Rapala

Annual Report 2009

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Rapala®

Rapala VMC Corporation (Rapala) is a leading fishing tackle company and the global market leader in fishing lures, treble hooks and fishing related knives and tools. The Group also has a strong global position in other fishing categories and it is one of the leading distributors of outdoor, hunting and winter sport products in the Nordic countries. The Group has the largest distribution network in the industry. The main manufacturing facilities are located in Finland, France, Estonia, Russia and China. The Group brand portfolio includes the leading brand in the industry, Rapala, and other global brands like VMC, Storm, Blue Fox, Luhr Jensen, Williamson, Marttiini and Sufix.

The Group, with net sales of EUR 235 million in 2009, employs more than 2 000 people in 31 countries. Rapala's share is listed and traded on the NASDAQ OMX Helsinki stock exchange since 1998.

Crafted from Experience – Positioned for Further Growth

With a history of 60 years as a business, more than 70 years of lure making experience and more than 840 world-record catches, Rapala and its products are clearly crafted from experience. With its track record and current unique distribution network, manufacturing platform and brand portfolio, the Group is well positioned for further growth.

Necessity – The Mother of Invention (1936–1945)

Lauri Rapala, the founder of the Rapala business, was born into poverty in Finland in 1905. He made his living by farm working and fishing. To make a better living for himself and his family, Lauri started to develop a lure that would increase the productivity of his fishing. In 1936, he finally managed to carve a rough-looking lure that produced an off-centre and enticing wobbling action – the one that is still the basis for many Rapala lures. The story of Rapala lures had begun.

The Business Is Born (1945–1955)

After World War II, Lauri revived his small lure making business that had blossomed just before the war. He was sure he had found a successful lure design, which he developed further. Lauri first made all the lures himself but was soon joined by his family. Production techniques and processes developed step by step. Despite the increased production volumes, Lauri insisted on testing every single lure to make sure that the action was correct. Even today, all Rapala-branded lures are tested before packing.

The American Dream (1955–1965)

Foreign visitors to the Helsinki Olympic Games of 1952 were amongst the first to take Rapala lures outside Finland. In 1955, the first export sales started to Sweden and Norway and later to the USA. In 1957, the business was formalized and the Rapala-Uistin (Lauri Rapala and Sons) company was established. The successful Rapala lures started to build a good reputation in North America, and in 1959, Ron Weber and Ray Ostrom started to distribute Rapala lures in the USA, a business later to become Normark Corporation. In 1962, Life magazine published a long article on Rapala. It happened to be in the same edition that covered the history of Marilyn Monroe who had just died and it broke all circulation records. Consequently, piles of orders started to pour in necessitating major capacity and production increases.

International Co-Operation (1965–1975)

While Rapala continued to grow and gain its worldwide reputation, copies started to enter the market: at one time there were more than 40 copies in the US market from all over the world. Since then, Rapala has defended itself against copies with legal actions but more importantly with consistent high quality that has differentiated its original products from copies. After export sales were expanded in the early 60's from the US to Canada, Rapala strengthened the distribution in Sweden in the mid-60's and made the first contacts with the French companies Ragot and VMC. Many new lure models were introduced in the 60's and the first Rapala fillet knives were launched in 1967 – the start of the co-operation with Marttiini. By the mid-1970's, Normark had established distribution

companies in Canada, the UK and Sweden. At the same time, Rapala signed distribution agreements to Denmark and France. The new factory at Vääksy was opened in 1973.

Family Business to Next Generation (1975–1989)

After Lauri Rapala died in 1974, the company name was changed to Rapala Oy and the eldest son Risto was appointed as President of Rapala while his brothers Esko and Ensio had their own responsibilities. Production methods and technology were further developed and the capacity increased markedly: while a total of 25 million lures were produced during 1936-1975, the total number of manufactured lures reached 100 million in 1988. The range of lures was further widened, the Blue Fox spinner brand was introduced and a manufacturing unit was established in Ireland. During this time, the Group acquired the Flipper boat company and a caravan business.

A Time of Change (1989–1998)

In 1989, Esko's son Jarmo Rapala, who had led the product development from the mid-80's, was appointed as President of Rapala and Jorma Kasslin as Deputy President. Consequently, a major restructuring followed: in a few years Rapala sold both the boat and caravan business and acquired the Normark distribution companies in the USA, Canada, the UK, Sweden, Norway, Denmark, Holland and Finland as well as the French company Ragot. In 1991, Rapala started a distribution alliance with Shimano. These changes were followed by a management buy-out, where the management together with some private equity investors bought the company from the family and listed Rapala Normark Oy on the Helsinki Stock Exchange in 1998.

Expansion and Diversification (1998–2005)

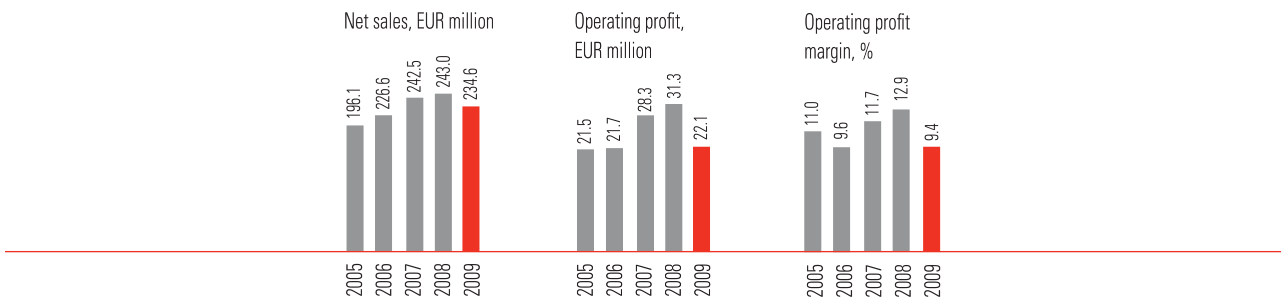
In the late 1990's, Rapala bought Storm lures (USA) and a Norwegian distribution company Elbe, established a distribution company in Japan and started to develop a manufacturing unit in Estonia. The French VMC hook business was acquired in 2000 and the Chinese lure manufacturer Willtech in 2001. These deals increased the Group's manufacturing capabilities markedly and made the Viellard family and William Ng important shareholders of Rapala. The distribution network was further expanded to Eastern Europe, Switzerland and Brazil. Simultaneously, the product range was increased to include a wide variety of fishing accessories such as rods, reels and fishing lines. The Williamson and Guigo big game fishing businesses were acquired in 2004.

Profitable Growth Continues (2005–)

A new era of strong growth started in 2005 when Rapala continued to implement its strategy for profitable growth. In less than a year, the Group acquired or established distribution companies in South Africa, Australia, Malaysia, China, Thailand and Switzerland and bought lure manufacturer Luhr Jensen in the USA, knife manufacturer Marttiini in Finland, fishing line supplier Tortue in France and cross-country ski manufacturer Peltonen in Finland. Thereafter, Rapala has established a lure factory and several distribution centers in Russia, distribution companies in South Korea, Romania, Iceland and Slovak, acquired the Terminator spinner bait business in the USA and widened the distribution alliance with Shimano to several new countries. Simultaneously the Group has developed a large variety of new products and product categories including Rapala Pro Wear clothing, Rapala Vision Gear sunglasses, Trigger X attractants that include fish pheromone and many new lure families including the new award-winning MaxRap. The latest addition to the Group brand and product portfolio is the Sufix fishing line brand with a large spectrum of products and the potential to become one of the world leading suppliers of fishing line. The Group has also improved its profitability by e.g. changing the operational business model in China, restructuring the lure manufacturing in Europe and consolidating its operations in France, and improved its cash flow by developing its supply chain and working capital management.

With this product assortment, distribution network, manufacturing platform and brand portfolio, the Group is well positioned to continue its profitable growth.

Rapala and Year 2009 in Brief



Focus on Fishing Tackle Business

Rapala's core business is fishing tackle business and its organization can be divided into three business segments:

1. Group Fishing Products including lures, fishing hooks, fishing lines and fishing accessories,
2. Other Group Products including cross country skis, gift products and subcontracting services, and
3. Third Party Products including products for sport fishing, hunting, winter sports and outdoor.

Rapala is an undisputed market leader in hard-bodied lures, metal lures, treble hooks and fillet knives. The Group is also strong in fishing accessories and strengthening its role in fishing lines. Products for hunting, winter sports and outdoor fit well into Rapala's distribution network in the Nordic countries and smoothen the seasonality of the fishing tackle business.

Rapala's strategic objective is profitable growth. This strategy is founded on three sub-strategies and established strengths:

1. a leading global distribution network in the fishing tackle industry,
2. a strong brand portfolio with several leading brands, and
3. a unique manufacturing, sourcing and R&D platform.

Rapala in 2009 – Strong Cash Flow Improvement in a Challenging Year

Implementation of the Group's strategy continued in 2009 with high emphasis on making a positive turnaround in cash flow and finalizing the new operating model in the Chinese manufacturing operations.

A major supply chain and logistics initiative to shorten the lead-times, lower the inventories and further improve the service levels to customers, was started in 2009 including an implementation of a common logistics software covering the Group's manufacturing and distribution units globally. This project continues and further results are expected in 2010.

The new operating model at the Group's manufacturing facilities in China was finalized in 2009. With the new set-up of four Group-owned factories and a network of dozens of outsourcing partners, Rapala can adjust capacity quicker and more accurately to meet the market requirements. The benefits will also include shorter lead-times and improved service levels.

The integration of Sufix fishing line business acquired in 2008 was completed in 2009.

Discussions and negotiations regarding acquisitions and business combinations continued in 2009 and Rapala acquired the fish pheromone brand Ultrabite and signed an exclusive agreement to commercialize this patented pheromone technology to the sport fishing market worldwide.

To further expand and strengthen its distribution network, Rapala established a new distribution company in Romania in 2009. In January 2010, new distribution companies were established in Iceland and in China (gift products). The Group is also working to establish a distribution unit also in Belarus (sport fishing).

Group net sales were slightly below last year levels at EUR 234.6 million. Comparable net sales were down 1% from 2008. Operating profit decreased to EUR 23.5 million. Comparable operating margin, excluding non-recurring items, was 10.0%.

Positive signs were witnessed in several countries during the second half of the year especially for sales of lures and winter sports equipment. On the other hand, the general uncertainty in the world economy may continue in 2010 through increased unemployment in many countries. In general though, the short-term outlook is cautiously optimistic. In this economic and market situation, it is expected that both the net sales and the operating margin excluding non-recurring items will increase from 2009 even if the Group continues to reduce its inventories.

Statement by President and CEO

"Year 2009 was characterized by strong emphasis on working capital management and improvement of our cash flow. At the same time, we executed major changes to our Chinese manufacturing and sourcing operations, strengthened Rapala's global distribution network and finalized the integration of the Sufix fishing line business."

The results of the major working capital initiative started in late 2008 began to capitalize in 2009. To support this development, a major supply chain and logistics initiative was started and it continues in 2010. For the first time, we have now on-line logistics and product information available world-wide helping us to improve our production planning and increase our service levels to our customers.

The new operating model at the Group's manufacturing facilities in China was finalized in 2009. With the new model, we can adjust the capacity quicker and more accurately to meet the market requirements. The benefits will also include shorter lead-times and improved service.

The integration of Sufix fishing line business acquired in 2008 to our distribution network and the cooperation with our Taiwanese business partner Yao I progressed very well. Our Group-branded fishing line sales increased from EUR 5 million in 2008 to EUR 12 million in 2009 and we are looking to increase our fishing line sales strongly in the next few years.

To strengthen our fish pheromone based bait business, we acquired the Ultrabite brand and signed an exclusive agreement to commercialize this patented pheromone technology to the sport fishing market. To further expand our distribution network, we established a new distribution company in Romania. In January 2010, we also started a new distribution company in Iceland and a specialized distribution company for gift products in China.

Successful innovations and new products were created again by our product development. We brought a high number of new products to the market and introduced excellent new products for the 2010 season, including the award-winning MaxRap. In 2009, Rapala's products got again several new world-record catches. By now, our products have gained more than 840 IGFA-registered world records.

Our financial results in 2009 fell below the previous year record performance but we are quite satisfied with last year considering the challenging economic and business environment and the initiatives adopted to improve cash flow. As a result of the major action done in working capital management, our cash flow improved markedly. A strong balance sheet allows us to participate as an active player in the ongoing consolidation of the worldwide sporting goods and outdoor businesses.

In 2009, our share price increased more than 30%, which is quite close to the performance of the general Nordic indexes and somewhat better than the general Finnish stock market indexes performed.

The general market sentiment and business environment eased up somewhat towards the end of 2009 but the market outlook for 2010 remains challenging. On the other hand, the level of uncertainty is now lower than a year ago and the ongoing working capital and business development initiatives will strengthen our financial position and competitiveness.

In 2010, the further reduction of inventories and improved cash flow will remain our key theme together with capitalizing the benefits from our new operating model in China. At the same time, we will continue to implement our strategy for profitable growth.

Finally, I want to thank our personnel, customers and other business partners for the successful year 2009 and wish everyone all the best for the new challenges in 2010.

Jorma Kasslin
President and CEO


Sourcing/Design

Strategy, Strengths and Priorities

Rapala's vision is to become the global leader in the fishing tackle industry. This will be achieved through profitable growth. In the last few years, the Group has implemented major actions to improve its profitability while continuing to grow. In 2009, this growth took a pause as a result of the difficulties in the world economy and the Group focus was directed on a turnaround in cash flow.

Strategic Objective

Rapala's strategic objective is profitable growth. This strategy is founded on three sub-categories and established strengths: a leading global distribution network in the fishing tackle industry, a strong brand portfolio with several leading brands and a unique manufacturing, sourcing and R&D platform.

Established and Continuously Developed Strengths

Rapala's distribution network covers four major continents and is locally present in some 30 countries. It allows the Group to introduce new products efficiently and effectively to the market and to build strong partnerships with local retailers and fishermen. On the other hand, the wide distribution network also acts as a channel for market and customer input, which is used for product development. In addition, the Group uses external distribution agents in more than 100 countries where the sales volumes are lower than in the core markets. Rapala also has an important distribution alliance with Shimano.

In addition to Rapala, the leading brand in the fishing tackle industry, the Group's brand portfolio consists of several other well known brands like Storm, Luhr Jensen, Blue Fox, Williamson, VMC, Sufix, Trigger X, Marttiini and Peltonen. The brand for any new product can be chosen from this portfolio to match the targeted market segment or price category.

The Group's manufacturing and sourcing platform consists of fully restructured manufacturing operations in China with four own factories and dozens of outsourcing partners, Europe's largest production facility for lures with specialized factories in Finland, Estonia and Russia, the most advanced treble hook production facility located in France, and high quality knife manufacturing in Finland. Rapala has an extensive sourcing platform and process to ensure high quality but low cost third party manufacturing for its selected products. Rapala's research and development is globally well known and respected for its capability to continuously introduce new high quality products with new and exceptional features.

Focus on Fishing Tackle Business

The Group's core business consists of lures, fishing hooks, fishing lines, fishing accessories and other fishing tackle. Lures and fishing lines are amongst the lowest cost but highest value adding elements of fishing. The consumable nature of lures, fishing lines and some other fishing tackle products leads to a stable replacement market. The fisherman's desire to have a tackle box filled with a wide range of established lures together with new "hot" lures ready for all occasions and circumstances makes the market both attractive and demanding.

The fishing tackle market is also very high on brand loyalty, which increases the value of well known high quality brands. As a result of the increasing trend for "catch and release", the use of live bait is declining. This has increased and will further increase the demand for high quality lures. One of Rapala's characteristics is that it has developed a unique capability of being both aspirational and affordable to the mass market.

Strategy Implementation in 2009

Implementation of the Group's strategy for profitable growth continued in 2009 with high emphasis on making a positive turnaround in cash flow and finalizing the new operating model in Chinese manufacturing operations.

The results of the major working capital initiative to reduce Group inventories and improve cash flow started to capitalize in 2009. To support this development, a major global supply chain and logistics initiative to shorten the lead-times, lower the inventories and further improve the service levels to customers, was started in 2009. This project continues in 2010

The performance improvement initiatives at the Group's manufacturing facilities in China were finalized in 2009. With the new set-up of Group-owned factories and a network of outsourcing partners, Rapala can adjust capacity more quickly and more accurately to meet the market requirements. The benefits will also include shorter lead-times and improved service levels. As a result of the new operating model, the Group has reduced its headcount in China considerably.

The integration of Sufix fishing line business was completed in 2009. Rapala intends to increase its worldwide fishing line sales to some EUR 20 million in the next few years. The long-term strategic target for Rapala is to increase its annual fishing line sales to EUR 30–50 million.

Discussions and negotiations regarding acquisitions and business combinations continued in 2009 and Rapala acquired the fish pheromone brand Ultrabite and signed an exclusive agreement to commercialize this patented pheromone technology to the sport fishing market. Rapala's sales of products including pheromones were less than 2 MEUR in 2009 but it is expected that the sales will grow substantially in the future.

To further expand and strengthen its distribution network, Rapala established a new distribution company in Romania. The process to establish new distribution companies in Iceland and Belarus as well as a specialized distribution company for gift products in China was also started.

In addition, the Group introduced and implemented several other performance improvement initiatives like further development of lure manufacturing processes and restructuring of Hungarian distribution operations.

SUPPLY

OWN MANUFACTURING AND R&D

PRODUCT		SOURCE
Hard baits		**Rapala**
Rapala		Finland
Storm		Estonia
Spinners		Russia
Blue Fox		

Soft baits	**Other Lures**	**Willtech**
Storm	Blue Fox	Hong Kong
Big Game	Luhr Jensen	China
Williamson	Storm Hard baits	
	Trigger X	

Hooks	**VMC**, France
Terminal Tackle and Gift	**Willtech**, China
Knives	**Marttiini**, Finland and Estonia
XC-Skis	**Peltonen**, Finland

SOURCING AND OWN R&D

Accessories, Rods & Reels	China
Fishing Lines	Taiwan
Terminator Lures	Mexico
XC-Skis & Poles	Finland and Russia
Baits and Attractants	Taiwan

THIRD PARTY PRODUCTS

Shimano
Other Fishing
Hunting
Winter Sports
Outdoor

BRANDS

GROUP BRANDS

Rapala
VMC
Storm
Blue Fox
Luhr Jensen
Williamson
Sufix
Marttiini The Sharpest Choice since 1928.
Trigger X
Peltonen

DISTRIBUTION

OWN DISTRIBUTION

USA	South Africa	Spain
Canada	Brazil	Portugal
Japan	Finland	Switzerland
Malaysia	Sweden	Poland
China	Denmark	Estonia
Thailand	Norway	Lithuania
South Korea	Iceland	Latvia
Australia	France	

RAPALA-SHIMANO DISTRIBUTION

Russia	Hungary
Ukraine	Romania
Czech Republic	
Slovak Republic	

SHIMANO

Italy
Germany
Netherlands
Belgium
Great Britain

LOCAL IMPORTERS

Rest of Europe
Rest of World

Group Fishing Products – Lures

Rapala focuses on fishing tackle business. Group Fishing Products are manufactured and/or branded by respected Group brands and include lures, hooks, lines and accessories for sport fishing. The net sales of Group Fishing Products were some EUR 127 million in 2009 (EUR 120 million in 2008), representing the majority of Rapala's fishing tackle business and more than half of the Group net sales.

Rapala is an undisputed worldwide market leader in hard bodied lures. The Group is also very strong in all other lure categories with its other international brands: Storm, Blue Fox, Luhr Jensen, Williamson and Trigger X. The net sales of Fishing Lures, including all Group brands, were some EUR 68 million in 2009 (EUR 66 million in 2008).

The Group's lure business covers all lure categories from small freshwater lures to giant big game trolling lures and the recently introduced, ground-breaking biodegradable, pheromone enhanced baits and attractants. Group's lure manufacturing facilities are located in Finland, Estonia, Russia and China. The Group's combined total lure production in 2009 was more than 22 million pieces.

With operations in all continents, the Group has an extensive network of fishing tackle and trade professionals to be utilized in its product development process. The Group's main product development units are located at the manufacturing facilities in Finland and China, along with two design and product development offices in the US.

Rapala – The Original Innovator in Hard Bodied Lures

The core of the lure business consists of hard baits, also called as wobblers, produced under the Rapala brand and based on the 70-year long tradition of lure manufacturing in the small town of Vääksy in Finland.

All Rapala hard baits are manufactured in the Rapala lure factory in Finland, although the most labor-intensive production phases are executed in the Group's manufacturing facilities in neighboring Russia and Estonia. All the production phases that have the most important effect on the lure's performance and quality are done in the highly automated and efficient factory in Finland. Also in Russia and especially in Estonia, the manufacturing processes have been developed to very efficient and high-class operations.

The annual production of Rapala-branded lures is approximately 11.5 million – averaging at 50 000 lures per work day.

Three quarters of the Rapala hard bait models are still made of wood like Lauri Rapala's original hand-carved minnow in 1936 and the rest are plastic. Wood offers delicate characteristics and action that can't be achieved with manmade materials, while plastic surpasses softer wood in durability and the finishing options it offers. The modern plastic hard baits – especially the X-Rap family that was introduced four years ago – represent today 35–40% of Rapala-branded lure sales while the Rapala Original Floater, manufactured since 1960s, is still one of the best selling lures.

The Rapala hard baits are used all over the world in both fresh and saltwater to practically all species of game fish. A strong testament to Rapala's superiority in the water is the fact that Rapala lures have caught more official world records than any other lure brand – and continue to bring in more new records than other brands year after year.

