considering possibility and feasibility of price increases, hedging actions and cost rationalization.

No significant changes are identified in the Group's strategic risks or business environment.

**Definitions of key figures**

Operating profit before depreciation and impairments (EBITDA)	Operating profit + depreciation and impairments
Items affecting comparability	Change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Other items affecting comparability	Restructuring costs + impairments +/- gains and losses on business combinations and disposals - insurance compensations +/- other non-operational items
Comparable operating profit	Operating profit +/- change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Net interest-bearing debt	Total interest-bearing liabilities - total interest-bearing assets - cash and cash equivalents
Capital employed (average for the period)	Total equity (average for the period) + net interest-bearing debt (average for the period)
Working capital	Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	Total liabilities - interest-bearing liabilities
Return on capital employed (ROCE), %	$\frac{\text{Operating profit (full-year adjusted)} \times 100}{\text{Capital employed (average for the period)}}$
Debt-to-equity ratio (Gearing), %	$\frac{\text{Net interest-bearing debt} \times 100}{\text{Total equity}}$
Equity-to-assets ratio, %	$\frac{\text{Total equity} \times 100}{\text{Total shareholders' equity and liabilities - advances received}}$
Earnings per share, EUR	$\frac{\text{Net profit for the period attributable to the equity holders of the parent company - hybrid capital accrued unrecognised interests after tax}}{\text{Adjusted weighted average number of shares}}$
Equity per share, EUR	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Adjusted number of shares at the end of the period}}$
Average number of personnel	Calculated as average of month end personnel amounts

## Reconciliation of key figures to IFRS

	H2 2017	H2 2016	FY 2017	FY 2016
<b>Items affecting comparability</b>				
Change in mark-to-market valuations of operative derivatives	0.2	0.7	0.3	1.6
Other items affecting comparability	2.0	9.5	2.3	10.0
Items affecting comparability	2.2	10.2	2.6	11.6
<b>Other items affecting comparability</b>				
Restructuring costs	1.8	0.7	2.3	1.1
Insurance compensations		-0.6	-0.2	-0.6
Redefined provision on inventory value		9.2		9.2
Other non-operational items	0.2	0.3	0.2	0.3
Other items affecting comparability	2.0	9.5	2.3	10.0
<b>Capital employed (average)</b>				
Total equity (average for the period)	147.5	137.9	139.4	138.0
Net interest-bearing debt (average for the period)	69.9	105.2	82.0	102.1
Capital employed (average)	217.0	243.1	221.4	240.2
<b>Return on capital employed (ROCE), %</b>				
Operating profit (full-year adjusted)	-4.2	-14.0	8.9	7.2
Capital employed (average for the period)	217.0	243.1	221.4	240.2
Return on capital employed (ROCE), %	-2.0%	-5.8%	4.0%	3.0%
<b>Equity-to-assets ratio, %</b>				
Total equity	142.7	136.1	142.7	136.1
Total shareholders' equity and liabilities	265.6	316.1	265.6	316.1
Advances received	0.7	0.6	0.7	0.6
Equity-to-assets ratio, %	53.9%	43.1%	53.9%	43.1%
<b>Earnings per share, EUR</b>				
Net profit for the period attributable to the equity holders of the parent company	-3.5	-10.4	2.4	-3.0
Hybrid capital accrued unrecognised interests after tax	0.6		0.6	
Adjusted weighted average number of shares	38 322 792	38 322 792	38 322 792	38 329 216
Earnings per share, EUR	-0.11	-0.27	0.05	-0.08
<b>Equity per share, EUR</b>				
Equity attributable to equity holders of the parent company	110.7	127.5	110.7	127.5
Adjusted number of shares at the end of the period	38 322 792	38 322 792	38 322 792	38 322 792
Equity per share, EUR	2.89	3.33	2.89	3.33