Storm – Questioning the Established Ways of Lure Making

The Group also offers hard baits under the Storm brand. Most of these lures are manufactured in the Group's manufacturing operations in China.

All Storm hard baits are made of plastic and aimed at a lower price point than Rapala hard baits to tackle the mid-price range competition. The Storm hard baits are designed for both North American freshwater fisheries and international fresh and saltwater markets. Storm is also the brand under which Rapala can introduce unconventional and niche products that may not fit the global appeal the Rapala-branded lures have to have. In 2009, the production of Storm-branded hard baits was more than one million pieces.

This big one fell for the Glidin' Rap

Dave LeFebre with a Live Kickin' Shad

Storm Kickin' Stick

"The major restructuring of the European lure manufacturing completed in 2008 was followed by continuous improvement initiatives of our lure manufacturing operations in 2009. The ongoing transfer of four-color printing from Finland to Estonia and the development of lure body papering process in Russia are good examples of these actions."

Juhani Pehkonen
Head of Fishing Lure Business

Rapala®

Rapala's new Clackin' Rap brought the rattle lure category to a totally new level with its loud cadence rattle that's created by Rapala's proprietary metal chamber fitted with a single stainless steel ball. It produces the loudest sound in rattle lures and was an instant hit with sales of more than 100,000 pieces in the introduction year.

STORM

The revolutionary Storm Bait-N-Switch concept eliminates the need to retie the line and makes changing soft lure bodies on an internal jig head a lot easier and faster that with traditional soft bait rigs. The design also gives the soft lures a balanced and natural action in the water.

TRIGGER X™

Following the launch of the first generation of pheromone-enhanced soft baits, the range of environmentally friendly Trigger X soft baits was expanded to cover three series of lures featuring both species specific and generic predator pheromones. The new collection was met with great enthusiasm in the market.

Rapala also manufactures a wide range of soft plastic and hybrid baits under the Strom brand. Natural bait fish imitations sold as the Live series are international market leaders in their segment.

Storm is also very strong in other pre-rigged soft plastic lures and is expanding its product range to unrigged soft plastics. In addition, Storm has pioneered in and practically created the hybrid bait category, combining hard plastic cores with soft outer shells to create groundbreaking lures for both fresh and saltwater fishing. All Storm soft plastic and hybrid baits are made at the Group's manufacturing operations in China and their production volumes in 2009 were some 12 million pieces.

Williamson – The Big Game Professor

Williamson Lures was originally a South African company that the Group acquired in 2004 to strengthen its presence in the saltwater market.

The Group's dedicated offshore specialists restructured and upgraded the Williamson product lines. At the same time, the production was moved from South Africa to the Group's facilities in China. The efficient production and strict quality control combined with the Group's extensive distribution network have made Williamson the only big game brand that has global presence in the market.

The Williamson product range consist of high speed trolling lures designed for big game species like tuna, sailfish and marlin and innovative metal lures for deep sea vertical jigging for other ocean species. Williamson's realistic bait fish imitations have revolutionized saltwater fishing by making the traditionally wide use of natural bait unnecessary.

Blue Fox – Foolproof Metal Lures

Blue Fox is one of the Group's metal lure brands offering a wide, versatile range of products. Blue Fox lures are designed for Pacific salmon, trout and musky fishing in North American fisheries and salmon, trout and pike fishing in Europe. Blue Fox Vibrax spinners have cross-over appeal in all market segments while the more specialized products are designed to fit a specific market.

In Europe, Blue Fox is strengthening its range of metal spoons targeted for trout and pike while in the North American market the new products are focused mainly in musky fishing. Blue Fox is also very strong in traditional Scandinavian metal spoons and lead jigs designed for coastal vertical jigging in Northern Europe.

The total number for Blue Fox branded metal lures produced in 2009 was close to 4 million pieces.

Luhr Jensen – The Salmon and Trolling Specialist

Originally a Hood River, Oregon based Luhr Jensen brand was acquired by the Group in 2005. Luhr Jensen was especially strong in the US Pacific Northwestern trout and salmon fishery with its metal lures and hard baits designed mainly for trolling. Majority of the products had also international appeal for similar species and uses while they weren't readily available until the production was moved to the Group's facility in China and the distribution was integrated into the Group's global network.

Luhr Jensen's acquisition has strengthened the Group's presence in the US and Canada Pacific Northwest and made the Group the world's largest producer and distributor of metal lures. In 2009, the Group manufactured close to one million Luhr Jensen lures, mainly for trolling.

Trigger X – Pheromone-Enhanced and Biodegradable Baits

Trigger X is the brand for Rapala's new baits and attractants enhanced with a pheromone called Ultrabite. Ultrabite is a pheromone based fish attractant developed by CEFAS (Centre for Environment, Fisheries and Aquaculture Sciences) governmental laboratories in the UK, which generates natural and irresistible feeding behavior in fish.

The first Trigger X products, launched for 2008 season, were gels and sprays that we designed to be applied onto fishing lures. Next came dough baits featuring target species specific pheromones and biodegradable worm and maggot imitations.

The Group's international research and development team worked extensively on creating technology, and the new range of pheromone enhanced soft baits made of biodegradable polymers were introduced to the US market for 2009 season.

In 2009, the Trigger X range was broadened and new product families were launched to cover a wider array of market segments and price points.

Mandy with a nice black fin tuna

A blue parrot fish made my trip!

Capt. Rick Murphy with a redfish

"The major changes started already in 2008 have now been completed and we have a completely new operating model in our Chinese manufacturing operations. These changes have resulted in improved manufacturing efficiencies, which will shorten our lead times and improve our supply chain allowing the distribution units to reduce their inventories without decreasing their service levels."

William Ng
Head of Chinese Manufacturing Operations and Hong Kong Office

To match the growing global trend of saltwater jigging, the Yabai Jig was launched to complement the already extensive collection of Williamson metal jigs that has shown very strong growth in sales in the recent years.

Extending the hugely popular and internationally recognized Vibrax spinner family, the Vibrax Glow series feature glow in the dark pigments in various colors that also glow in the same color as the paint is. The color patterns are originally designed for salmon fishing but produce fish everywhere.

The Shoehorn Spoon was designed in co-operation with professional fishing guides for the American Great Lakes salmon fishery. The erratic action multi-speed trolling spoon performs for all salmon species around the world.

Group Fishing Products – Hooks

VMC branded treble hooks are market leaders with a significant worldwide market share. The Group also produces and sells single and double hooks. The net sales of Fishing Hooks were some EUR 15 million in 2009 (EUR 15 million in 2008).

The Group designs, manufactures and distributes fishing hooks under the VMC brand from its hook plant in France. Technological expertise in fishing hook manufacturing is three-fold: automated mechanical forming, heat treatment of steel to achieve optimum mechanical performance and chemical finishing with electroplating to guarantee sharpness and corrosion resistance. Finished hooks are sold and shipped worldwide to more than 70 countries worldwide. Hook quality is rigorously controlled at all stages of the process. The Group also has a small hook manufacturing facility in China to supply some special hooks to the Group's Chinese lure production.

World's Leading Treble Hooks

VMC is the world's leading treble hook brand with a worldwide market share close to 50%. Successful innovation and value adding key customer partnerships in product development together with high quality customer service are major strengths in the Group hook business. Other contributing success factors include advanced and exclusive manufacturing technology and high-capacity production with a short lead-time resulting in good reactivity, capability for proactivity and high quality products. An extensive worldwide network of subsidiaries and distributors, many of whom are local market leaders, together with a strong brand equity built on over 200 years' experience in steel products and 100 years in hook manufacturing have also contributed to VMC's leading position.

Single and Double Hooks

In addition to treble hooks, VMC branded fishing hooks also include a wide range of single hooks and a selection of double hooks. A broad spectrum of shapes, sizes, points and platings offers customers a complete combination of solutions adapted to all conditions and locations for both sport fishing and commercial fishing.

A Short History of VMC Hooks

The family firm of Viellard Migeon and Company, established in 1796, started to produce fishing hooks in France in 1910. At that time, each hook was individually hand-crafted. The first automatic treble hook machine was introduced in 1974, increasing the daily production volumes from 5 000 hooks a day to 60 000 hooks. This development was followed by international expansion, which led to VMC treble hooks becoming a market leader in 1990's. In 2000, VMC was acquired by and merged with Rapala.

Today, the production capacity is some 3 million hooks a day. One fourth of the manufactured hooks is used within the Group and the rest is sold outside the Group through distribution channels for consumer retail and to fishing tackle manufacturers for assembly. VMC branded hooks are a key ingredient for the majority of the world's leading lure makers.

Highlights and Special Initiatives in 2009 and for 2010

Several prominent VMC branded products were introduced to the market in 2009, including a range of chemically sharpened non-offset circle hooks to provide a high-performance and legally-compliant solution for tournament anglers.

Following their successful introduction in Europe, VMC's premium Spark Point treble hooks were launched on the US retail market. The Spark Point treble hook was the natural choice for Rapala to arm its new premium fishing lure, the MaxRap. The development of the MaxRap lure together with Rapala-VMC cross-promotion for this product is a prime example of strong Group cooperation and is expected to rocket global retail interest in VMC Spark Point replacement treble hooks.

Another notable retail market introduction took place in China, where the growing trend for lure fishing represents a high potential growth area for the distribution of VMC treble hooks.

Year 2010 is significant for the group's fishing hook business: VMC is celebrating 100 years of hook manufacturing in Morvillars, France. "Made in France" is one of VMC's key sales messages for its treble hooks, underlining the brand's promise of quality backed by tradition and trust for this demanding product category. Special anniversary communication and brand promotions are being organized by the VMC factory together with Group distribution companies worldwide during 2010.

"In 2009, we continued the growth investments started in 2008. When completed in 2010, these investments will increase our hook manufacturing capacity in France by 15% and strengthen our position as the world's leading treble hook producer."

Stanislas de Castelnau
Head of Fishing Hook Businesss

In 2010, VMC celebrates the 100 years anniversary of hook manufacturing in Morvillars, France. This is not just a historical event but a good and clear sign of our long experience and high-level knowledge in hook manufacturing as well as important partnerships with our key customers. These elements have made VMC the number one in treble hooks.

Group Fishing Products – Lines

Fishing lines have been part of Rapala's product offering for years but the category got a fresh start and a boost with the acquisition of the world-class Sufix brand. In 2009, the main objective of the fishing line business was the integration of Sufix into Rapala's distribution network. In 2009, the net sales of Fishing Lines were some EUR 12 million (EUR 5 million in 2008).

How to Distinguish a Good Fishing Line

Each fisherman has his or her preferences for a good fishing line, and the requirements vary a lot depending on the fishing style and conditions. The Group's worldwide fishing line selection includes products for all conditions: blue water, inshore sea, fresh water lakes, small streams, big rivers and white water. Therefore, it is a challenge to meet the demands of the international fishing line market. Under the Sufix brand, there are both monofilament and braided lines - lines for all kind of fishing in different environments. The Sufix selection is amongst the largest in the worldwide market.

Regardless of the fishing circumstances, fishermen commonly agree on the following criteria required from the fishing line:

- Published breaking strains and diameters are accurate
- Line quality is uniform with good knot strength
- Lines have a good level of abrasion resistance
- Lines are comfortable to use and they are easy to handle

Compared to many other consumer products, brand loyalty is very characteristic in the fishing line business. Therefore, due to its good reputation and growing number of users, Sufix was especially suitable for Rapala's brand portfolio. Sufix branded lines have been sold for over 20 years. Rapala joined forces with the Taiwanese line manufacturer Yao I and acquired the Sufix brand in mid-2008.

Research and Development

Ever since its foundation in 1973, Yao I has invested strongly in research and development, which has over time made Yao I one of the leading fishing line manufacturers in the world. First class raw materials are an important factor in successful line manufacture and R&D. Yao I has worked with the leading raw material suppliers like BASF from Germany, DSM from Netherlands and the Japanese Mitsubishi for years. Yao I has modern production facilities in Taiwan and China with some 600 people manufacturing a vast range of lines from nylon to fluorocarbon, and those made of modern, straight molecule polyethylene fibres. Its development, service and maintenance procedures are systematic and of high quality. New production methods are continuously tested to ensure further development and improvement of manufacturing processes and efficiencies.

Rapala's international fishing industry experts are reviewing and researching new product applications that Yao I then develops to serve each market with pricing, quality and new features being the main criteria. The specifically designed unique co-operation between the manufacturer and fishermen guarantees Rapala a strong competitive edge.

Multi-Brand Fishing Line Strategy

Sufix lines are sold already in more than 60 countries. In addition, the Group sells Rapala-branded lines designed for lure fishing, and Waterqueen and Tortue branded lines that are market leaders in France.

Rapala also sells a range of lines from well-selected partners, of which Shimano is the most important. These brands are sometimes used to complete Rapala's product selection in certain markets or product segments, or in certain co-operative distribution ventures, where a multi-brand strategy enables Rapala's distribution companies to satisfy their customers' fishing line requirements so that additional line suppliers are not necessarily needed. Non-group branded line sales are introduced in Third Party Products (see page 24).

Highlights in 2009

The main objective of the fishing line business during 2009 was the integration of the Sufix brand into Rapala's distribution network. The integration was successful and Sufix was introduced into the worldwide distribution network with good sales results. The new distributors of Sufix have been well accepted by customers, and the Sufix acquisition was accepted as a part of the ongoing consolidation in the fishing tackle industry.

Several new products were launched in 2009, and the Sufix logo and visual brand appearance were renewed in 2009. The new primary slogan is "The World's Most Hardcore Fishing Line", and the secondary goes "With Sufix, There's Nothing You Can't Catch". The new concept aims to help fishermen find the right line for each purpose. The new website, www.sufix.com, reflects the new fresh look of Sufix. The biggest market is still the United States but Sufix is well established also in Europe, Asia and Oceania.

The current year will demonstrate a major step-up on the Group's fishing line business with a target to reach sales of EUR 20 million during the next 2–3 years. The long-term strategic goal is to reach sales of EUR 30-50 million.

Challenges and New Products for 2010

After integrating the Sufix business into Rapala's distribution network, the main goal is to grow the sales volumes but not at the cost of profitability. To shorten lead-times and improve service, the order forecast system and procedures will be further developed. In addition, four new products will be launched for 2010:

- Performance Fuse, a heat-treated casting and trolling line for worldwide markets, is made of Dyneema fibre, which guarantees zero stretch and one of market's best tensile strengths per diameter. The product is very competitively priced topping the markets' price-quality ratio and the main deliveries to retail stores are about to start.
- Performance Stretch Braid, also a casting line made of Dyneema fibre, has a small in-built 6% stretch, which improves the shock resistance of the line.
- Lead Core is a rapidly sinking, heavy line that makes lures swim exceptionally deep when trolling.
- Fluorocarbon Casting monofilament line is practically invisible underwater and also very abrasion resistant. Thanks to special spooling, it releases in big smooth loops when casting.

"Sufix is an ideal match to Rapala's brand portfolio and the backbone of the Group's fishing line offering. The integration of Sufix into the Group's worldwide distribution network is now finalized and these world-class products are an integral part of the Group core products."

Lars Ollberg
Head of Fishing Line
and Accessory Business

The new Performance Fuse braided superline with high strength and low stretch together with the award-winning DuraFlex monofilament are good examples of Sufix's continuous and successful product development.

Rapala branded fishing lines are targeted to lure fishing and they come with a Strength Guarantee.

Group Fishing Products – Accessories

Rapala's high-class accessory selection consists of knives, fishing tools, bespoke clothing, luggage, sunglasses and other necessary fishing accessories, most of which are marketed under the Rapala brand through the Group's own distribution network. The net sales of Fishing Accessories were some EUR 32 million in 2009 (EUR 35 million in 2008).

High Class Products at Affordable Prices

The mission of Rapala's accessories is to provide practical solutions for day-to-day fishing problems. These are the criteria by which all Rapala branded accessories are judged:

- makes the angler more successful and fishing a little easier
- dependable quality and modern and practical design
- pleasure to use and good value for money

Each product is scheduled to stay in its range for at least three years, giving the distributors and retailers confidence to stock it. Rapala accessories are partly manufactured in-house and partly purchased from selected subcontractors. Vast experience in research and development, knowledge of production perspectives, and the needs of fishermen in different markets are the key factors in branding, product development and pricing with a target to provide premium quality for mass market.

Rapala's Accessory Range

Fishing and filleting knives of Rapala's own design are manufactured in both Finland, Estonia and Asia and sold under the Rapala, Marttiini, Normark and Storm brands throughout the world. Rapala is the market leader in this product category.

Fishing tools are already sold in more than 40 countries worldwide. A range of scissors, pliers, forceps, cutters, scales, landing nets and other useful accessories have all been designed in-house specifically for fishing. In many countries, Rapala is the market leader in this product segment.

The success of the Rapala Pro Wear clothing range demonstrates that attention to detail and value for money are the main criteria when it comes to successfully selling fishing clothing around the world. The sales of technical clothing have been growing in many fields, sports fishing included.

Fisherman sunglasses marketed under both the Rapala VisionGear and Storm ThunderEye labels, demonstrate the close attention to detail and the ability to marry fashion and practicality. All Rapala's sunglasses feature 100% U.V. protection and 99% polarisation. The Rapala VisionGear selection is one of the largest in the worldwide angling market. There are several options, ranging from sunglasses with high quality scratch proof glass lenses to those that serve the novice fisherman. Some models feature inbuilt magnifiers that are specially designed for fishermen who require close-up or reading glasses.

The selection of Rapala fishing bags has gained popularity and is already available in nearly 30 countries, consisting of the entry level Rapala Sportsman's series and medium-priced Rapala Limited Edition series, covering a total of 18 models.

Highlights in 2009

The major operational changes made in 2009 in the Group's manufacturing operations in China will enable the Group to react faster to changing trends in demand, speed up product development and shorten lead-times, which all will support also the accessory business.

Marttiini, Rapala's premium knife manufacturer, continued to develop its wood processing capabilities by renewing the production equipment in order to focus on new high end products. To fulfill the needs of the most demanding customers, Marttiini introduced the most expensive premium quality knife in the company's history. An online store was opened to improve the availability of Marttiini knives worldwide. As a result of the new contract with the Santa Claus Foundation, Marttiini will be the official manufacturer of Santa Claus's knives from now on. This will further highlight Marttiini's authentic Finnish image and location at the Arctic Circle.

The newcomers in sunglasses in 2009 were the BiFocal sunglasses feature inbuilt magnifiers and the Shadow Glass models with flexible and unbreakable memory metal frames and high quality scratch proof mineral glass lenses. In the entry-level sunglasses Rapala introduced a floating model. New Rapala Pro Wear shirts and fishing gloves were introduced together with some other clothing extensions.

The Program for 2010

Increased efficiency and shortening of lead-times together with maintaining and further improving the high class customer service are key objectives for accessory products in 2010. Both in-house manufacturing and sourcing operations will be further developed as part of the ongoing development initiative in China.

Marttiini will develop product packages and product displays to upgrade in-store appearance and to provide more display security.

Multiple new waders and a whole range of flotation equipment will be introduced under the Rapala Pro Wear brand in 2010. The Lite Thermal underwear will complete the set for layered clothing.

Rapala will introduce a new waterproof bag series available for customers in the spring of 2010.

VisionGear
ProGuide Collection

"In 2009 we continued to develop our wood processing capabilities and renewed our production equipment in order to focus on new high end products. Accordingly, we introduced Damascus steel knife, which is the most expensive premium quality knife in the company's history. We also opened an online store and became the official manufacturer of Santa Claus' knives."

Päivi Ohvo,
Managing Director of Marttiini

During 2009, the manufacturing of fishing accessories was transferred from the previous subcontractor to the Group's new design and manufacturing process, which will improve the profitability of this product line. Rapala-branded digital scales held their position as the best selling product within accessories.

The Sharpest Choice since 1928.

The traditional Marttiini manufactured and Rapala branded filleting knife FNF continued its success as the best selling knife in 2009. At the same time, the work to further specialize each knife manufacturing unit continued making room for new products both for the high end and mass markets.

Rapala Pro Wear waders have increased their popularity year after year. The 2009 introduction of the new Rapala Walking Waders also received great interest, which combine an excellent fit with lightness and good walkability that are normally found in outdoor and trekking pants.

Other Group Products

In addition to products for sport fishing, Rapala also produces cross country skis and some other non-core products like gift items to compliment the seasonality of its core business. The net sales of Other Group Products were some EUR 18 million in 2009 (EUR 25 million in 2008).

Winter Sports, Hunting and Outdoor

Winter sports, hunting and outdoor products supplement the Group product offering in the Nordic countries due to the short peak season for fishing tackle business. Most of these products are third party products (see page 26) but also Rapala produces some products to this category.

For winter sports, Rapala owns the Peltonen cross country ski brand since 2002 and is the majority shareholder with 90% stake in the ski manufacturer Peltonen Ski Oy. Rapala's own distribution companies in Finland and Norway distribute the majority of Peltonen Ski Oy's production. In addition to the manufacture of skis in the Hartola factory in Finland, lower priced Peltonen Ski models are sourced from other ski manufacturers. Peltonen is one of the leading brands in cross country skis, enjoying a market share of one third in Finland and a notable share in other key distribution markets. The most important export markets are Norway, Germany, Russia, France, Sweden, Switzerland and North America.

In 2009, Norwegian Odd-Bjørn Hjelmeset joined the Peltonen Racing Team. Hjelmeset is one of the most successful modern skiers and is a classic style specialist. His biggest personal achievement is from 2007 World Championships when he won gold medal in 50 km Classical event. He has placed a total of 28 times in a podium (top 3) on a World Cup level event, winning 8 individual races in addition to 3 relay races. Peltonen racing team also includes, among many other talents, Ville Nousiainen and Teemu Kattilakoski who got three bronze medals with Peltonen skis from Liberec World Championships in 2009.

The Group branded hunting products (Marttiini, Wild Game and Normark) include hunting knives, clothing and other hunting related accessories and outdoor products (Marttiini, Wild Game, TermoSwed and Normark) include knives, backpacks, underwear and boots.

Gift Products

In addition to fishing tackle, Rapala's manufacturing operations in China produces gift products that have traditionally been made with the same machinery and equipment as fishing products and have been used to compliment the seasonality of the fishing tackle business. Currently the manufacturing operations and personnel of gift business are physically separated from fishing tackle business to further develop both businesses on a standalone basis. Gift products are manufactured both under Color Motion, which is a Group brand, and under third party brands like Pylones and Walt Disney.

In 2009, the Group established a new distribution unit to sell gift products in Hong Kong and in January 2010 , a new Chinese distribution company focusing on sales of gift products to the very fast growing gift market in China.

Other Operations

To utilize its manufacturing capabilities and compensate for the seasonality of the core business, the Group also produces some other products mainly as a contract manufacturer for electronics and other industries.

Disney pens by Willtech

Ville Nousiainen

Marttiini Knives, the Sharpest Choice

"With the new top-quality cross-country products including ultra-light skis made with nano-technology and the skis with new patented no-wax Nanogrip system, together with our world-class racing team including Norwegian Odd-Bjørn Hjelmeset as well as Ville Nousiainen and Teemu Kattilakoski from Finland, Peltonen is today stronger than ever before."

Juhani Eskelinen
Managing Director
of Peltonen Ski

"Manufacturing of gift products was started years ago to balance the seasonality of the fishing tackle production and has gradually developed to a financially sound standalone business."

Cynthia Foong
Business Manager
of Gift Products

PELTONEN

Marttiini
The Sharpest Choice since 1928.

Normark®

Cmotion

Third Party Products – Fishing

In addition to the Group branded fishing products and other Group products, Rapala also distributes third party products for sport fishing, hunting, winter sports and outdoor. The net sales of Third Party Products were some EUR 91 million in 2009 (EUR 100 million in 2008).

The majority of the third party products distributed by Rapala are products for sport fishing. The biggest product groups in this category are rods and reels, tackle boxes and fishing electronics.

Shimano Rods and Reels

Since 1993, the Group has distributed Shimano rods and reels. In 2009, this distribution covered 24 European countries and South Africa. In its turn, Shimano distributes Rapala branded products in 5 countries in Europe. This European distribution co-operation has lasted for 15 years. Shimano is one of the world's leading brands in rods and especially reels.

In 2009, Rapala started the distribution of G. Loomis branded and US manufactured fishing tackle products, mainly specialized fishing rods, to European markets. G. Loomis is owned by Shimano. Currently Rapala also distributes some Shimano branded fishing lines and accessories.

The Rapala-Shimano East European distribution joint venture, including Russia, Ukraine, Czech and Slovakia, was established in late 2007 and has started off very strongly and increased the sales of both Rapala and Shimano products to these markets compared to the time before the distribution joint venture.

Fishing Electronics and Other Fishing Products

Rapala distributes several non-Group fishing tackle brands, especially through the newly acquired distribution companies. In addition, Rapala distributes fishing related third party products and equipment that it does not have in its own product portfolio. These include e.g. fish finders (Humminbird), tackle boxes (Plano), down riggers (Cannon) and electric outboard motors (Minn Kota). The Group also distributes e.g. some other non-Group branded rods and reels (Okuma), fishing hooks (Gamakatsu), baits and attractants.

Shimano Trinidad big game reel

Plano 6103 tackle box

Shimano Curado low profile baitcasting reel

"Fishing electronics like fish finders and electronic outboard motors are increasingly popular among fishermen who want to improve their fishing experience."

Saku Kulmala
Head of Distribution in Finland and Eastern Europe

"Shimano and G. Loomis rods and reels are the best of the class and very important additions to our product range."

Janne Paukkunen
Head of Distribution in Spain, Portugal and South America

Third Party Products – Hunting, Winter Sports and Outdoor

In addition to fishing products, Rapala also distributes third party products for hunting, outdoor and winter sports in the Nordic countries to balance the seasonality and to take advantage of its distribution network.

Hunting

Hunting, as well as winter sports, plays an important role in the Group distribution business in the Nordic countries where the fishing tackle business is very slow in the autumn and in the winter. The Group has distributed hunting products since the 1960's and is today one of the leading distributors of hunting products in the Nordic countries.

The most important hunting products and brands distributed by Rapala are rifles and shotguns (Remington, Blaser, Beretta, Lincoln, CZ, Escort, Mauser, Tikka and Sako), ammunition and cartridges (Norma, Remington, RWS, Winchester, GP, CCI, Federal, Rottweil, Lylevale, Eley Hawk ja Gyttorp), optics (Bushnell, Leica, Schmidt & Bender and Tasco), clothing (Blaser, Beretta, Swedteam and Geoff Andersson) and hunting related accessories (Hunter, Michaels of Oregon, Plano and Millet).

Group branded hunting products are included in Other Group Products (see page 22).

Winter Sports

Rapala has distributed winter sport equipment in Finland since 1999 and in Norway since 2005. The most important non-Group branded winter sports products and brands are ski poles (Rex and One Way), ski wax (Rex), bindings (Rottefella) and cross country ski boots (Alpina).

Group branded products for winter sports include Peltonen cross country skis that are included in Other Group Products (see page 22).

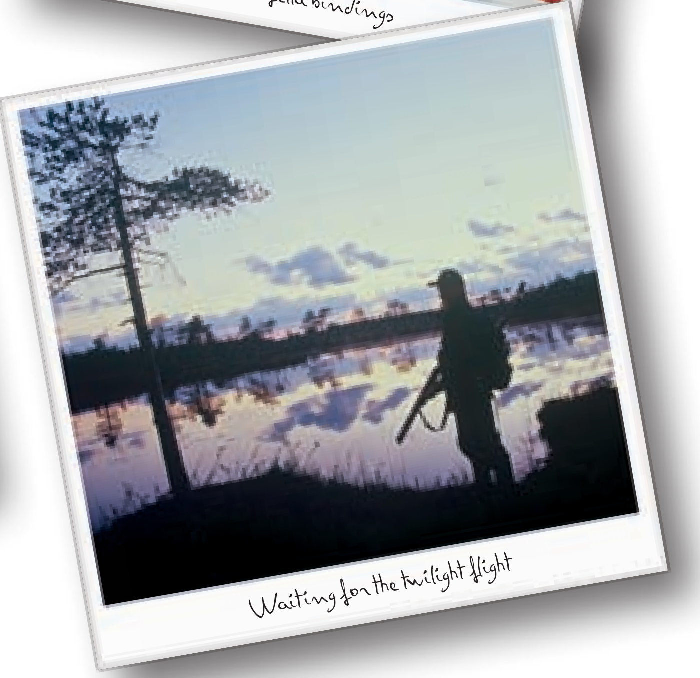
Outdoor

Rapala is also an important distributor of some other non-Group branded outdoor products and equipment. The most important outdoor products and brands distributed are hiking and trekking products (Vaude and Ocean), bicycle parts and accessories (Shimano) and sports optics (Leica, Bushnell and Tasco).

The Group branded outdoor products include knives, backpacks, underwear and boots, which are covered in Other Group Products (see page 22).

Alpina boots and Rottefella bindings

Lunch break on a spring ski tour up north



Waiting for the twilight flight

"Distribution of winter sports equipment reduces the effects of seasonality in our fishing tackle business and fits well into our distribution system and supply chain."

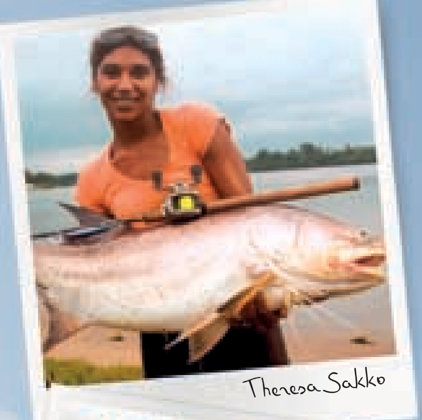
Hasse Coucheron-Aamot
Head of Distribution in Norway

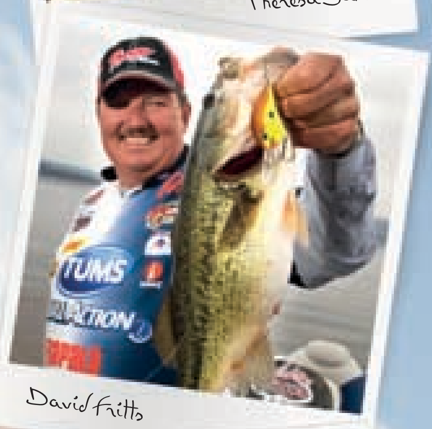
"Rapala is one of the leading distributors of hunting and sport shooting products in the Nordic countries with some of the strongest brands in the industry."

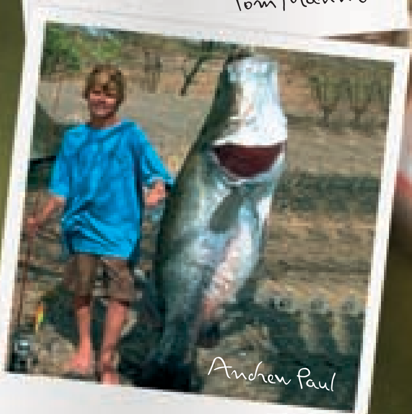
Nils Larsen,
Head of Distribution in Denmark

"Outdoor products like tents, sleeping bags, backpacks and trekking shoes are a good addition to our product offering for the same customer segment as most of our other products."

Matts Baum,
Head of Distribution in Sweden







World Champions

With over 840 world-record catches, Rapala holds to the number one position as the record holder of world records. Out of this more than 550 world-records are for different Group-branded lures, more than 260 for Sufix fishing lines and more than 20 for VMC hooks. As recognition of this, International Game Fish Association (IGFA), the only organization in the world recording record catches, has established a Rapala-hall-of-fame at its headquarters in Florida, USA.

IGFA presents annually awards for different fishing tackle that have been used to catch the biggest number of world record fish in that particular year. For years, Rapala has been honored for the number one position in the category of lures. The year 2009 was no exception in this world record triumph: the Group got 29 new world records for Rapala lures and 2 new ones for Storm lures. In addition, Rapala got 10 new world records for Sufix fishing lines.

The success of Rapala's fishing tackle has been demonstrated not only in world record catches but also in hundreds of fishing competitions around the world. The 2009 victories with Rapala products included e.g. the fishing competition in Clark's Hill, South Carolina, where Dave Lefebre won USD 210 000 and in Gunterville, Alabama, where David Fritts won USD 200 000.

Now all these best of the class Rapala fishing tackle are available for all of us to make our own fishing dreams come true and join these victories and the team of world champions!

Rapala VMC Corporation Financial Statements 2009

Review of the Board of Directors

Market Situation and Sales

Year 2009 started quite well although the general downturn in the world economy started to influence also fishing tackle market in the end of 2008. The strong weakening of many currencies increased the pressure on consumer confidence in East Europe and started quickly to reduce the purchase power in the region. At the same time, market situation especially in West Europe and Nordic countries continued quite weak but confidence in Asia and Australia continued to pick-up. During the third quarter, both European and North American markets started to gradually strengthen. In North America, orders especially for lures increased during the second half of the year. In the fourth quarter, sales of products for winter sports increased as a result of good snow situation in Europe. The improved sales performance in the latter part of the year was though diluted by the weak currencies in many European countries.

Net sales for 2009 decreased 3% to EUR 234.6 million (EUR 243.0 million). US dollar (USD) strengthened 5% from previous year but many currencies especially in East Europe and Scandinavia weakened strongly. The net effect of the currency movements decreased the 2009 net sales by EUR 5.0 million. With comparable exchange rates, net sales decreased 1%.

Net sales of Group Fishing Products, boosted by the new sales of Sufix fishing lines, were up 6% in 2009. Net sales of Other Group Products decreased 27% as a result of reduced sales of gift products and subcontracting services while sales of Peltonen cross-country skis increased markedly. Net sales of Third Party Products decreased 9% mainly due to the weakening of many East European and Scandinavian currencies and reduced sales of higher price category products like fishing electronics and expensive reels and hunting equipment.

Supported by the strengthening of USD, the net sales in North America increased 6%. In the Nordic Countries, the net sales decreased 4% as a result of reduced distribution volumes of especially hunting products and weakening of Swedish and Norwegian crowns. Net sales in Rest of Europe were down by 11% due to difficult market situation and weakened currencies in East Europe. Net sales in Rest of the World increased 2% as a result of the new sales of Sufix products and strengthening of USD while the sales of gift products fell strongly.

For more detailed segment information, see the note 2 to the consolidated financial statements.

KEY FIGURES

EUR million	2009	2008
Net sales	234.6	243.0
EBITDA	28.9	37.5
Operating profit	22.1	31.3
Profit before taxes	19.9	26.5
Net profit for the period	14.3	19.2
Employee benefit expenses	53.8	57.5
Average personnel for the period, persons	2 259	4 143
Research and development expenses	2.0	1.8
as a percentage of net sales, %	0.9	0.7
Net cash generated from operating activities	24.6	5.4
Total net cash used in investing activities	6.3	6.8
Net interest-bearing debt at the end of the period	79.4	89.5
Equity-to-assets ratio at the end of the period, %	42.8	38.0
Debt-to-equity ratio (gearing) at the end of the period, %	71.1	86.4
Return on equity, %	13.3	19.2

MANAGEMENT ANALYSIS

EUR million	2009	2008
Net sales as reported	**234.6**	**243.0**
Foreign exchange effects	5.0	
Net sales with comparable exchange rates	239.6	243.0
Operating profit as reported	**22.1**	**31.3**
Operating profit margin, %	9.4	12.9
Non-recurring items (net)	1.4	-0.8
Comparable operating profit	23.5	30.5
Comparable operating profit margin, %	10.0	12.6

Financial Results and Profitability

Operating profit for 2009, excluding non-recurring items, amounted to EUR 23.5 million (EUR 30.5 million). It was strongly affected by reduction of sales and negative currency movements in Scandinavia and East Europe. Profitability was also affected by liquidation campaigns arranged in several countries to reduce inventories as part of the ongoing working capital project. On the other hand, fixed costs were down 3% as a result of several performance improvement initiatives carried out during the last two years. Comparable operating margin for the year was 10.0% (12.6%).

Reported operating profit for 2009 was EUR 22.1 million (EUR 31.3 million) including non-recurring costs and impairment losses of EUR 1.9 million and a non-recurring gain of EUR 0.5 million from the sale of office premises in Hong Kong (net gain of EUR 0.8 million in 2008). Most of these non-recurring costs and impairment losses relate to the restructure of the operating model in the Group's Chinese manufacturing operations and in Hungarian distribution unit. Reported operating margin was 9.4% (12.9%) and return on capital employed 11.5% (16.9%).

Operating profit of Group Fishing Products decreased to EUR 15.7 million (EUR 19.5 million) as a result of currency movements and stock-clearance sales. Operating profit of Other Group Products fell to EUR 0.5 million (EUR 1.6 million) due to the strong fall in sales. Operating profit of Third Party Products decreased to EUR 5.8 million (EUR 10.3 million) due to negative currency movements and reduced sales. For more detailed segment information, see the note 2 to the consolidated financial statements.

Financial (net) expenses were EUR 2.1 million (EUR 4.8 million) including net interest expenses of EUR 3.5 million (EUR 5.1 million) and (net) currency exchange gains of EUR 1.5 million (EUR 0.4 million).

Net profit for the year decreased to EUR 14.3 million (EUR 19.2 million) and earnings per share to 0.31 EUR (0.45 EUR). For more share related and other key figures for 2005–2009, see pages 68–69. Definitions of key figures are on the page 44.

Cash Flow and Financial Position

As a result of the strong execution of working capital management, inventories decreased EUR 5.6 million and non-interest bearing assets, mainly trade receivables, decreased EUR 6.6 million. Accordingly, the cash flow from operating activities more than fourfolded to EUR 24.6 million (EUR 5.4 million).

Net cash used in investing activities amounted to EUR 6.3 million (EUR 6.8 million). In addition to the normal capital expenditure of EUR 6.7 million (EUR 7.1 million) and EUR 2.1 million (EUR 2.0 million) of acquisitions, it included a EUR 0.1 million (EUR 0.0 million) change in interest-bearing receivables and EUR 2.6 million (EUR 2.2 million) proceeds from sales of assets. For more detailed information on acquisitions and disposals, see the note 3 to the consolidated financial statements.

Net interest-bearing debt decreased to EUR 79.4 million (Dec 2008: EUR 89.5 million) as cash was released from working capital. The liquidity of the Group remained good through the year. Equity-to-assets ratio improved and reached 42.8% (Dec 2008: 38.0%). Also gearing improved and decreased to 71.1% (Dec 2008: 86.4%).

Strategy Implementation

Implementation of the Group's strategy for profitable growth continued in 2009 with high emphasis on making a positive turnaround in cash flow and finalizing the new operating model in the Chinese manufacturing operations.

The results of the major working capital initiative kicked off in late 2008 to reduce Group inventories and improve cash flow started to capitalize during the second quarter with further progress during the second half of the year. To support this development, a major supply chain and logistics initiative to shorten the lead-times, lower the inventories and further improve the service levels to customers, was started in 2009 including an implementation of a common logistics software covering the Group's manufacturing and distribution units globally. This project continues and further results are expected in 2010. The reduction of inventories started quicker in Group products and therefore, the further decrease of inventories in 2010 is expected especially in third party products for which the purchasing volumes were adjusted accordingly already during 2009.

The performance improvement initiatives started in 2008 at the Group's manufacturing facilities in China were finalized in 2009. With the new set-up of four Group-owned factories and a network of dozens of outsourcing partners, Rapala can adjust capacity quicker and more accurately to meet the market requirements. The benefits will also include shorter lead-times and improved service levels. As a result of the new operating model, the Group has reduced its headcount in China considerably. Accordingly, the headquarters of Chinese manufacturing operations in Hong Kong moved into smaller leased premises in the end of the year and the old office was sold. This resulted in a EUR 0.5 million non-recurring gain.

The integration of Sufix fishing line business acquired in 2008 was completed in 2009. Rapala intends to increase its worldwide fishing line sales to some EUR 20 million in the next few years. The long-term strategic target for Rapala is to increase its annual fishing line sales to EUR 30–50 million.

Discussions and negotiations regarding acquisitions and business combinations continued in 2009. In December, Rapala acquired the fish pheromone brand Ultrabite and signed an exclusive agreement to commercialize this patented pheromone technology to the sport fishing market worldwide. Rapala's sales of products including pheromones were less than EUR 2 million in 2009 but it is expected that the sales will grow substantially in the future as the newly developed products will be sold through the Group's worldwide distribution network with further new products being developed and introduced.

To further expand and strengthen its distribution network, Rapala established a new distribution company in Romania in 2009. The Group also started the process to establish new distribution companies in Iceland and Belarus as well as a specialized distribution company for gift products in China. These units have started or will start their operations in the first quarter of 2010.

In addition, the Group introduced and implemented several other performance improvement initiatives like further development of lure manufacturing processes and restructuring of Hungarian distribution operations. Also development of organic growth in terms of extensions of current product categories as well as special marketing, sales and brand initiatives continued.

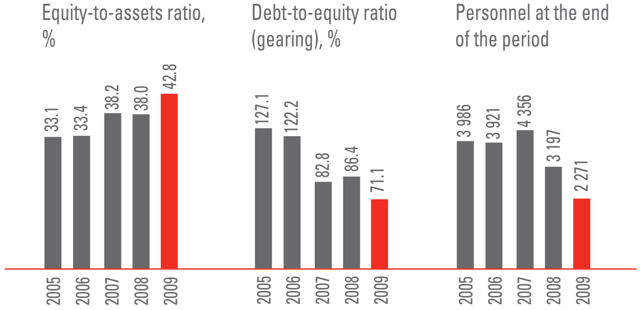
Personnel and R&D

Number of personnel decreased 29% during the year and was 2 271 (3 197) at the year-end. This change resulted mainly from the new operating model in the manufacturing operations in China. At the same time, the Group has further strengthened its organizations in the fastest growing markets. The average number of personnel decreased 45% to 2 259 (4 143). For more detailed information on personnel see note 7 to the consolidated financial statements and the section "Corporate Responsibility and Sustainable Development" attached to the consolidated financial statements.

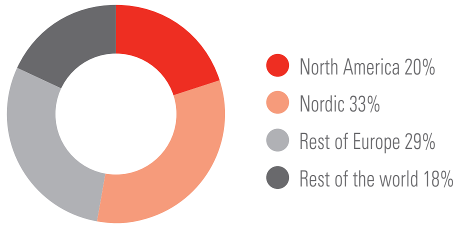
Research and development expenses increased 11% to EUR 2.0 million (EUR 1.8 million) in 2009.

Risk Management, Internal Controls and Corporate Responsibility

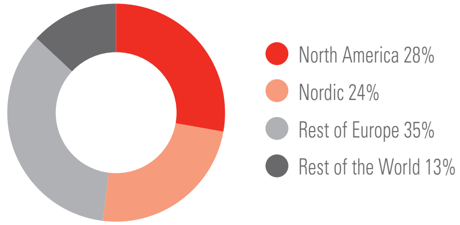
In 2009, increased attention was paid to risk management, internal controls and corporate responsibility. Both internal controls and risk management were developed and reviewed through several projects and actions during the year. In addition, the Board redefined and approved its updated Corporate Governance



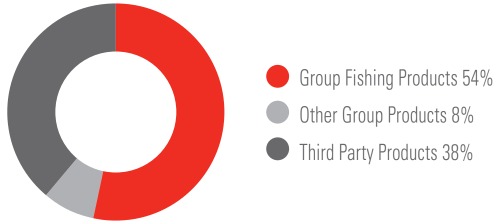
Net Sales by Unit Location



Net Sales by Market Area



Net Sales by Operating Segments



Statement, which is on pages 86–88.

The work to further develop actions and reporting within corporate responsibility progressed. In addition to the implementation and development of environmental measurements, actions were taken to widen the reporting of corporate responsibility to economic and social responsibility.

The principles for Group's risk management and corporate responsibility as well as the work done and progress made in these areas are described in more detail in the sections "Risk Management" and "Corporate Responsibility and Sustainable Development" attached to the consolidated financial statements.

For information on shareholders, shareholder agreement, shares, options and board authorizations, see the sections "Shares and Shareholders" attached to the consolidated financial statements. Transactions with related parties are disclosed in the note 28 to the consolidated financial statements.

Short-Term Outlook

While the general market situation did not change a lot during 2009, positive signs were witnessed in several countries during the second half of the year. In addition, good winter weather conditions have recently boosted the sales of winter sports equipment in the Nordic countries. The general uncertainty in the world economy may continue in 2010 through increased unemployment in many countries, which will most likely continue to affect the ordering behavior of many customers and maintain the need for quick deliveries and short lead-times. In general though, the short-term outlook is cautiously optimistic.

In this economic and market situation, it is expected that both the net sales and the operating margin excluding non-recurring items will increase from 2009 even if the Group continues to reduce its inventories.

While the Group continues to implement its strategy for profitable growth, reducing working capital and increasing cash flow continue to be the top priority for 2010 together with strong emphasis on innovation and development of new products.

At the end of 2009, the Group's order backlog was up 13% at EUR 43.8 million (EUR 38.6 million). Orders for Group branded lures and winter sports equipment have recently been on a record level. Accordingly, the Group lure manufacturing facilities and the Peltonen cross country ski factory are currently running at full capacity.

Proposal for Profit Distribution

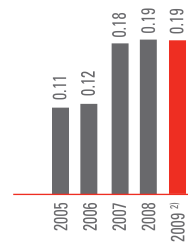
The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.19 per share for 2009 (2008: EUR 0.19) be paid from the Group's distributable equity and that any remaining distributable funds be allocated to retained earnings. At December 31, 2009, the parent company's distributable equity totaled EUR 42.6 million.

No material changes have taken place in the Group's financial position after the end of the financial year 2009. 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.

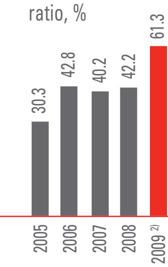
Helsinki, February 4, 2010

Board of Directors of Rapala VMC Corporation

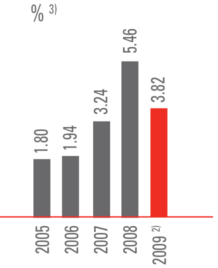
Dividend [1]/share, EUR



Dividend [1]/earnings ratio, %



Effective dividend yield, % [3]



1) For the financial years 2) Board proposal 3) Share price Dec. 31

Auditors' Report

To the Annual General Meeting of Rapala VMC Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Rapala VMC Corporation for the year ended on December 31, 2009. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow and notes to the consolidated financial statements, as well as the parent company's statement of financial position, income statement, statement of cash flow and notes to the financial statements.

The Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, February 17, 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Järventausta
Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2009	2008
Net sales	2	234.6	243.0
Other operating income	4	1.2	3.1
Change in inventory of finished products and work in progress		-3.6	15.6
Production for own use		0.1	0.1
Materials and services	6	-105.0	-118.4
Employee benefit expenses	7	-53.8	-57.5
Other operating expenses	5	-44.7	-48.3
Operating profit before depreciation and impairments		28.9	37.5
Depreciation, amortization and impairments	8	-6.9	-6.2
Operating profit		22.1	31.3
Financial income	10	6.4	6.6
Financial expenses	10	-8.5	-11.4
Share of results in associated companies	14	0.0	0.0
Profit before taxes		19.9	26.5
Income taxes	11	-5.7	-7.3
Net profit for the period		14.3	19.2
Attributable to			
Equity holders of the Company		12.1	17.7
Minority interest		2.2	1.6
Earnings per share	30		
Earnings per share, EUR		0.31	0.45
Diluted earnings per share, EUR		0.31	0.45
Weighted average number of shares, 1000 shares		39 208	39 403
Diluted weighted average number of shares, 1000 shares		39 208	39 403

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	Note	2009	2008
Net profit for the period		14.3	19.2
Other comprehensive income (net of tax) *	11		
Change in translation differences		1.5	-1.2
Gains and losses on cash flow hedges			
Gains and losses arising during the period		-0.4	-0.3
Reclassification adjustment for gains included in profit or loss		0.3	0.1
Gains and losses on cash flow hedges total		-0.1	-0.2
Gains and losses on hedges of net investment			
Gains and losses arising during the period		0.2	-2.8
Gains and losses on hedges of net investment		0.2	-2.8
Fair value gains on available-for-sale financial assets			
Gains amd losses arising during the period			-0.1
Fair value gains on available-for-sale financial assets			-0.1
Other comprehensive income for the period, net of tax *		1.6	-4.3
Total comprehensive income for the period		15.9	14.9
Attributable to			
Equity holders of the Company		13.6	13.4
Minority interest		2.3	1.6

* The income tax relating to each of the component of the other comprehensive income is disclosed in the note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	2009	2008
ASSETS			
Non-current assets			
Goodwill	13	43.7	43.8
Trademarks	13	11.3	10.5
Customer relations	13	1.3	1.4
Other intangible assets	13	1.9	1.9
Land	12	1.6	1.6
Buildings	12	7.8	8.2
Machinery and equipment	12	12.1	13.4
Other tangible assets	12	4.5	4.7
Advance payments and construction in progress	12	1.4	0.9
Investment in associated companies	14	0.0	0.0
Available-for-sale financial assets	15	0.3	0.5
Interest-bearing receivables	17	0.1	
Non-interest-bearing receivables	17	0.2	0.2
Derivatives	17, 22	0.0	
Deferred tax assets	11	7.8	7.5
Total non-current assets		94.2	94.6
Current assets			
Inventories	16	94.4	98.4
Trade and other non-interest-bearing receivables	17	41.9	48.1
Income tax receivable		1.5	1.5
Derivatives	17, 22	0.1	0.3
Interest-bearing receivables	17	0.1	0.0
Cash and cash equivalents	18	29.0	30.6
Total current assets		167.0	178.9
Total assets		261.2	273.4

EUR million	Note	2009	2008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		3.6	3.6
Share premium fund		16.7	16.7
Fair value reserve		-0.3	-0.3
Fund for invested non-restricted equity		4.9	4.9
Own shares		-1.4	-0.9
Retained earnings		71.9	60.0
Net income for the period		12.1	17.7
Equity attributable to equity holders of the Company	19	107.4	101.7
Minority interest		4.2	1.9
Total equity		111.7	103.7
Non-current liabilities			
Interest-bearing liabilities	24	35.5	42.4
Non-interest-bearing liabilities	25	3.1	4.0
Employee benefit obligations	20	1.0	0.8
Option programs to be settled in cash	29	0.3	0.1
Deferred tax liabilities	11	5.6	5.6
Provisions	21	0.0	0.0
Derivatives	22, 24	0.4	0.4
Total non-current liabilities		46.0	53.3
Current liabilities			
Interest-bearing liabilities	24	73.0	78.1
Trade and other non-interest-bearing payables	25	29.3	37.7
Income tax payable		1.1	0.5
Provisions	21	0.0	0.1
Derivatives	22, 24	0.0	
Total current liabilities		103.5	116.4
Total shareholders' equity and liabilities		261.2	273.4

CONSOLIDATED STATEMENT OF CASH FLOW

EUR million	Note	2009	2008
Net profit for the period		14.3	19.2
Adjustments			
Income taxes	11	5.7	7.3
Financial income and expenses	10	2.1	4.8
Reversal of non-cash items			
Depreciation and impairments	8	6.9	6.2
Share based payments	7, 29	0.3	-0.2
Exchange rate differences	10	-0.1	-0.8
Share of results in associated companies	14	0.0	0.0
Gains/losses on disposals of intangible, tangible assets and subsidiaries		-0.3	-1.3
Change in provisions and employee benefits		0.1	-3.1
Other items		0.0	
Interest paid		-3.4	-6.2
Interest received		0.2	0.7
Income taxes paid		-5.3	-8.0
Dividends received		0.0	0.0
Other financial items, net		1.1	-0.5
Total adjustments		7.3	-1.1
Change in working capital			
Change in receivables		6.6	3.1
Change in inventories		5.6	-16.7
Change in liabilities		-9.2	0.9
Total change in working capital		3.0	-12.7
Net cash generated from operating activities		24.6	5.4
Net cash used in investing activities			
Acquisition of intangible assets	13	-0.1	-0.3
Proceeds from sale of tangible assets	12	2.4	2.2
Acquisition of tangible assets	12	-6.5	-6.8
Proceeds from sale of available-for-sale investments	15	0.2	
Acquisition of available-for-sale investments	15	0.0	
Acquisition of Sufix trademark	3,13	-1.1	-1.5
Acquisition of Ultrabite trademark	13	-0.9	
Acquisition of subsidiaries, net of cash	3	-0.1	-0.5
Change in interest-bearing receivables		-0.1	0.0
Total net cash used in investing activities		-6.3	-6.8

EUR million	Note	2009	2008
Net cash generated from financing activities			
Dividends paid		-7.5	-6.9
Proceeds from share subscriptions			
Purchase of own shares		-0.6	-0.9
Non-current loan withdrawals		5.7	4.0
Current loan withdrawals		33.3	42.2
Non-current loan repayments		-11.6	-9.7
Current loan repayments		-40.3	-23.0
Payment of finance lease liabilities		0.0	-1.6
Total net cash generated from financing activities		-20.8	4.1
Adjustments		0.8	0.9
Change in cash and cash equivalents		-1.7	3.6
Cash and cash equivalents at the beginning of the period		30.6	27.3
Foreign exchange rate effect		0.1	-0.4
Cash and cash equivalents at the end of the period	18	29.0	30.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company								
EUR million	Share capital	Share premium fund	Fair value reserve	Fund for invested non-restricted equity	Own shares	Translation differences	Retained earnings	Minority interest	Total equity
Equity on Jan. 1, 2008	3.6	16.7	0.0	4.9		-9.8	80.6	0.9	96.9
Net profit for the period							17.7	1.6	19.2
Other comprehensive income *			-0.3			-4.0		0.0	-4.3
Total comprehensive income *			-0.3			-4.0	17.7	1.6	14.9
Purchase of own shares					-0.9				-0.9
Dividends paid							-6.9		-6.9
Share based payment							0.1		0.1
Other changes							0.0	-0.5	-0.5
Equity on Dec. 31, 2008	3.6	16.7	-0.3	4.9	-0.9	-13.8	91.5	1.9	103.7
Net profit for the period							12.1	2.2	14.3
Other comprehensive income*			-0.1			1.5		0.1	1.6
Total comprehensive income *			-0.1			1.5	12.1	2.3	15.9
Purchase of own shares					-0.6				-0.6
Dividends paid							-7.5		-7.5
Share based payment							0.1		0.1
Other changes							0.0	0.0	0.0
Equity on Dec. 31, 2009	3.6	16.7	-0.3	4.9	-1.4	-12.3	96.3	4.2	111.7

* Net of tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

Rapala VMC Oyj ("Company") is a Finnish public limited liability company organized under the laws of Finland, domiciled in Asikkala and listed on the NASDAQ OMX Helsinki stock exchange since 1998. The parent company Rapala VMC Oyj and its subsidiaries ("Rapala" or "the Group") operate in some 30 countries and the Company is one of the leading fishing tackle companies in the world.

The Board of Directors of the Company has approved these financial statements for publication at its meeting on February 3, 2010. Under Finland's Companies Act, shareholders have the option to accept or reject the financial statements in a meeting of shareholders, which will be held after the publication of the financial statements. The meeting has also the option of changing the financial statements.

A copy of the consolidated financial statements is available at the Group's website www.rapala.com or from Arabiankatu 12, 00560 Helsinki, Finland.

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2009. The term 'IFRS standards' refers to standards and interpretations which are approved and adopted by the European Union (regulation EY 1606/2002) and thus are in force in the Finnish legislation. The Group has not early adopted any new, revised or amended standards or interpretations.

The consolidated financial statements have been prepared on a historical cost basis, unless otherwise stated. The consolidated financial statements are presented in millions of euros.

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group adopted in 2009 the following new, revised or amended standards and interpretations:

• IFRS 2 Share-based Payment (amendment). This amendment affects the consideration and treatment of vesting conditions and the cancellations of share-based payments in the financial statement. This amendment did not have an effect on the Group's financial statements.

• IFRS 7 Financial Instruments: Disclosures (amendment): This amendment includes new presentation requirements about the methods how financial instruments' fair values are determined. This amendment had an effect on Note 23 of the consolidated financial statements.

• IFRS 8 Operating Segments: According to this new standard, segment information is required to be reported on the basis that management uses internally for evaluating operating segment performance and deciding how to allocate resources to operating segments (management approach). The Group's IFRS 8 based segments are Group Fishing Products, Other Group Products and Third Party Products. This change had an effect on the presentation of Note 2 in the consolidated financial statements.

• IAS 1 Presentation of Financial Statements (amendment): Adoption of this amended standard had an effect on the presentation of the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity as well as the notes for these statements.

• IAS 23 Borrowing costs (amendment): This revised standard requires to capitalize borrowing costs as part of the cost of assets that take a substantial period of time to get ready for use or sale. This amendment did not have an effect on the Group's financial statements.

• IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (amendments). These amendments have an effect on puttable financial instruments and obligations arising on liquidation. These amendments did not have an effect on the Group's financial statements.

• IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of embedded derivatives (amendments): These amendments influence the treatment of embedded derivatives. These amendments did not have an effect on the Group's financial statements.

• IFRIC 13 Customer Loyalty Programmes: This interpretation addresses entities that grant loyalty award credits to customers. This interpretation did not have an effect on the Group's financial statements.

• IFRIC 15 Agreements for the Construction of Real Estate:This interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of a real estate directly or through subcontractors. This interpretation did not have an effect on the Group's financial statements.

• IFRIC 16 Hedges of a Net Investment in a Foreign operation: This interpretation applies to entities that hedge the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. This interpretation provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation. This interpretation did not have an effect on the Group's financial statements.

Additionally, the IFRS standards' annual improvement project's amendments which have been approved for application in the EU, have been taken into account in the consolidated financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In 2010, the Group will adopt the following new, revised or amended standards and interpretations:

• IFRS 2 Share-based Payment (amendment; effective for annual periods beginning on or after January 1, 2010). This amendment influences the treatment of cash-settled share-based payment transactions in the separate financial statements of group companies. The Group estimates that the amendment will not have a material impact on the Group's consolidated financial statements. This amendment has not yet been approved for application in the EU.

• IFRS 3 Business Combinations (revision) and IAS 27 Consolidated and Separate Financial Statements (amendment) (effective for annual periods beginning on or after July 1, 2009). Amendments of standards IFRS 3 and IAS 27 will have a significant impact on the accounting of future business combinations. The main changes to existing requirements or practice are: measurement of non-controlling interests, step acquisitions, acquisition related costs and contingent consideration.

• IAS 39 Financial Instruments: Recognition and Measurement (amendment; effective for annual periods beginning on or after July 1, 2009). This amendment influences eligible hedged items. The Group estimates that the amendment will not have a material impact on the Group's financial statements.

• IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009). IFRIC 17 clarifies that an entity should measure the dividend payable at the fair value of the net assets to be distributed and that an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Group estimates that the interpretation will not have a material impact on the Group's financial statements.

• IFRIC 18 Transfers of Assets from Customers (due to EU's late acceptance of this interpretation, it is effective in EU for transfers of assets from customers received on or after January 1, 2010): This interpretation applies to entities that receive transfers of property, plant and equipment from their customers. The Group estimates that this interpretation will not have an impact on the Group's financial statements.

In 2011 or later, the Group will adopt the following new, revised or amended standards and interpretations:

• IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1, 2013; earlier adoption possible). This new standard will gradually replace the current standard 'IAS 39 Financial Instruments: Recognition and Measurement'. The Group investigates this new standard's impact on the Group's consolidated financial statements. This first part of the new standard has not yet been approved for application in the EU.

• IAS 24 Related Party Disclosures (revised; effective for annual periods beginning on or after January 1, 2011). The Group estimates that the revision will not have a material impact on the Group's consolidated financial statements. This revision has not yet been approved for application in the EU.

• IAS 32 Financial Instruments: Presentation (amendment; effective for annual periods beginning on or after February 1, 2010). The amendment influences the classification of foreign-currency-denominated rights issues. The Group estimates that the amendment will not have a material impact on the Group's consolidated financial statements.

• IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment; effective for annual periods beginning on or after January 1, 2011). The Group estimates that the amendment will not have a material impact on the Group's consolidated financial statements. This amendment has not yet been approved for application in the EU.

• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). The Group estimates that the interpretation will not have a material impact on the Group's consolidated financial statements. This interpretation has not yet been approved for application in the EU.

CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries in which it holds, directly or indirectly, over 50% of the voting rights or other governing power. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Acquired subsidiaries are accounted for using the acquisition cost method, according to which the assets and liabilities of the acquired company are measured at fair value at the date of acquisition. The excess acquisition cost over the fair value of net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets acquired, the difference is recognized directly through income statement. Goodwill on consolidation is not amortized but tested for impairment annually. In accordance with the exemption under IFRS 1, acquisitions prior to the IFRS transition date, January 1, 2004, have not been restated and these values are according to the previous financial statement standards. The consolidated financial statements include the results of acquired companies for the period from the completion of the acquisition. Conversely, divestments are included up to their date of sale.

Associated companies, where the Group holds voting rights of 20–50% and in which the Group has significant influence, but not control, are included in the consolidated financial statements using the equity method. Under the equity method, the Group's share of the associate's profit or loss for the year is recognized in the consolidated income statement after operating profit. The Group's interest in an associated company is carried in the balance sheet at an amount that reflects its share of the net assets of the associate together with goodwill on acquisition, as amortized, less any impairment. Unrealized gains, if any, between the Group and associated companies are eliminated to the extent of the Group's holding. Associated companies' financial statements have been converted to correspond with the accounting principles in use in the Group. When the Group's share of losses exceeds the carrying amount of an investment, the carrying amount is reduced to nil and any recognition of further losses ceases unless the Group has incurred obligations in respect of the associated companies.

The investments in subsidiaries have been eliminated using the acquisition cost method. All transactions between Group companies as well as assets and liabilities, dividends and unrealized internal margins in inventories and tangible assets have been eliminated in the consolidated financial statements. Minority interest is presented separately from the net profit and disclosed as a separate item in the equity in accordance with the share of the minority interest. Minority interest of accrued losses is recognized in the consolidated financial statements up to a maximum of the amount of the investment. Acquisitions of minority interest are accounted for using the parent entity extension method, according to which the difference between the consideration and the carrying value of the share of the net assets acquired is recognized as goodwill. Disposals of minority interest are also accounted for using the parent entity extension method, according to which the Group's gain/loss from the disposal is recognized in the income statement. Calculation of Group's gain/loss from the disposal should also include the disposed share of previously recognized goodwill, which is also seen as being disposed of.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATIONS

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Non-monetary items denominated in foreign currency, measured at fair value, are translated using the exchange rates at the date when the fair value was determined. Other non-monetary items have been translated into the functional currency using the exchange rate on the date of the transaction. Foreign exchange gains and losses for operating business items are recorded in the appropriate income statement account before operating profit. Foreign exchange gains and losses from the translation of monetary interest-bearing assets and liabilities denominated in foreign currencies are recognized in financial income and expenses. Exchange differences arising on a monetary item that forms a part of a net investment in a foreign operation are recognized in the statement of other comprehensive income and recognized in profit or loss on disposal of the net investment.

The consolidated financial statements are presented in euros, which is the Company's functional and reporting currency. Income statements of subsidiaries, whose functional and reporting currency is not euro, are translated into the Group reporting currency using the average exchange rate for the year. Their balance sheets are translated using the exchange rate of balance sheet date. All exchange differences arising on the translation are entered in the statement of other comprehensive income and presented in equity. The translation differences arising from the use of the purchase method of accounting and after the date of acquisition as well as fair value changes of loans which are hedges of such investments are recognized in statement of other comprehensive income and presented in equity. On the disposal of a subsidiary, whose functional and reporting currency is not euro, the cumulative translation difference for that entity is recognized in the income statement as part of the gain or loss on the sale.

Any goodwill arising on the acquisition of a foreign company and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign subsidiary and translated using the exchange rate of balance sheet date. Goodwill and fair value adjustments arising from the acquisition prior to January 1, 2004 have been treated as assets and liabilities of the Group, i.e. in euros.

REVENUE RECOGNITION

Net sales comprise of consideration received less indirect sales taxes, discounts and exchange rate differences arising from sales denominated in foreign currency. Sales of goods are recognized after the significant risks and rewards of ownership of the goods have passed to the buyer and no significant uncertainties remain regarding the consideration, associated costs and possible return of goods. The costs of shipping and distributing products are included in other operating expenses. Revenues from services are recorded when the service has been performed.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Royalty income is recorded according to the contents of the agreement. Interest income is recognized by the effective yield method. Dividend income is recognized when the company has acquired a right to receive the dividends.

INCOME TAXES

The Group's income tax expense includes taxes of the Group companies based on taxable profit for the period, together with tax adjustments for previous periods and the change in deferred income taxes. The income tax effects of items recognized directly in other comprehensive income are similarly recognized. The current tax expense for the financial year is calculated from the taxable profit based on the valid tax rate of each country. The tax is adjusted with possible taxes related to previous periods. The share of results in associated companies is reported in the income statement as calculated from net profit and thus including the income tax charge.

Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit pension plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are expensed as they are incurred, unless they relate to a clearly defined project that meets certain criteria. Development costs for such projects are capitalized if they are separately identifiable and if the products are assessed to be technically feasible and commercially viable and the related future revenues are expected to exceed the aggregate deferred and future development costs and related production, selling and administrative expenses, and if adequate resources exist or will be available to complete the project. Capitalized development costs include all directly attributable material, employee benefit and testing costs necessary to prepare the asset to be capable of operating in the manner intended. Research and development costs that were initially recognized as an expense are not to be capitalized at a later date.

Amortization of such a product is commenced when it is available for use. Unfinished products are tested annually for impairment. Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the subsidiary, associated undertaking or joint venture acquired after January 1, 2004. Any costs directly attributable to the business combination, such as professional fees, are included to the cost of an acquisition. Goodwill from the combination of operations acquired prior to January 1, 2004 corresponds to the carrying amount according to the previous financial statement standards, which has been used as the assumed acquisition cost according to IFRS.

Goodwill is tested annually for impairment. For this purpose, goodwill has been allocated to cash generating units. Goodwill is measured at cost less any accumulated impairment loss, and is not amortized.

INTANGIBLE ASSETS

Intangible assets include customer relations, trademarks, capitalized development expenses, patents, copyrights, licenses and software. An intangible asset is recognized in the balance sheet only if it is probable that the future economic benefits that are attributable to the asset will flow to the Group, and the cost of the asset can be measured reliably. Intangible assets are stated at cost, amortized on a straight-line basis over the expected useful lives which vary from 3 to 15 years and adjusted for any impairment charges. Trademarks and other intangible assets whose useful life is estimated to be indefinite are estimated to affect cash flow accumulation for an undefined period of time. The expected useful life for most trademarks is indefinite and therefore they are not amortized. These intangibles are measured at cost less any accumulated impairment loss and not amortized. Intangible assets with indefinite useful lives are tested for impairment annually. The valuation of intangible assets acquired in a business combination is based on fair value as at the date of acquisition.

Expected useful lives and indefinite lives of intangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly.

TANGIBLE ASSETS

Tangible assets are stated at historical cost, amortized on a straight-line basis over the expected useful life and adjusted for any impairment charges. The valuation of tangible assets acquired in a business combination is based on fair value as at the date of acquisition. Land is not depreciated as it is deemed to have an indefinite life.

Depreciation is based on the following expected useful lives:

Buildings	10–20 years
Machinery and equipment	5–10 years
Other tangible assets	3–15 years

Expected useful lives of tangible assets are reviewed at each balance sheet date and, where they differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary maintenance and repair costs are expensed as incurred. The cost of significant renewals and improvements are capitalized and depreciated over the remaining useful lives of the related assets. Gains and losses on sales and disposals are determined by comparing the received proceeds with the carrying amount and are included in the income statement in the item other operating income and expenses.

Depreciation of a tangible asset is discontinued when the tangible asset is classified as being held-for-sale in accordance with IFRS 5 standard Non-Current Assets Held-for-sale and Discontinued Operations.

BORROWING COSTS

Borrowing costs, that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalized as part of the cost of that asset. Other borrowing costs are expensed when incurred.

GOVERNMENT GRANTS

Government or other grants are recognized in the income statement as other operating income on a systematic basis over the periods necessary to match them with the related costs, which they are intended to compensate. Government grants relating to purchase of tangible assets are recognized as revenue on a systematic basis over the useful life of the asset when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. In the balance sheet, grants are deducted from the value of the asset they relate to. The grants are recognized to decrease depreciations over the useful life of the asset. Currently, all grants of the Group have been recognized in the income statement as other operating income.

IMPAIRMENTS OF TANGIBLE AND INTANGIBLE ASSETS

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If indication exists, the recoverable amount is measured. Indications of potential need for impairment may be for example changes in market conditions and sales prices, decisions on significant restructurings or change in profitability. Goodwill, intangible assets with indefinite useful lives and unfinished tangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows.

An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. Discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment loss is immediately recognized in the income statement. Impairment losses attributable to a cash-generating unit are used to deducting first the goodwill allocated to the cash-generating unit and, thereafter, the other assets of the unit on an equal basis. The useful life of the asset to be depreciated is reassessed in connection with the recognition of the impairment loss. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount. However, the reversal must not cause that the adjusted value is higher than the carrying amount that would have been determined if no impairment loss had been recognized in prior years. Impairment losses recognized for goodwill are not reversed.

ASSETS HELD-FOR-SALE

Non-current assets (or a disposal group) are classified as held-for-sale, if their carrying amount will be recovered principally through the disposal of the assets rather than through continuing use. For this to be the case, the sale must be highly probable, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary, the management must be committed to selling and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held-for-sale (or assets included in the disposal group) are measured at the lower of carrying amount and fair value less estimated selling expenditure. After an asset has been classified as held-for-sale, it is not depreciated. If the classification criterion is not met, the classification is reversed and the asset is measured at the lower of carrying amount prior to the classification less depreciation and impairment, and recoverable amount. A non-current asset held-for-sale and assets included in the disposal group classified as held-for-sale are disclosed separately from the other asset items.

ACCOUNTING FOR LEASES

Group as a lessee

Leases of tangible assets, where the Group has substantially all the rewards and risks of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the estimated present value of the underlying lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in interest-bearing liabilities with the interest element of the finance charge being recognized in the income statement over the lease period. Tangible assets acquired under finance lease contracts are depreciated over the shorter of the estimated useful life of the asset or lease period.

Leases of tangible assets, where the lessor retains all the risks and benefits of ownership, are classified as operating leases. Payments made there under, and under rental agreements, are expensed on a straight-line basis over the lease periods. Received incentives are deducted from the paid leases based on the time elapse of benefit.

Currently the Group does not have other arrangements that contain a lease.

Group as a lessor

Those leases under which the Group is a lessor are classified as operating leases. Leased assets are presented in the lessor's balance sheet under tangible assets according to the nature of the asset. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognized in the income statement on a straight-line basis over the lease term.

FINANCIAL ASSETS

Financial assets are classified as financial assets at fair value through profit or loss, financial assets held-to-maturity, loans and receivables or available-for-sale financial assets. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate re-evaluates this designation at each financial year-end. Financial assets include current and non-current assets and they can be interest-bearing or non-interest-bearing.

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition as at fair value through profit or loss. The Group has not applied the fair value option. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. All of the Group's currency derivatives, which do not qualify for hedge accounting, are classified as financial assets held-for-trading. Financial assets classified as held-for-trading are measured at fair value. Unrealized and realized changes in fair value are recognized in the income statement.

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has a positive intention and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest rate method less any allowance for impairment. Initially recognized amount includes directly attributable transaction costs. Gains and losses are recognized in the income statement when loans and receivables are derecognized, impaired, and through the amortization process.

Financial assets that are not classified in the two preceding categories are classified as available-for-sale. When available-for-sale financial assets are recognized initially, they are measured at fair value by using quota market rates and market prices, discounted cash flow analyses and other appropriate valuation models. Certain unlisted shares for which fair values cannot be measured reliably are reported at cost less impairment. The fair value changes of available-for-sale financial assets, net of tax, are recognized as other comprehensive income. Changes in fair value are transferred from the statement of other comprehensive income to the income statement when the instrument is sold or its value has fallen so that an impairment loss has to be recognized for the instrument. Purchases and sales of available-for-sale financial assets are recognized on the trade date.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The Group is exposed to financial risks related especially to changes in foreign currency exchange rates and interest rates for loans and borrowings. Derivative financial instruments are used, from time to time, to hedge financial risk. All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Derivatives may be designated as hedging instruments, in which case hedge accounting is applied. If hedge accounting is not applied, fair value changes in derivatives are recognized in the income statement. In the case hedge accounting is applied, the accounting for hedging instruments is dependent on the particular nature of the hedging relationship.

In cash flow hedges, changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized as other comprehensive income and the ineffective portion is recognized immediately in the income statement. If hedge accounting is not applied, fair value changes in derivatives are recognized in the income statement. Gains and losses from derivative instruments recognized in the income statement are presented in other operating expenses and in financial income or expenses only when the derivative instrument is assigned to interest-bearing financial assets or liabilities. Accumulated fair value changes recognized in the statement of other comprehensive income are reclassified into income statement in the period when the hedged cash flow affects income or if the hedged subsidiary is sold or liquidated.

Changes of the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement together with the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If derivative financial instrument does not qualify for hedge accounting, any changes in fair value are recognized in the income statement.

Currently, the Group has short-term zero-cost currency option pair instruments to which hedge accounting is not applied but which have been made to hedge operative cash flow against exchange rate risk. The fair values of the option-pair –instruments are based on market valuations received from the bank.

The Group also has 14 interest rate swaps, of which 13 are designated and effective as cash flow hedge. The fair values of interest rate derivatives have been calculated using a discounted cash flow method and are received from the bank. Currently, the Group does not have any fair value hedges or embedded derivatives.

Hedge accounting is applied to hedges of net investment in the foreign subsidiaries. Group hedges its net investments in foreign subsidiaries using currency loans. Hedges of net investments in foreign subsidiaries are recorded in the same way as cash flow hedges. Effective portion of changes in the fair value are recognized in translation differences in the statement of other comprehensive income and the ineffective portion is recognized in financial income and expenses. Accumulated fair value changes recognized in the items of other comprehensive income are reclassified into income statement if the hedged subsidiary is sold or liquidated.

If hedge accounting is applied, hedging programs are documented according to the requirements of IAS 39 and designated hedging instruments are subject to prospective and retrospective testing of effectiveness.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method or, alternatively, weighted average cost where it approximates FIFO. The cost of finished goods and work in progress comprises raw materials, direct labor, depreciation, other direct costs and related production overheads, but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

TRADE RECEIVABLES

Trade receivables are carried at their anticipated realizable value, which is the original invoice amount less an estimated valuation allowance. A credit loss allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for credit loss allowances is done locally in each business unit on case-by-case –basis.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current interest-bearing loans.

OWN SHARES

Own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

FINANCIAL LIABILITIES

Financial liabilities are initially recognized at the fair value of the consideration received plus directly attributable transactions costs. After initial recognitions, they are subsequently measured at amortized cost using the effective interest method. Also commercial paper programs are measured at amortized cost. Gains and losses are recognized in the income statement when the liabilities are derecognized, impaired and through the amortization process.

Financial liabilities include current and non-current liabilities and they can be interest-bearing or non-interest-bearing. Contingent considerations of business combinations are classified as non-interest-bearing financial liabilities.

RECOGNITION AND DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities, except for derivatives and available-for-sale financial assets, are recognized at the settlement date.

A financial asset or a financial liability is recognized on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized when, and only when the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset, so that all the risks and rewards of ownership of the financial asset are substantially transferred. A financial liability or a part of a financial liability is removed from the balance sheet when, and only when, it is extinguished, that is when the obligation specified in the contract is discharged or cancelled or expires.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether a financial asset or group of financial asset is impaired. An impairment loss in respect of loans and receivables is measured as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is measured as a difference between its acquisition costs and its current fair value, less any impairment loss on that financial asset previously recognized in the income statement. An impairment loss in respect of an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses are recognized in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in the items of other comprehensive income is reclassified into income statement.

A previously recognized impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets amortized at cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the income statement. For available-for-sale financial assets that are equity securities, the reversal is recognized in the statement of other comprehensive income. An impairment loss in respect of an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, cannot be reversed.

PROVISIONS

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are valued at the net present value of the expenses required to cover the obligation. The discount factor used when calculating present value is selected so that it describes the market view of the time value of the money and the risk relating to the obligation at the time of examination.

A warranty provision is recognized when a product containing a warranty clause is sold. The size of the sum involved is determined on the basis of what is known about past warranty costs. A restructuring provision is recognized when the Group has compiled a detailed restructuring plan, launched its implementation or has informed the parties concerned.

WASTE ELECTRICAL AND ELECTRONIC EQUIPMENT

The Group is a distributor of electrical equipment that falls under the EU Directive on Waste Electrical and Electronic Equipment. Expected costs are recognized as part of other operating expenses and as a current non-interest-bearing payable.

EMPLOYEE BENEFITS

Pension obligations

Throughout the Group operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. The contributions to defined contribution plans are charged to the income statement in the year to which they relate.

The Group operates defined benefit pension plans only in France and Sweden. In 2008, a defined benefit pension plan was in place also in Canada. For defined benefit plans, pension costs are assessed using the projected unit credit actuarial valuation method, in which the costs of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan. The pension obligation is measured as the present value of estimated future cash outflows. Defined benefit liability comprises of the present value of the defined benefit obligation less past service and actuarial gains and losses not yet recognized and less the fair value of plan assets. All actuarial gains and losses are recognized in the income statement over the average remaining service lives of employees, to the extent that they exceed 10% of pension obligations or the fair value of plan assets. The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or change to, a pension plan, past service cost is recognized immediately. In accordance with the exemption under IFRS 1, all cumulative actuarial gains and losses have been recognized in retained earnings at the date of transition, January 1, 2004.

Share-based payments

The Group has applied the requirements of IFRS 2 (Share-based Payments) to all share-based payment programs granted after November 7, 2002 that were unvested as of January 1, 2005. The Group has three separate share-based payment programs: one share option program, one synthetic option program settled in cash and one share reward program. Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability. In the cash settled option program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payment programs is recognized in employee benefit expenses.

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. Grant date is the date at which the entity and another party agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. The options are valued at fair value using Black-Scholes option-pricing model. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement with a corresponding adjustment to the equity or liability.

When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium fund.

DIVIDENDS

The dividend proposed by the Board of Directors is not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to the shareholders of the Company by the weighted average number of shares in issue during the year, excluding shares purchased by the Group and held as treasury shares, if any.

Diluted earnings per share amounts have been calculated by applying the "treasury stock" method, as if the options were exercised at the beginning of the period, or on the issuance of options, if that occurs later during the period, and as if the funds obtained thereby were used to purchase common stock at the average market price during the period. In addition to the weighted average number of shares outstanding, the denominator includes the incremental shares obtained through the assumed exercise of the options. The assumption of exercise is not reflected in earnings per share when the exercise price of the options exceeds the average market price of the shares during the period. The share options have a diluting effect only when the average market price of the share during the period exceeds the exercise price of the options.

OPERATING PROFIT

The IAS 1 (Presentation of Financial Statements) standard does not define operating profit. The Group has defined it as follows: Operating profit is the net amount arising from adding other operating income to net sales, deducting cost of sales corrected for changes in inventories and cost of production for own use, deducting costs related to employee benefits, depreciation and possible impairments as well as other operating expenses. Foreign exchange differences and changes in the fair value of derivative financial instruments are included in operating profit in case they originate from operating business items; otherwise they are booked in financial income and expenses.

CASH FLOW STATEMENT

Cash and cash equivalents presented in the cash flow statement comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash generated from operating activities has been reported using the indirect method. All income taxes paid during the financial year are presented in net cash generated from operating activities, unless they can be particularly allocated to net cash from (used in) investing or financing activities. Unrealized exchange gains and losses from cash and cash equivalents denominated in foreign currencies and from transactions between Group companies are presented on a separate row before change in cash and cash equivalents, separate from cash generated from (used in) operating, investing and financing activities.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in accordance with IFRS requires management to make certain estimates and assumptions that affect the amounts recognized in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates. In addition, judgment has to be exercised in applying the accounting principles of the financial statements. Management's estimates and assumptions are based on historical experience and plausible future scenarios, which are continually evaluated. Possible changes in estimates and assumptions are recognized in the accounting period during which estimates and assumptions were fixed and in all subsequent accounting periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next accounting period, are discussed below.

Determining fair value of acquisitions

The fair values of acquired working capital and tangible assets were evaluated by Rapala and external appraisal personnel before the acquisition. The fair value of intellectual property rights (trademarks, patents and technology) and customer relations are established with discounting the related cash flows.

Impairment testing

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill, intangible assets with indefinite useful lives and unfinished tangible assets are in all cases tested annually. For the purposes of assessing impairment, assets are grouped at the lowest cash generating unit level for which there are separately identifiable, mainly independent, cash inflows and outflows. An impairment loss is the amount by which the carrying amount of the assets exceeds the recoverable amount. The recoverable amount is determined by reference to discounted future net cash flows expected to be generated by the asset. These calculations require the use of estimates.

Income taxes

The Group reviews at each balance sheet date especially the carrying amount of deferred tax assets. Deferred taxes are provided using the liability method, as measured with enacted tax rates, to reflect the temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The main temporary differences arise from the depreciation difference on tangible assets, fair valuation of net assets in acquired companies, intra-group inventory profits, defined benefit pension plans, inventories and other provisions, untaxed reserves and tax losses carried forward. Temporary differences are recognized as a deferred tax asset to the extent that it is probable that future taxable profits will be available, against which the deductible temporary difference can be utilized. The likelihood for the recovery of deferred tax assets from future taxable income is assessed, and to the extent the recovery is not considered likely the deferred asset is adjusted in accordance. At each balance sheet date the Group reviews whether distribution of earnings in subsidiaries is in its control and probable, and books a deferred tax accordingly.

Employee benefits

Pension costs for defined benefit plans are assessed using the projected unit credit actuarial valuation method. Several statistical and other actuarial assumptions are used in calculating the expense and liability related to the plans. These factors include assumptions about the discount rate, future salary increase and annual inflation rate. Statistical information used may differ from actual results. Changes in actuarial assumptions are charged or credited to income over the expected remaining service lives of the employees which could have a slight impact on the Group's income statement.

Share-based payments

The expense of the share-based payments determined at the grant date reflects the Group's estimate of the number of options or share rewards that will ultimately vest. Options are valued at fair value using Black-Scholes option-pricing model. Several assumptions are used in calculating the fair value of the option. These factors include dividend yield, risk free interest rate, expected life of option and personnel forfeit ratio. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest. On a regular basis the Group reviews the assumptions made and revises its estimates of the share-based payments that are expected to be settled. The changes in the estimates are recognized in the income statement.

Provisions

The timing of the recognition of a provision is based on management's estimate of the moment when the Group has a present legal or constructive obligation, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ROUNDING OF FIGURES

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.

In the financial statements, EUR 0.0 million means the figure is less than EUR 50 000. If the amount is EUR 0, the cell is left empty.

DEFINITION OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	=	Operating profit + depreciation and impairments
Net interest-bearing debt	=	Total interest-bearing liabilities - total interest-bearing assets
Capital employed	=	Total equity + net interest-bearing liabilities
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
Average interest rate on net interest-bearing debt, %	=	(Interest paid - interest received) x 100 / Net interest-bearing debt
Net interest-bearing debt to EBITDA	=	Net interest-bearing debt / Operating profit before depreciation and impairments
Return on capital employed (ROCE), %	=	Operating profit x 100 / Capital employed (average for the period)
Return on equity (ROE), %	=	Net profit for the period x 100 / Total equity (average for the period)
Debt-to-equity ratio (Gearing), %	=	Net interest-bearing liabilities x 100 / Total equity
Equity-to-assests ratio, %	=	Total equity x 100 / Total shareholders' equity and liabilities - advances received
Earnings per share, EUR	=	Net profit for the period attributable to the equity holders of the Company / Adjusted weighted average number of shares
Dividend per share, EUR	=	Dividend for the period / Adjusted number of shares at the end of the period

Dividend/earnings ratio, %	=	Dividend for the period x 100 / Net profit for the period attributable to the equity holders of the Company
Equity per share, EUR	=	Equity attributable to equity holders of the Company / Adjusted number of shares at the end of the period
Effective dividend yield, %	=	Dividend per share x 100 / Adjusted share price at the end of the period
Price/earnings ratio	=	Adjusted share price at the end of the period / Earnings per share
Average share price, EUR	=	EUR amount traded during the period / Adjusted number of shares traded during the period
Year-end market capitalization, EUR	=	Number of shares at the end of the period x share price at the end of the period
Average number of personnel	=	Calculated as average of monthly averages

2. SEGMENT INFORMATION

The Group is led as a whole and not organized or managed in segments. For IFRS purposes, segments have though been established for financial reporting in accordance with IFRS 8.

Group's operating segments are Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products include Group Lures, Fishing Hooks, Fishing Lines and Fishing Accessories. Other Group Products include Group manufactured and/or branded products for winter sports and some other businesses as well as gift products. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports. Operating segments provide products or services that are subject to risks and returns different from other business segments.

Group's geographical segments (by unit location) provide products or services within a particular economic environment that is subject to risks and returns different from other economic environments. Group's geographical segments are North America, Nordic countries, Rest of Europe, and Rest of the World.

Pricing of inter-segment transactions is based on market prices.

OPERATING SEGMENTS

					2009					2008
EUR million	Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4
Net Sales										
Group Fishing Products	37.3	37.9	25.0	26.7	126.8	33.7	36,6	22,9	26,4	119,6
Other Group Products	4.2	4.1	3.2	6.3	17.8	5.2	6,0	6,3	7,0	24,5
Third Party Products	23.8	25.9	22.2	18.7	90.6	26.6	31,8	23,7	17,7	99,7
Intra-segment Sales	-0.1	-0.2	-0.1	-0.2	-0.6	-0.3	-0,2	-0,2	-0,2	-0,9
Net Sales	65.2	67.7	50.2	51.4	234.6	65.1	74,2	52,7	50,9	243,0
Operating Profit										
Group Fishing Products	7.8	6.1	0.3	1.5	15.7	6.1	7.9	1.5	3.9	19.5
Other Group Products	0.1	-0.2	0.3	0.3	0.5	0.4	0.6	0.4	0.1	1.6
Third Party Products	2.1	3.5	1.4	-1.2	5.8	4.1	5.3	1.6	-0.8	10.3
Operating Profit	10.0	9.4	1.9	0.7	22.1	10.6	13.8	3.6	3.2	31.3

					2009					2008
EUR million	March 31	June 30	September 30	December 31	December 31	March 31	June 30	September 30	December 31	December 31
Assets										
Group Fishing Products	184.9	165.5	153.9	159.6	159.6	157.1	158.5	165.2	167.5	167.5
Other Group Products	11.6	9.1	9.3	10.2	10.2	13.3	12.4	13.4	10.2	10.2
Third Party Products	84.8	79.1	68.0	61.9	61.9	79.1	79.0	64.1	64.3	64.3
Intra-segment	-0.1	-0.1	-0.1	-0.0	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Non-interest bearing assets total	281.2	253.6	231.2	231.6	231.6	249.3	249.8	242.5	242.0	242.0
Unallocated interest-bearing assets	31.8	41.7	36.8	29.6	29.6	25.6	24.4	28.0	31.4	31.4
Total assets	313.0	295.2	267.9	261.2	261.2	275.0	274.2	270.5	273.4	273.4
Liabilities										
Group Fishing Products	33.3	27.3	24.4	30.8	30.8	29.9	29.6	33.7	30.1	30.1
Other Group Products	2.3	4.6	3.7	2.5	2.5	4.1	3.1	1.9	2.7	2.7
Third Party Products	23.0	10.3	9.0	7.2	7.2	19.3	15.8	11.7	16.0	16.0
Intra-segment	-0.1	-0.1	-0.1	-0.0	-0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Non-interest bearing liabilities total	58.5	42.0	37.1	40.5	40.5	53.1	48.4	47.2	48.8	48.8
Unallocated interest-bearing liabilities	144.1	142.7	120.0	109.1	109.1	122.1	123.1	116.9	121.0	121.0
Total liabilities	202.6	184.7	157.2	149.6	149.6	175.2	171.5	164.1	169.7	169.7

GEOGRAPHICAL INFORMATION

Net sales by unit location

EUR million	2009	2008
North America	61.1	57.5
Nordic	102.0	105.9
Rest of Europe	89.7	101.3
Rest of the World	55.3	54.3
Intra-segment Sales	-73.5	-76.0
Total Net Sales	234.6	243.0

External net sales by destination

EUR million	2009	2008
Finland	22.2	23.5
Other Nordic Countries	34.9	35.3
Nordic Total	57.1	58.8
Russia	18.9	22.4
France	27.2	31.8
Other European Countries	36.7	41.1
Rest of Europe Total	82.9	95.3
USA	55.0	53.8
Other North America	9.8	9.6
North America Total	64.8	63.4
Rest of the World	29.8	25.4
Total	234.6	243.0

Non-current assets by unit location

EUR million	2009	2008
Finland	13.6	12.2
Other Nordic Countries	2.9	3.0
Nordic Total	16.5	15.2
Rest of Europe Total	9.2	9.5
USA	24.6	25.7
Other North America	3.8	3.4
North America Total	28.4	29.1
China	28.5	29.8
Other countries	3.2	2.6
Rest of the World Total	31.7	32.5
Total	85.7	86.3

Based on IFRS 8, these non-current assets exclude non-current financial instruments, deferred tax assets and post-employment benefit assets.

3. ACQUISITIONS AND DISPOSALS

CORPORATE AND BRAND ACQUISITIONS IN 2009

In 2009, Rapala made the final payment of the minority acquisition of Normark Innovation Inc. (EUR 0.1 million) which was closed in 2007, as well as the second partial payment of the Sufix brand acquisition (EUR 1.1 million) which was closed in 2008. Rapala acquired also the remaining minority of the Norwegian subsidiary Sandelin Berntsen Sport AS (EUR 0.0 million). Sandelin Berntsen Sport AS was merged to Elbe Normark AS in December 2009.

In December 2009, Rapala acquired Ultrabite trademark (EUR 0.9 million) and concluded agreements with Kiotech International PLC (Kiotech) and the Centre for Environment, Fisheries and Aquaculture Science (CEFAS), an executive agency of the UK government's Department for Environment, Food and Rural Affairs, to exclusively commercialize Ultrabite branded and patented pheromone technology to the sport fishing industry and market worldwide. Since 2006, Rapala has been developing new products for worldwide sales exclusively using Ultrabite branded pheromone products developed by CEFAS and licensed through Kiotech. Rapala concluded an exclusive licensing agreement directly with CEFAS for an initial period of 12 years with a further option for 10 years thereafter for the use of pheromone technology. This direct co-operation will be key to the future development and success of this important market sector for a long-term basis.

CORPORATE AND BRAND ACQUISITIONS IN 2008

Rapala increased its ownership in the Finnish cross country ski manufacturer Peltonen Ski Oy from 80% to 90% in January, ownership in the Lithuanian distribution company from 82% to 100% in March and ownership in the distribution company in Thailand from 80% to 100% in September.

In 2008, Rapala made the final payment of the Terminator acquisition (EUR 0.2 million) closed in 2007, the final payment of the Freetime acquisition (EUR 0.1 million) closed in 2005 and a payment of the minority acquisition of Normark Innovation Inc. (EUR 0.1 million) closed in 2007.

These acquisitions did not have an effect on Group's 2008 net sales and net income.

On July, 2008, Rapala and Yao I Co Ltd ("Yao I"), one of the leading manufacturers of fishing line in the world having its offices in Changhua, Taiwan, and fishing line factories in Taiwan and China, concluded an exclusive supply agreement for the supply of fishing lines. In connection with this arrangement, Yao I sold its Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business (excluding manufacturing related), to Rapala. The consideration for the Sufix brand, including all intangible assets relating to Sufix branded and other fishing line business, is USD 10 million and will be paid over the next seven years. In addition, Rapala paid USD 1.7 million for Sufix fishing line inventories in the USA.

BUSINESS ACQUISITIONS

EUR million	Note	2009		2008	
		Fair value	Seller's carrying value	Fair value	Seller's carrying value
Minority interest		0.0		0.1	
Fair value of acquired net assets		0.0		0.1	

	Note	2009	2008
Cash paid		0.0	0.1
Cash paid later			0.0
Total purchase consideration		0.0	0.2
Excess of Group's interest in the net fair value of acquired net assets over cost		0.0	0.0
Goodwill	13	0.0	0.0
Net		0.1	0.0
Cash paid [1]		0.1	0.4
Cash and cash equivalents acquired			
Net cash flow		0.1	0.4

1) Cash paid in 2009 includes the final payment of the minority acquisition of Normark Innovation Inc. (EUR 0.1 million) and the minority acquisition of the Norwegian subsidiary Sandelin Berntsen Sport AS (EUR 0.0 million). Cash paid in 2008 includes a final payment of the Terminator acquisition (EUR 0.2 million), a final payment of the Freetime acquisition (EUR 0.1 million) and a payment of the minority acquisition of Normark Innovation Inc. (EUR 0.1 million).

Acquired companies are accounted for using the purchase method of accounting, which involves allocating the cost of the business combination to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition.

The fair value of acquired intellectual property rights is established with the estimated discounted royalty payments. Determination of fair value is the market based estimated royalty rate (normalized net cash flow), that an external party would be willing to pay for the license contract. The fair value of customer relations is established based on the estimated duration of customer relationship (average minimum duration) and discounted net cash flows of present customer relationships.

The goodwill increase in 2009 (EUR 0.0 million) arose from the minority acquisition of the Norwegian subsidiary Sandelin Berntsen Sport AS. The goodwill increase in 2008 (EUR 0.0 million) was a combination of several small acquisitions and because it was not significant, the goodwill has not been justified. The goodwill has been tested for impairment. For more details on the impairment testing of goodwill, see note 13.

4. OTHER OPERATING INCOME

EUR million	2009	2008
Sale of French warehouse and office buildings		1.4
Sale of Hong Kong office premises	0.5	
Insurance compensations	0.1	0.1
Rental income	0.1	0.2
Scrap sales	0.0	0.2
Other gains from sale of intangible and tangible assets	0.3	0.1
Government grants	0.1	0.2
Royalty income	0.1	0.1
Other income	0.0	0.8
Total	1.2	3.1

Other income, EUR 0.0 million (2008: 0.8 EUR million) is a combination of several smaller income items, of which none is individually significant.

5. OTHER OPERATING EXPENSES

EUR million	2009	2008
Selling and marketing expenses	-10.3	-11.3
Freight	-4.4	-4.9
Rents paid	-6.1	-6.2
Maintenance and utility expenses	-4.3	-5.4
Traveling expenses	-3.9	-4.3
Sales commissions	-3.8	-3.3
IT and telecommunication	-1.7	-1.7
Insurance expenses	-0.8	-0.8
Outsourced logistics	-0.5	-0.5
Consulting expenses	-1.3	-1.2
Auditors' fees and services	-0.8	-0.8
Valuation allowance for trade receivables	-1.1	-1.0
Other expenses	-5.8	-6.8
Total	-44.7	-48.3

AUDITORS' FEES AND SERVICES

EUR million	2009	2008
Audit fees	-0.6	-0.7
Fees for tax services	-0.2	0.0
Other fees	0.0	0.0
Total	-0.8	-0.8

NON-RECURRING INCOME AND EXPENSES INCLUDED IN OPERATING PROFIT

EUR million	2009	2008
Consolidation of French operations	0.0	-0.1
Closure of Irish lure factory	-0.1	0.0
Sale of French warehouse and office buildings		1.4
Sale of Hong Kong office premises	0.5	
Restructuring of Chinese manufacturing operations [1]	-0.4	
Other restructuring costs	-0.4	-0.3
Other non-recurring items	-0.1	-0.2
Total included in EBITDA	-0.3	0.8
Impairment of non-current assets in China	-0.7	
Impairment of non-current assets in Hungary	-0.3	
Total included in operating profit	-1.4	0.8

1) Includes redundancy and other costs as well as gains and losses from the sale of fixed assets.

6. MATERIALS AND SERVICES

EUR million	2009	2008
Materials, goods and supplies		
Purchases during the period	-97.0	-116.0
Change in inventory	-2.0	0.2
External services	-5.9	-2.7
Total	-105.0	-118.4

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2009	2008
Wages and salaries	-43.0	-47.0
Pension costs - defined contribution plans	-3.6	-3.2
Pension costs - defined benefit plans	-0.2	-0.1
Other long-term employee benefits	-0.1	0.0
Share-based payments to be settled in shares	-0.1	-0.1
Share-based payments to be settled in cash	-0.2	0.3
Other personnel expenses	-6.6	-7.4
Total	-53.8	-57.5

The employee benefit expenses in 2009 include EUR 0.3 million employee related restructuring expenses. For more details on employee benefits for top management and option programs, see notes 28 and 29.

AVERAGE PERSONNEL

Persons	2009	2008
North America	115	115
Nordic	434	456
Rest of Europe	717	804
Rest of the World	993	2 768
Total	2 259	4 143

8. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

EUR million	2009	2008
Amortization and impairment of intangible assets		
Amortization of customer relations	-0.2	-0.2
Amortization of other intangible assets	-0.2	-0.2
Excess of Group's interest in the net fair value of acquired net assets over cost		0.0
Impairment losses of trademarks	-0.1	
Depreciation and impairment of tangible assets		
Depreciation of buildings	-0.7	-0.9
Depreciation of machinery and equipment	-3.5	-3.7
Depreciation of other tangible assets	-1.1	-1.2
Impairment losses of other tangible assets	-0.9	
Total	-6.9	-6.2

In 2009, the impairments of intangible and tangible assets were related to the restructuring of the Group's Hungarian distribution company and the reorganization of the Chinese manufacturing operations.

9. RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 2.0 million recognized as an expense in 2009 (2008: EUR 1.8 million). Group has not capitalized research and development costs.

10. FINANCIAL INCOME AND EXPENSES

EUR million	2009	2008
Foreign exchange gains		
From loans and receivables	2.9	2.3
From financial liabilities measured at amortized cost	3.2	3.6
Foreign exchange losses		
From loans and receivables	-3.2	-2.5
From financial liabilities measured at amortized cost	-1.4	-3.0
Interest and other financial income		
Interest income from loans and receivables	0.2	0.7
Other financial income	0.1	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	-3.8	-5.8
Other financial expenses	-0.2	-0.2
Total	-2.1	-4.8

Interest expenses include interest expense of finance lease contracts of EUR -0.0 million in 2009 (2008: EUR -0.1 million).

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR million	2009	2008
Change in fair value of interest rate derivatives - hedge accounted, net of tax	-0.1	-0.2
Gains and losses on hedges of net investments, net of tax	0.2	-2.8
Fair value changes on available-for-sale investments, net of tax		-0.1
Total	0.1	-3.1

In 2009 and 2008, hedges of net investments and interest rate derivatives, which fulfill IAS 39 effectiveness requirements, had no income statement effect.

EXCHANGE GAINS AND LOSSES IN THE INCOME STATEMENT

EUR million	2009	2008
In net sales	-0.3	0.0
In purchases	1.2	-0.1
In other operating income and expenses		
Change in fair value of currency derivatives, non-hedge accounted	0.4	0.1
In financial income and expenses	1.5	0.4
Change in fair value of interest-rate derivatives, non-hedge accounted	0.0	0.0
Total	2.8	0.4

11. INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2009	2008
Current income tax	-5.9	-6.5
Deferred tax	0.3	-0.8
Total	-5.7	-7.3

INCOME TAX RECONCILIATION

EUR million	2009	2008
Income taxes at Finnish corporate tax rate (26%)	-5.2	-6.9
Effect of different tax rates in foreign subsidiaries	0.1	0.0
Non-deductible expenses and tax exempt income	0.1	-0.3
Foreign withholding taxes	0.0	
Losses for which no deferred tax benefit is recognized	-0.5	-0.7
Taxes for prior years	-0.5	0.4
Changes in the carrying amounts of deferred tax assets and liabilities from prior years	0.3	0.0
Impact of the changes in the tax rates on deferred tax balances		0.0
Effect of consolidation and eliminations	0.0	0.2
Other items	0.0	0.0
Income taxes in the income statement	-5.7	-7.3

TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

2009 EUR million	Before tax	Tax expense/ benefit	Net of tax
Change in translation differences	1.5		1.5
Gains and losses on cash flow hedges	-0.1	0.0	-0.1
Gains and losses on hedges of net investment	0.3	-0.1	0.2
Fair value gains on available-for-sale investments			
Total	1.7	-0.1	1.6

2008 EUR million	Before tax	Tax expense/ benefit	Net of tax
Change in translation differences	-1.2		-1.2
Gains and losses on cash flow hedges	-0.3	0.1	-0.2
Gains and losses on hedges of net investment	-3.5	0.7	-2.8
Fair value gains on available-for-sale investments	-0.1	0.0	-0.1
Total	-5.1	0.8	-4.3

MOVEMENT OF DEFERRED TAXES

2009 EUR million	Jan. 1	Income statement	Equity	Translation differences	Dec. 31
Tax losses and credits carried forward	2.1	-0.1		0.0	1.9
Provisions	0.2	-0.1		0.0	0.1
Pension obligations	0.2	0.0		0.0	0.2
Depreciation difference	0.2	0.1		0.0	0.2
Effect of consolidation and eliminations	4.3	0.2		0.0	4.5
Other temporary differences	0.5	0.4	0.0	0.0	0.9
Total deferred tax assets	7.5	0.5	0.0	0.0	8.0
Depreciation difference and other untaxed reserves	1.9	0.3	0.0	-0.1	2.1
Inventory	2.0	0.2		-0.1	2.1
Fair value adjustments for acquired net assets	1.4	-0.1		0.1	1.4
Other temporary differences	0.3	-0.1	0.0	0.0	0.2
Total deferred tax liabilities	5.6	0.2	0.0	0.0	5.8
Net deferred tax asset	1.9	0.3	0.0	0.0	2.2

2008 EUR million	Jan. 1	Income statement	Equity	Translation differences	Dec. 31
Tax losses and credits carried forward	2.0	0.1		0.0	2.1
Provisions	0.2	0.1		0.0	0.2
Pension obligations	0.2	0.0		0.0	0.2
Depreciation difference	0.3	-0.2		0.0	0.2
Effect of consolidation and eliminations	4.5	-0.2		0.0	4.3
Other temporary differences	0.8	-0.3	0.1	-0.1	0.5
Total deferred tax assets	8.0	-0.6	0.1	-0.1	7.5
Depreciation difference and other untaxed reserves	1.8	0.0		0.0	1.9
Inventory	1.7	0.2		0.2	2.0
Fair value adjustments for acquired net assets	1.6	-0.3		0.0	1.4
Other temporary differences	0.1	0.3	0.0	-0.1	0.3
Deferred tax liabilities	5.3	0.2	0.0	0.2	5.6
Net deferred tax asset	2.7	-0.8	0.1	-0.2	1.9

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2009, the Group had tax losses carried forward of EUR 6.6 million (2008: EUR 4.9 million), for which deferred tax assets have not been recognized in the consolidated financial statements because the realization of the tax benefit is not probable. EUR 3.9 million of these tax losses will expire during the next five years (2008: EUR 2.3 million).

Deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is in the control of the Group and such distribution is not probable within the foreseeable future.

The consolidated balance sheet includes deferred tax assets of EUR 1.6 million (2008: EUR 1.6 million) in subsidiaries, which have generated losses in financial year 2009 or 2008. The recognition of these assets is based on result estimates, which indicate that the realization of these deferred tax assets is probable.

12. TANGIBLE ASSETS AND ASSETS HELD-FOR-SALE

2009 EUR million	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.6	16.4	48.1	9.6	0.9	76.6
Additions		0.3	2.2	2.1	1.9	6.6
Disposals		-0.4	-3.8	-3.0	-0.2	-7.4
Reclassifications [1]		0.3	0.8	0.0	-1.2	-0.1
Translation differences	0.0	0.1	-0.2	-0.1	0.0	-0.2
Acquisition cost Dec. 31	1.6	16.7	47.1	8.7	1.4	75.5
Accumulated depreciation and impairment Jan. 1		-8.2	-34.8	-4.9		-47.9
Disposals		0.1	3.1	2.8		6.0
Reclassifications [1]			0.0	0.0		0.0
Depreciation during the period		-0.7	-3.5	-1.1		-5.4
Impairment				-0.9		-0.9
Translation differences		-0.1	0.2	0.0		0.2
Accumulated depreciation and impairment Dec. 31		-8.9	-35.0	-4.2		-48.0
Carrying value Jan. 1	1.6	8.2	13.4	4.7	0.9	28.7
Carrying value Dec. 31	1.6	7.8	12.1	4.5	1.4	27.5

2008 EUR million	Land	Buildings	Machinery and equipment	Other tangible assets	Advance payments and construction in progress	Total
Acquisition cost Jan. 1	1.7	15.5	46.4	9.4	0.9	73.9
Additions		0.5	3.9	1.4	1.4	7.1
Disposals		0.0	-3.5	-0.9	-0.4	-4.8
Reclassifications [1]		0.5	0.9	-0.3	-1.1	0.0
Translation differences	-0.1	-0.1	0.4	0.1	0.0	0.3
Acquisition cost Dec. 31	1.6	16.4	48.1	9.6	0.9	76.6
Accumulated depreciation and impairmentJan. 1		-7.4	-33.5	-4.6		-45.4
Disposals		0.0	2.8	1.0		3.8
Reclassifications [1]		0.1	0.0	-0.1		
Depreciation during the period		-0.9	-3.7	-1.2		-5.8
Translation differences		0.0	-0.4	-0.1		-0.4
Accumulated depreciation and impairment Dec. 31		-8.2	-34.8	-4.9		-47.9
Carrying value Jan. 1	1.7	8.1	12.9	4.8	0.9	28.4
Carrying value Dec. 31	1.6	8.2	13.4	4.7	0.9	28.7

1) Includes reclassifications between intangible and tangible assets.

The carrying value of the machinery included in tangible assets was EUR 11.5 million as of December 31, 2009 (2008: EUR 12.3 million).

ASSETS LEASED BY FINANCE LEASE AGREEMENTS

EUR million	2009 Machinery and equipment	2008 Buildings	2008 Machinery and equipment
Carrying value Jan. 1	0.1	1.2	0.1
Additions	0.1		0.1
Purchase of asset leased by finance lease agreement		-1.2	0.0
Reclassifications	0.0		0.0
Depreciation during the period	0.0	-0.1	0.0
Translation differences	0.0	0.0	0.0
Carrying value Dec. 31	0.1		0.1
Accumulated depreciation Dec. 31	0.0		-0.1
Acquisition cost Dec. 31	0.2		0.2

The purchase option for the lease contract for the building of the Danish distribution company was used in October 2008.

13. INTANGIBLE ASSETS

2009 EUR million	Trademarks	Customer relations	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1	11.0	2.0	43.8	5.3	62.0
Additions [2]	1.0		0.0	0.1	1.2
Disposals				0.0	0.0
Reclassifications [1]	0.0	0.0		0.1	0.1
Translation differences	0.0	0.2	-0.1	0.0	0.0
Acquisition cost Dec. 31	11.9	2.2	43.7	5.5	63.3
Accumulated depreciation and impairment Jan. 1	-0.4	-0.6		-3.3	-4.4
Disposals				0.0	0.0
Reclassifications [1]	0.0			0.0	0.0
Depreciation during the period		-0.2		-0.2	-0.4
Impairments	-0.1				-0.1
Translation differences	-0.1	-0.1		0.0	-0.1
Accumulated depreciation and impairment Dec. 31	-0.6	-0.9		-3.5	-5.0
Carrying value Jan. 1	10.5	1.4	43.8	1.9	57.6
Carrying value Dec. 31	11.3	1.3	43.7	1.9	58.3

2008 EUR million	Trademarks	Customer relations	Goodwill	Other intangible assets	Total
Acquisition cost Jan. 1	4.5	2.2	43.4	5.2	55.3
Additions		0.0	0.0	0.3	0.3
Acquisition of Sufix trademark (see note 3)	6.6				6.6
Disposals				-0.2	-0.2
Reclassifications [1]		0.0		0.0	0.0
Translation differences	-0.1	-0.2	0.5	0.0	0.1
Acquisition cost Dec. 31	11.0	2.0	43.8	5.3	62.0
Accumulated depreciation and impairment Jan. 1	-0.4	-0.4		-3.4	-4.3
Disposals				0.2	0.2
Depreciation during the period		-0.2		-0.2	-0.4
Translation differences		0.1		0.0	0.1
Accumulated depreciation and impairment Dec. 31	-0.4	-0.6		-3.3	-4.4
Carrying value Jan. 1	4.1	1.8	43.4	1.9	51.1
Carrying value Dec. 31	10.5	1.4	43.8	1.9	57.6

1) Includes reclassifications between intangible and tangible assets.
2) More information on acquisiton of Ultrabite trademark in the note 3.

Other intangible assets include patents, licenses and computer software. Intangible assets are stated at cost, amortized on a straight line method over expected useful lives which vary from 3 to 15 years and adjusted for any impairment charges. The expected useful life for most trademarks is decades and therefore these intangibles are measured at cost less any accumulated impairment loss and not amortized. Goodwill is measured at cost less any accumulated impairment loss, and not amortized. Trademarks with indefinite lives and goodwill are tested for impairment annually.

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR million	Group Fishing Products	Other Group Products	Third Party Products	Total
2009				
Goodwill	40.5	1.1	2.1	43.7
Trademarks with indefinite lives	10.8	0.0	0.5	11.3
2008				
Goodwill	40.7	1.1	2.0	43.8
Trademarks with indefinite lives	10.1	0.1	0.4	10.5

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

The Group is led as a whole and not organized nor managed in segments. Most of the units are also strongly interlinked i.e. some units do not have a sales or a production organization or some other functions or operations needed to operate on a stand-alone basis. However, according to IFRS, the lowest cash-generating unit (CGU) cannot be larger than an operating segment in the Group's segment reporting. As a consequence, goodwill and trademarks with indefinite lives are tested on the operating segment level.

The recoverable amount of the CGU is determined based on value-in-use calculations. Cash flow projections, which were used in these calculations, were based on most recent 5-year financial forecasts prepared by the management and approved by the Board. The estimated sales and production volumes are derived from the utilization of existing property, plant and equipment. The most important assumptions on which management has based its cash flow projections are the sales and gross margins. Discount rate is the weighted average pre-tax cost of capital (WACC), which was 5.0% in 2008 and 2009. In the impairment tests prepared in 2008 and 2009, the growth rate used to extrapolate the cash flow beyond the five-year period is 0%. As a result of the performed impairment tests, no impairment losses have been recognized in 2008 or 2009.

Key assumptions

Sales – The Group's estimated sales are based on present and future product assortment and utilization of distribution and manufacturing capacity. In addition, estimated sales are based on long-term growth of industry and further implementation of Group's strategic objectives.

EBITDA margin – The Group's estimated EBITDA margin, operating profit before depreciation and impairments compared to net sales, is based on past years actual margins and management's view on sales and gross margin development. The increase in general cost level has also been taken into account in the development of EBITDA margin.

Discount rate – Discount rate is the weighted average pre-tax cost of capital (WACC). Weighted average cost of capital represents the total cost of Group's equity and debt taken into account their different return requirements. The WACC has been determined using the Group's actual cost of debt as the basis for the cost of debt but adding the estimated premium that would be added if the loan portfolio was refinanced now, and for cost of equity, the fact that the risk factor of the Group's equity is markedly lower than the average risk level in the Finnish stock market.

Growth rate – Compared to actual growth rates during past 5 years, management has been conservative in determining the growth rate for impairment purposes.

Sensitivity analysis

The key sensitivity factors for the impairment test are the estimated EBITDA margin and the discount rate. It is the management's opinion that no probable change in any of the key sensitivity factors would lead to a situation where the carrying amount would exceed the recoverable amount. Even if EBITDA margin would be 25% lower or the discount rate 5 percentage points higher than used in the management's estimates, it would not lead to an impairment loss in Group Fishing Products and Other Group Products. In Third Party Products, the sensitivity level is only some half of the others due to the high level of working capital at the end of the financial year.

14. INVESTMENTS IN ASSOCIATED COMPANIES

The Group has a 33.3% interest in unlisted Lanimo Oü. Its main activity is producing leather-haberdashery. The carrying amount of Lanimo Oü does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the financial period ending on September 30, due to differences in reporting time schedule. Information for the financial period ending on December 31, 2008 is the following: assets EUR 0.1 million, liabilities EUR 0.1 million, sales EUR 0.2 million and loss EUR 0.0 million.

EUR million	2009	2008
Acquisition cost Jan. 1	0.0	0.0
Increase		0.0
Decrease	0.0	
Acquisition cost Dec. 31	0.0	0.0

INFORMATION ON LANIMO OÜ

Milj. EUR	Domicile	Assets	Liabilities	Sales	Profit/loss	Ownership,%
2009	Estonia	0.1	0.1	0.2	0.0	33.3
2008	Estonia	0.1	0.1	0.2	0.0	33.3

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR million	2009	2008
Carrying value Jan. 1	0.5	0.6
Additions	0.0	
Fair value changes		-0.1
Disposals	-0.2	
Translation differences	0.0	0.0
Carrying value Dec. 31	0.3	0.5

Available-for-sale financial assets comprise of unlisted shares that are measured at fair value. Certain unlisted shares for which fair values cannot be measured reliably are measured at cost less possible impairment. The fair value changes of available-for-sale financial assets, net of tax, are recognized in shareholders' equity. BRF Morkullan real estate in Sweden was sold in 2009. As Oy Tahkon Eagle is the most significant available-for-sale financial asset.

16. INVENTORIES

EUR million	2009	2008
Raw material	6.8	9.0
Work in progress	8.5	6.3
Finished products	82.1	85.5
Net realizable value provisions	-3.0	-2.4
Total	94.4	98.4

In 2009, the carrying value of inventories included a provision for net realizable value of EUR 3.0 million (2008: EUR 2.4 million).

17. RECEIVABLES

EUR million	2009	2008
Non-current receivables		
Interest-bearing		
Loan receivables	0.1	
Derivatives	0.0	
Non-interest-bearing		
Other receivables	0.2	0.2
Current receivables		
Interest-bearing		
Loan receivables	0.1	0.0
Derivatives	0.1	0.3
Other receivables		0.0
Non-interest-bearing		
Trade receivables	41.4	44.9
VAT receivable	0.8	1.4
Prepaid insurance expenses	0.1	0.2
Other prepaid expenses and accrued income	1.4	1.7
Other receivables	0.7	2.3
Valuation allowance for trade receivables	-2.5	-2.3
Total	42.5	48.6

Due to their short maturity, the fair value of current receivables is regarded as corresponding to their original carrying amount.

The weighted average interest rate of non-current loan receivables was 2.44%. The weighted average interest rate of current loan receivables at December 31, 2009 was 1.66% (2008: 7.98%).

Other current interest-bearing receivables include interest receivables and deposits with maturities of over three months.

ALLOWANCE FOR TRADE RECEIVABLES

EUR million	2009	2008
Allowance for trade receivables Jan. 1	2.3	1.8
Additions	0.8	1.0
Deductions	-0.6	-0.3
Recovery	0.0	0.0
Translation differences	0.0	-0.1
Allowance for trade receivables Dec. 31	2.5	2.3

In most cases allowances are determined individually, when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. Allowances have not been made on other receivables.

18. CASH AND CASH EQUIVALENTS

EUR million	2009	2008
Cash at bank and in hand	27.4	28.7
Short-term deposits	1.6	1.9
Total	29.0	30.6

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are included within borrowings in current interest-bearing loans.

Fair value of cash and cash equivalents does not differ significantly from the carrying value.

19. EQUITY ATTRIBUTABLE TO SHAREHOLDERS

EUR million	2009	2008
Share capital Jan. 1	3.6	3.6
Share capital Dec. 31	3.6	3.6
Share premium fund Jan. 1	16.7	16.7
Share premium fund Dec. 31	16.7	16.7
Fair value reserve Jan. 1	-0.3	0.0
Gains and losses on cash flow hedges, net of tax	-0.1	-0.2
Fair value changes on available-for-sale investments, net of tax		-0.1
Fair value reserve Dec. 31	-0.3	-0.3
Fund for invested non-restricted equity Jan. 1	4.9	4.9
Fund for invested non-restricted equity Dec. 31	4.9	4.9
Own shares Jan. 1	-0.9	
Purchase of own shares	-0.6	-0.9
Own shares Dec. 31	-1.4	-0.9
Retained earnings Jan. 1	77.7	70.9
Translation differences	1.3	-1.2
Gains and losses on hedges of net investments, net of tax	0.2	-2.8
Dividends paid	-7.5	-6.9
Share-based payments	0.1	0.1
Other changes	0.0	0.0
Net income for the period	12.1	17.7
Retained earnings Dec. 31	84.0	77.7

In those cases where option rights were granted during the period when the old Finnish Companies Act (September 29, 1978/734) was in force, the proceeds received for option-based share subscriptions, net of any transaction costs, have been credited to share capital (nominal value) and share premium fund. The fund for invested non-restricted equity includes other investments of equity nature and subscription prices for shares to the extent that it is specifically not to be credited to share capital. The payments received for share subscriptions based on the options granted after the entry into force (September 1, 2006) of the new Finnish Companies Act (21 July 2006/624) are fully recognized in the fund for invested non-restricted equity. The Group has not decided on any option programs since the new Finnish Companies Act came into effect.

Translation differences contain exchange differences arising from the currency translation of foreign subsidiaries' financial statements and exchange differences arising from a monetary item that forms part of a net investment in a foreign company. Translation differences also contain fair value changes from hedging the net investment in foreign companies where this meets the conditions for hedge accounting. Fair value reserve includes movements in the fair values of available-for-sale financial assets and derivative instruments used for cash flow hedging. Own shares acquired by the Group, including directly attributable costs, are presented as a deduction from the total equity in the consolidated financial statements.

DIVIDENDS

For more details on dividends, see note 31.

SHARES AND SHARE CAPITAL

On December 31, 2009, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 468 499 (2008: 39 468 449). The book value of a share is EUR 0.09.

OWN SHARES

On April 23, 2008 the Board decided to start buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. At December 31, 2008 Rapala held 212 665 of its own shares, representing 0.5% of the total number and the total voting rights of Rapala shares. The average price for the repurchased own shares was EUR 4.01 in 2008.

Based on the decision of the Annual General Meeting on April 3, 2008, the Board continued to repurchase own shares in early 2009. Based on the decision of the Annual General Meeting on April 7, 2009, the repurchase of own shares continued until the end of year. At the end of December 2009, Rapala held 340 344 own shares, representing 0.9% of the total number and the total voting rights of Rapala shares. The average price for the repurchased own shares was EUR 4.31 in 2009.

CHANGES IN SHARE CAPITAL IN 2008–2009

There were no changes in the share capital in 2008 and 2009.

BOARD'S AUTHORIZATIONS

Based on authorization given by the Annual General Meeting (AGM) in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the AGM.

The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the company. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next AGM.

SHARE BASED PAYMENTS

For more details on share based payments, see note 29.

20. EMPLOYEE BENEFIT OBLIGATIONS

Most of the Group´s pension plans are defined contribution plans. The Group has defined benefit pension plans only in France and Sweden. In France, the retirement benefits are determined based on salary and period of employment. These French obligations are unfunded. In Sweden, the ITP-pension plans operated by Alecta are multi-employer defined benefit pension plans. Because it has not been possible to get sufficient information for the calculation of obligations and assets by employer from plan operations, and because these Swedish plans are not significant for the Group, they have been treated as defined contribution plans in the financial statements. In 2008, there was a defined benefit plan also in Canada where the supplementary pension arrangement for the CEO of the Group's Canadian subsidiary was classified as a funded defined benefit plan. The Group has no other post-employment benefit obligations. The pension security of the personnel of the Group's Finnish companies is arranged under the Finnish statutory employee pension plan (TYEL) through an external pension insurance company. Employee benefit obligations also include a long-term profit-sharing payable to the employees in France.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR million	2009	2008
Current service cost	-0.2	-0.1
Interest cost	0.0	0.0
Actuarial gains and losses	0.0	0.0
Effect of any curtailments or settlements		0.0
Total	-0.2	-0.1

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR million	2009	2008
Present value of funded obligations		0.1
Fair value of plan assets		-0.1
Present value of unfunded obligations	1.0	0.7
Unrecognized actuarial gains/losses	0.0	-0.0
Net obligations	1.0	0.8

BALANCE SHEET RECONCILIATION

EUR million	2009	2008
Obligations Jan. 1	0.8	0.7
Current service cost	0.2	0.1
Interest cost	0.0	0.0
Actuarial gains and losses	0.0	0.0
Effect of any curtailments or settlements	0.0	0.0
Paid contributions		-0.1
Obligations Dec. 31	1.0	0.8

MOVEMENT IN PLAN ASSETS

EUR million	2009	2008
Fair value of plan assets on Jan. 1	0.1	0.1
Contributions paid into the plans		0.0
Benefits paid by the plans	-0.1	
Expected return on plan assets		0.0
Fair value of plan assets on Dec. 31		0.1

ASSUMPTIONS

%	2009 France	2008 Canada	2008 France
Discount rate	5.0	5.3	6.0
Future salary increase	2.5	0.0	2.5
Annual inflation rate	2.0	2.5	2.0
Expected return on plan assets		6.0	

AMOUNTS FOR CURRENT AND PREVIOUS FOUR PERIODS

EUR million	2009	2008	2007	2006	2005
Present value of funded obligations		0.1	0.1		
Fair value of plan assets		-0.1	-0.1		
Present value of unfunded obligations	1.0	0.7	0.7	0.9	0.8
Experience adjustment on plan liabilities	0.0	-0.1	-0.1	-0.1	0.0

The Group expects to contribute EUR 0.0 million to its defined benefit pension plans in 2010.

21. PROVISIONS

EUR million	2009	2008
Restructuring provisions		
Provisions Jan. 1		3.2
Additions	0.0	
Utilized provisions		-3.2
Translation differences		0.1
Provisions Dec. 31	0.0	
Warranty provisions		
Provisions Jan. 1	0.0	0.1
Reversal of unutilized provisions	0.0	0.0
Provisions Dec. 31	0.0	0.0
Other provisions		
Provisions Jan. 1	0.1	0.1
Additions	0.0	0.1
Utilized provisions	-0.1	-0.1
Provisions Dec. 31	0.0	0.1
Non-current	0.0	0.0
Current	0.0	0.1
Total provisions	0.1	0.2

Other provisions include distinct provisions, which are not significant individually. Short-term provisions are expected to realize within the next 12 months, and the long-term provisions are expected to realize during a longer period.

22. FINANCIAL RISK MANAGEMENT AND DERIVATIVE FINANCIAL INSTRUMENTS

The main objective of the Group's financial risk management is to reduce the impacts of price fluctuations in financial markets and other factors of uncertainty on earnings, cash flows and balance sheet, as well as to ensure sufficient liquidity. The Board has approved the Group's risk management principles and CEO is responsible, together with the Group's finance management, for development and implementation of financial risk management procedures.

In 2009, the Group continued to develop its risk management processes. Group Risk Management, consisting of the CFO, Group Treasurer and Group Risk Manager, review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. The global turbulence in the world economy and financial markets continued in 2009 and consequently the significance of continuous monitoring and management of e.g. foreign exchange-, interest-, liquidity- and counterparties' solvency risks was further emphasized.

Financial risks consist of market risks, credit and default risks and liquidity risks. This note also presents the Group's capital management.

MARKET RISKS

The Group's market risks are mainly caused by changes in foreign exchange and interest rates. These changes may have a significant impact on the Group's earnings, cash flows and balance sheet. The Group is also exposed to market price changes of certain raw materials, mainly metals and plastics, which are priced on commodity markets.

1. Foreign exchange risk

Major part of the Group's sales is in euros and US dollars. Also a significant part of expenses arise in euros, US dollars as well as HK dollars and Chinese yuans (renminbi). Group Risk Management monitors regularly the balance between Group's foreign currency sales and expenses as well as the development of the key currencies. Income and expenses within different currencies net each other out to some extent, creating an effective natural hedge in this respect. The Group's principle is not to hedge systematically all transactions or open positions, but to apply hedging dynamically based on the prevailing market situation and concentrate on the income statement impact of the most relevant currencies, especially US dollar.

In order to mitigate adverse impacts of foreign exchange movements on sales and purchases as well as forecasted cash flows and firm commitments, the Group uses derivative instruments. Derivative instruments are in most cases short term and with aim to hedge some proportion of the next season's foreign currency nominated sales or purchases. Instruments used may consist of foreign currency forward contracts, option contracts or combination instruments. Business units do most of their currency hedging against the Group's parent company. Group Risk Management monitors the Group's consolidated risk position and exercises external derivative instruments in line with general guidance and instructions set by the Board and CEO.

Group does not apply IAS 39 (hedge accounting) for the currency derivatives made to fix exchange rates of sales and purchases, but the derivatives are used for the purpose of reducing adverse impacts of market price changes on net earnings and cash flows related to business and financing activities. All derivatives are initially recognized at fair value on the date the derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. The underlying hedged foreign currency denominated transaction will however take place at a later date. As IAS 39 (hedge accounting) is not applied, these derivatives cause timing differences between the Group's exchange gains/losses and sales/purchases.

Currently, all currency derivatives used by the Group are short-term zero cost option pair instruments to which IAS 39 (hedge accounting) is not applied. The fair values of the option pairs are received from the bank and are determined based on fair value calculations using the Black and Scholes –model. All changes in fair value of currency derivatives are recognized in the income statement. In 2009, currency derivatives had an income statement effect of EUR 0.4 million (2008: EUR 0.1 million). Fair values of currency derivatives are summarized under section 4. Derivatives.

As a result of sales and purchases in foreign currencies as well as operations in several jurisdictions, Group has foreign currency denominated receivables and payables. These are revalued at each balance sheet date and consequently exposed to foreign exchange rate movements. Depending on whether foreign currency monetary receivables and payables relate to sales and purchases or financial items, the foreign exchange gains/losses are booked in the income statement either above or below operating profit.

Group Risk Management regularly monitors the balance between foreign currency denominated monetary receivables and payables and takes actions to increase or decrease the hedge if necessary and financially feasible.

The Group has its external loan payable portfolio in several foreign currencies and it aims to use them to partially hedge loans and accounts receivable as well as net income in these foreign currencies. However, the foreign exchange impact on these does not always meet in the same section of the income statement. The purpose of this hedging is though to reduce the adverse impact of currency movements on the Group's net income and equity.

The Group has net investments in subsidiaries whose equity is in foreign currency and thus exposed to foreign exchange rate movements when translated into euro. In 2009, the Group continued to partially hedge its net investments in USD, AUD, JPY and NOK currency denominated foreign subsidiaries using equivalent currency loans payable. Hedging relationships are treated according to IAS 39 as effective hedges of a net investment in a foreign subsidiary, which means that the effective portion of foreign exchange effect on these loans is recorded directly in equity. The total non-euro-denominated equity of the Group's foreign subsidiaries was EUR 100.8 million on December 31, 2009 (2008: EUR 86.2 million), of which 18.4% was on Dec. 31 subject to equity hedging. If the currencies that are linked to euro based on ERM II (DKK, EEK, LTL and LVL) were excluded, hedge rate would be 23.4%.

The most relevant non-euro-denominated equities not subject to equity hedging are in HKD-, EEK- and CAD-currencies.

Group Risk Management monitors regularly the amounts of foreign exchange nominated net investments and decides on equity hedging actions accordingly.

Hedging of net investments in foreign subsidiaries

	2009						2008					
	Total net investment (currency million)	Loans used for hedging (currency million)	Total net investment (EUR million)	Loans used for hedging (EUR million)	Hedge rate (%)	Booked in translation difference in equity (EUR million)	Total net investment (currency million)	Loans used for hedging (currency million)	Total net investment (EUR million)	Loans used for hedging (EUR million)	Hedge rate (%)	Booked in translation difference in equity (EUR million)
Non-euro currency												
USD	34.1	21.4	23.7	14.9	62.8	0.6	31.6	6.0	22.7	4.3	19.0	-3.7
AUD	5.6	2.0	3.5	1.2	35.7	-0.3	5.5	2.0	2.7	1.0	36.3	0.1
NOK	16.3	16.0	2.0	1.9	98.4	-0.1	15.2	6.0	1.6	0.6	39.4	0.3
JPY	127.8	75.0	1.0	0.6	58.7	0.0	108.3	75.0	0.9	0.6	69.2	-0.1
Other			70.7			0.0			58.3			0.0
Total			100.8	18.6	18.4	0.3			86.2	6.5	7.6	-3.5

Exposure to foreign exchange risk from transactions

Foreign currency exposure in companies whose reporting currency is other than the currency under analysis. The connections possibly prevailing between different currencies are not take into account, e.g. US dollar and Hong Kong dollar are considered as separate currencies in this analysis. Balance sheet items include both Group's external and internal items. Income statement items do not include internal items to the extent reported currency is foreign currency for both transaction parties and hence does not expose the Group to foreign exchange risk. The positions of other currencies are smaller.

			2009			2008
EUR million	USD	CNY	EUR	USD	CNY	EUR
Foreign currency trade receivables Dec. 31.	10.5	0.1	14.0	7.6	0.1	11.9
Foreign currency trade payables Dec. 31.	-9.6	-3.0	-2.6	-14.6	-2.1	-2.7
Foreign currency loans receivable Dec. 31.	8.7	1.0	0.1	11.5	0.7	0.6
Foreign currency loans payable Dec. 31. [1]	-14.9		-6.7	-33.4		-6.5
Foreign currency cash and cash equivalents Dec. 31.	7.3	0.2	0.9	8.3	0.4	2.9
Net exposure in balance sheet Dec. 31.	2.1	-1.6	5.8	-20.5	-0.9	6.1
Actual foreign currency sales Jan. 1 - Dec. 31	38.7	1.2	0.9	42.3		0.4
Actual foreign currency expenses Jan. 1 - Dec. 31	-42.4	-16.0	-14.3	-49.4	-17.0	-12.8
Net exposure in the income statement Jan. 1 - Dec. 31	-3.7	-14.8	-13.4	-7.1	-17.0	-12.4
Currency derivatives Dec. 31. [2]	7.1			7.2		
Net exposure	5.5	-16.4	-7.6	-20.5	-17.9	-6.2

1) Excluding loans used for hedging net investments in foreign subsidiaries

2) Currency derivatives are used to hedge a portion of purchases in foreign currency.

Sensitivity analysis

The effect of a 10% weakening of USD, HKD, CNY, AUD, NOK, CAD, SEK and RUB (against euro) in euro based on the following assumptions and factors:

- The sensitivity analysis is based on change of value in a single analyzed currency and assumes other variables (including values of other currencies) to remain unchanged. The connections possibly prevailing between some currencies are not taken into account.
- The sensitivity is analyzed against income statement and balance sheet conversion rates prevailing at Dec. 31.
- The analysis includes the effect of income statement transactions made in the analyzed currency between Jan. 1 and Dec. 31 in Group companies, whose reporting currency is other than the analyzed currency (so called transaction impact) as well as in Group companies, whose reporting currency equals to the analyzed currency (so called translation impact). The analysis takes into account the currency forward contracts in place at Dec. 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.
- The sensitivity analysis includes the effect of valuation of the most significant financial assets and liabilities included in the balance sheet as per Dec. 31 in companies whose reporting currency is other than the analyzed currency. The balance sheet items include both Group's external and internal items. Hedging of net investments as per Dec. 31 is taken into account in the analysis of the balance sheet items.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per Dec. 31 in subsidiaries, whose reporting currency equals to the analyzed currency, taking into account the hedging of the net investment as per Dec. 31.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate. Translation differences in equity do not include any tax effect.
- Comparative figures have been specified by taking into account the effect of tax and cash and cash equivalents.
- On average, the effect of other currencies is smaller than in the ones analyzed here.

								2009								2008
EUR million	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB	USD	HKD	CNY	AUD	NOK	CAD	SEK	RUB
Operating profit	-0.8	0.5	1.8	-0.3	-0.7	-0.7	-0.7	-1.7	0.6	0.7	1.9	-0.5	-0.7	-0.7	-0.5	-1.9
Net income (net of tax)	-0.6	0.4	1.2	-0.4	-0.9	-0.5	-0.6	-1.2	1.5	0.6	1.3	-0.4	-0.5	-0.5	-0.4	-1.3
Equity (net of tax) [3]	-1.1	-1.6	0.0	-0.3	-0.1	-1.0	-0.3	-0.5	-2.0	-1.7	0.0	-0.2	-0.1	-0.9	-0.3	-0.5

3) Without the effect of net income.

A 10% strengthening would have the equal but opposite effect with exception of USD, where 10% strengthening would have EUR 0.0 million smaller opposite effect on operating profit and net income than stated above as a result of used hedging instruments.

2. Interest rate risk

The Group has interest-bearing borrowings and interest rate swaps, where the interest is variable and connected to market rates. Consequently the Group is exposed to changes in market interest rates.

	2009		2008	
EUR million	Non-current	Current	Non-current	Current
Loans from financial institutions with fixed interest rate	0.1	0.1	0.1	0.2
Pension loan with fixed interest rate	8.2	3.8	4.0	1.0
Loans from financial institutions with variable interest rate	27.2	49.8	38.3	72.7
Commercial paper program with variable interest rate		19.0		4.0

The Group's borrowings are mainly in euros and US dollars, which have a substantial contribution to the overall interest rate risk. The Group's borrowings are almost fully flowing through the Group's parent company, which is consequently managing the Group's overall interest rate risk. The Group's interest rate risk is monitored as cash flow and fair value risks. Group Risk Management analyzes regularly the interest rate risk and agree on actions if needed. These actions may include changing the currency split of the external loan portfolio, selection between different sources of loan financing, changing the interest rate periods as well as entering into derivative financial instruments available to manage the interest rate risk. The Group does not have a fixed policy on how interest rates are fixed to different time periods, but this is decided based on prevailing market conditions.

Most of the Group's interest-bearing liabilities have an interest period of less than one year. In order to manage the interest rate risk and to take benefit of favorable interest rate levels, EUR 12.2 million of the Group's loans payable is connected to fixed interests or interest periods of 12-month or longer. In 2008, the interest risk was further spread by taking a pension loan with a five year's fixed interest rate.

The interest rate risk may also be managed by using interest rate swaps, where the Group pays a fixed rate and receives variable rate. Spreading of the interest rate risk was further continued in 2009 by entering into new interest rate swaps for years 2009-2013. As of Dec. 31 the Group had 14 interest rate swaps, of which 13 are designated and effective as a cash flow hedge in accordance with IAS 39. The market price based fair value of interest rate derivatives are received from the bank. In 2009, interest rate derivatives had EUR 0.0 million (2008: EUR 0.0 million) income statement effect and an equity effect of EUR -0.1 million (2008: EUR -0.3 million). Fair values of interest rate derivatives are summarized under section 4. Derivatives.

Sensitivity analysis

The effect of liabilities with variable interest rate and interest rate swap on net income and equity if there was a 1% increase in interest rates. The sensitivity analysis is based on following assumptions and factors:

- All other variables, in particular foreign exchange rates, are assumed to remain unchanged.
- The sensitivity is analyzed against interest rates applicable on Dec. 31.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on Dec. 31.
- The sensitivity analysis of interest rate swaps is based on calculations received from the bank.
- The tax effect included in the sensitivity analysis is calculated by using the Group's total effective tax rate. Also the comparative figures have been specified by taking into account the effect of tax.

	2009		2008	
EUR million	Net income (net of tax)	Equity (net of tax) 4)	Net income (net of tax)	Equity (net of tax) 4)
Loans from financial institutions with variable interest rate	-0.6	1.2	-0.8	0.1
Commercial paper program with variable interest rate	-0.1		0.0	

4) Without the effect of net income.

3. Other market price risks

The Group purchases some raw-materials, which are priced on regulated markets. These include commodity metals such as copper, zinc and lead, and some plastics. The value of these purchases is still relatively low and market price risk management actions are done in each manufacturing unit locally. Group Risk Management also monitors the development of these raw-material prices. No commodity hedging is currently carried out, but this alternative was investigated during 2008.

The Group does not own any such publicly traded shares or securities which would be subject to market price risks. The Group's investments in available-for-sale financial instruments are insignificant and consist of real estate investments and other unlisted shares for which no clear market price exists.

4. Derivatives

	2009			2008		
EUR million	Foreign currency forwards	Interest rate swaps	Total	Foreign currency forwards	Interest rate swaps	Total
Nominal amount	7.1	98.0	105.0	7.2	14.1	21.3
Positive fair values	0.1	0.0	0.2	0.3	0.0	0.3
Negative fair values		0.5	0.5		0.4	0.4
Net fair values	0.1	-0.5	-0.3	0.3	-0.4	-0.1

All foreign currency forwards mature within the next 12 months. Interest rate swaps, which are effective and mature between 2010 and 2013, generate following non-discounted cash flows, calculated based on interest rates and foreign exchange rates prevailing as per Dec. 31: EUR -1.0 million during year 2010, EUR -1.0 million during year 2011, EUR -1.3 million during year 2012 and EUR -1.1 million during year 2013.

LIQUIDITY RISK

Generally, the seasonality of the Group's cash flow is fairly predictable and Group's finance management monitors Group's liquidity position using the cash pooling system as well as monthly cash flow and liquidity reporting.

Group's finance management raises most of the Group's interest-bearing debt centrally. The Group seeks to reduce liquidity and refinancing risks with balanced maturity profile of loans as well as by keeping sufficient amount of credit lines available. As from 2007, the flexibility of the Group's liquidity management has been increased with a EUR 25.0 million domestic commercial paper program, which together with Group's credit limits is utilized to balance the seasonality of the Group's cash flow. The size and maturity of issued commercial papers is decided by the CFO and Group Treasurer, based on forecasted cash flows, status of commercial paper markets and applicable interest rates. The renewal of commercial papers upon maturity creates certain liquidity risk, which is managed by maintaining sufficient other liquidity reserves available at the maturity dates.

In year 2009, the uncertainties in the financial markets continued and this had impacts also on the domestic commercial paper markets disturbing the sales of the Group's commercial papers from time to time. Compared to year 2008 the situation developed towards positive direction as a result of improving market conditions and wider distribution channel of the Group's commercial papers.

In year 2009 the Group continued to utilize the possibility of pension contribution relending in order to increase the flexibility of the liquidity and spread the interest risk. The Group also continued to expand the application of the international cash pooling system.

Group's loan facilities, which were renewed in 2006, include ordinary loan covenants, which set conditions among other things on corporate restructurings, continuation of business, disposal of assets and external obligations as well as the Group's financial indicators like investments, equity-to assets and gearing ratios, net debt to EBITDA ratio and cash flow to total debt service ratio. During second quarter of year 2009 the Group renegotiated its bank covenants and gained flexibility to its cash flow covenant for the rest of the year 2009 and first quarter of year 2010 and some other benefits. Consequently the interest rate margins were increased moderately and two less significant covenants were tightened slightly. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group does not foresee that the bank covenants would create exposures to its liquidity in near future.

The Group's credit limits not drawn at December 31, 2009 were EUR 46.6 million. Major part of the Group's credit limits is part of the Group's loan facilities renewed in 2006 and maturing in 2013. Group's domestic commercial paper program not sold at December 31, 2009 was EUR 6.0 million (2008: EUR 21.0 million).

Maturity of the Group's financial liabilities

The following are the contractual maturities of financial liabilities, including interest payments.

2009 EUR million	Carrying value	Financial liabilities 2)	Contractual cash flows	2010	2011	2012	2013	2014	Later	Total
Interest-bearing liabilities										
Loans from financial institutions 1)	77.2	77.2	78.7	50.7	10.1	9.9	8.0			78.7
Pension loans	12.0	12.0	12.5	4.1	4.0	3.4	1.0			12.5
Commercial paper program	19.0	19.0	19.0	19.0						19.0
Finance lease	0.1	0.1	0.1	0.1						0.1
Other interest-bearing liabilities 3)	0.3	0.3	0.0	0.0						0.0
Non-interest-bearing liabilities										
Trade and other non-interest-bearing payables	32.4	27.2	27.2	24.1	0.6	0.6	0.6	0.6	0.8	27.2
Derivatives, net settled 4)										
Liabilities (payments)										
Interest rate derivatives, hedge accounted	0.5	0.5	4.4	1.0	1.0	1.3	1.1			4.4
Interest rate derivatives, non-hedge accounted	0.0	0.0	0.0	0.0						0.0
Assets (receipts)										
Currency derivatives, non-hedge accounted	0.1	0.1	0.1	0.1						0.1
Total	141.3	136.1	141.8	98.9	15.7	15.2	10.6	0.6	0.8	141.8

1) EUR 38.1 million of the interest-bearing liabilities maturing in 2010 is part of Group's revolving credit facilities, which mature in 2013 or later.

2008 EUR million	Carrying value	Financial liabilities 2)	Contractual cash flows	2009	2010	2011	2012	2013	Later	Total
Interest-bearing liabilities										
Loans from financial institutions	111.3	111.3	116.4	75.2	11.6	10.1	9.8	9.6		116.4
Pension loans	5.0	5.0	5.4	1.1	1.1	1.1	1.0	1.0		5.4
Commercial paper program	4.0	4.0	4.0	4.0						4.0
Finance lease	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Other interest-bearing liabilities 3)	0.2	0.2	0.1	0.1						0.1
Non-interest-bearing liabilities										
Trade and other non-interest-bearing payables	41.7	31.0	31.0	27.0	1.0	0.6	0.6	0.6	1.1	31.0
Derivatives, net settled 4)										
Liabilities (payments)										
Interest rate derivatives, hedge accounted	0.4	0.4	0.4	0.2	0.1					0.4
Assets (receipts)										
Currency derivatives, non-hedge accounted	0.3	0.3	0.3	0.3						0.3
Interest rate derivatives, non-hedge accounted	0.0	0.0	0.0	0.0						0.0
Total	162.3	151.6	157.0	107.4	13.9	11.9	11.5	11.2	1.1	157.0

2) The proportion of the carrying values which are classified as financial liabilities according to IAS 39.
3) Maturity of interest payable has been presented in the contractual cash flows of loans and commercial paper program.
4) Cash flows of interest rate and currency derivatives are calculated based on interest and foreign exchange rates as per Dec. 31

CREDIT AND DEFAULT RISK

The uncertainties relating to the development of the world economy and the financial markets continued during 2009 and thus further emphasized the importance of monitoring the credit and default risks associated with customers and other counterparties. However, there has not been significant changes in the Group's credit and default risk portfolio. Some individual customers have entered into bankruptcy processes, which have lead to some loss of sales, but not to any significant credit losses. The absolute and proportional share of the Group's trade receivables which are past due date reduced in year 2009 compared to year 2008 and the credit loss net allowances for trade receivables increased only very moderately from year 2008 to year 2009.

The Group's accounts receivables are generated by a large number of customers worldwide. Consequently, the credit risk is spread against multiple counterparties. The credit risk management is allocated to each operative business unit. Before providing credit to any new customer, background checks are carried out. Cash, advance payments and letters of credit are also applied with new and existing customers. Customer specific credit limits and financial situation of the existing credit customers are monitored and set locally in each business unit. Customers' payment behavior is monitored regularly and delays in payments may trigger payment reminders, stopping the shipments, requirements for advance payments for future shipments and eventually legal collection procedures. In significant cases, business units consult with the CFO or Group Risk Manager before final decisions. In exceptional cases, payment terms may be renegotiated. In one country, credit risk is further reduced with credit insurance.

Group Risk Management manages most of the credit and default risk related to financial instruments. It seeks to reduce these risks by limiting the counterparties to banks, which have a good credit standing. Majority of the Group's bank deposits and forward contracts have been made with the Group's leading banks (Nordea Bank Finland Plc and Pohjola Bank Plc), whose credit ratings are Aa2 (Moody's) and AA- (Standard&Poor's) for both. Moody's downgraded the ratings of several Nordic banks, including Nordea and Pohjola, in 2009. Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance commercial paper investments are not made.

The Group's maximum credit and default risk is the carrying amount of all financial assets which are disclosed in note 23.

For information on allowance for trade receivables, see note 17. An allowance of trade receivables is made when there is objective evidence (such as significant overdue of receivables and unsuccessful dunning attempts or known financial difficulties and thus increased probability of customer insolvency) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The assessment and decision for allowances is done locally in each business unit on case-by-case basis.

No allowance is made on overdue trade receivables from customers, whose solvency is considered solid.

Analysis of trade receivables that were due but not impaired

EUR million	2009	2008
Neither past due or impaired	30.4	29.5
Past due but not impaired		
Less than 1 month	3.1	5.0
1-3 months	3.1	4.2
4-5 months	1.1	1.7
6-7 months	0.5	1.1
Over 7 months	0.7	1.0
Total	38.9	42.5

CAPITAL MANAGEMENT

The objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and to maximize shareholder value. Therefore, the Group seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Group manages its capital structure and makes adjustments to it taking into account changes in economic conditions and requirements of strategy implementation. To maintain or develop the capital structure, the Group may adjust the dividend payments and repayments of capital to shareholders by buying back shares, issue new shares and/or increase/decrease the amount of borrowings.

The Group monitors the effectiveness of its capital management using gearing ratio, return on equity, average interest rate on net interest-bearing debt, net interest-bearing debt to EBITDA and equity-to-assets ratio. The Group objective for capital management is to keep:

1. Gearing ratio below 150%,
2. Return on equity clearly above the average interest rate on net interest-bearing debt,
3. Net interest-bearing debt to EBITDA below 4.0, and
4. Equity-to-assets ratio above 33%.

For definitions of key figures, see page 44.

EUR million	2009	2008
Non-current interest-bearing liabilities	36.0	42.8
Current interest-bearing liabilities	73.1	78.1
Cash and cash equivalents	29.0	30.6
Interest-bearing receivables	0.7	0.9
Net interest-bearing debt at the end of the period	79.4	89.5
Total equity Dec. 31	111.7	103.7
Debt-to-equity (gearing) ratio, %	71.1	86.4
Net profit for the period	14.3	19.2
Total equity Jan. 1	103.7	96.9
Total equity Dec. 31	111.7	103.7
Total equity (average for the period)	107.7	100.3
Return on equity, %	13.3	19.2
Net interest expense	3.5	5.1
Net interest-bearing debt Dec. 31	79.4	89.5
Average interest rate on net interest-bearing debt, %	4.4	5.7
Net interest-bearing debt at the end of the period	79.4	89.5
Operating profit before depreciation and impairments (EBITDA)	28.9	37.5
Net interest-bearing debt to EBITDA - ratio	2.7	2.4
Total equity	111.7	103.7
Total shareholders' equity and liabilities - advances received	261.1	272.7
Equity-to-assets ratio, %	42.8	38.0

In 2009, the Group met its objectives for capital management:

1. Gearing ratio was 71.1% (2008: 86.4%),
2. Return on equity, 13.3% (2008: 19.2%), was clearly higher than the average interest rate on net interest-bearing debt, which was 4.4% (2008: 5.7%).
3. Net interest-bearing debt to EBITDA was 2.7 (2008: 2.4).
4. Equity-to-assets ratio was 42.8% (2008: 38.0%).

The Group capital structure is reviewed by the Board annually. The Group is not subject to externally imposed capital requirements other than the financial covenants set by the banks. For more information on financial covenants set by the banks, see section on liquidity risks.

23. FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR million	2009 Carrying value	2009 Financial assets and liabilities*	2009 Fair value of financial assets and liabilities *	2008 Carrying value	2008 Financial assets and liabilities *	2008 Fair value of financial assets and liabilities *	Note
FINANCIAL ASSETS							
Loans and receivables							
Non-current financial assets							
Loan receivables	0.1	0.1	0.1				17
Non-interest-bearing receivables	0.2	0.2	0.2	0.2	0.2	0.2	17
Current financial assets							
Cash and cash equivalents	29.0	29.0	29.0	30.6	30.6	30.6	18
Loan receivables	0.1	0.1	0.1	0.0	0.0	0.0	17
Other interest-bearing receivables				0.0	0.0	0.0	17
Trade and other non-interest-bearing receivables	41.9	41.0	41.0	48.1	46.6	46.6	17
Available-for-sale financial assets							
Available-for-sale investments	0.3	0.3	0.3	0.5	0.5	0.5	15
Financial assets at fair value through income statement - held-for-trading							
Currency derivatives - non-hedge accounted	0.1	0.1	0.1	0.3	0.3	0.3	17, 22
Interest rate derivatives - non-hedge accounted				0.0	0.0	0.0	17, 22
Hedge accounted derivatives							
Interest rate derivatives - hedge accounted	0.0	0.0	0.0				17
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement - held-for-trading							
Interest rate derivatives - non-hedge accounted	0.0	0.0	0.0				22, 24
Hedge accounted derivatives							
Interest rate derivatives - hedge accounted	0.5	0.5	0.5	0.4	0.4	0.4	22, 24
Financial liabilities measured at amortized cost							
Non-current financial liabilities							
Loans from financial institutions	27.3	27.3	27.3	38.4	38.4	38.4	24
Pension loans	8.2	8.2	8.1	4.0	4.0	3.9	24
Finance lease	0.0	0.0	0.0	0.1	0.1	0.1	24
Other non-interest-bearing liabilities	3.1	3.1	3.1	4.0	4.0	4.0	25
Current financial liabilities							
Loans from financial institutions	49.9	49.9	49.9	72.9	72.9	72.9	24
Commercial paper program	19.0	19.0	19.0	4.0	4.0	4.0	24
Pension loans	3.8	3.8	3.8	1.0	1.0	1.0	24
Finance lease	0.1	0.1	0.1	0.0	0.0	0.0	24
Other interest-bearing liabilities	0.3	0.3	0.3	0.2	0.2	0.2	24
Trade and other non-interest-bearing payables	29.3	19.7	19.7	37.7	27.0	27.0	25

* The proportion of the carrying value which is classified as financial assets and liabilities according to IAS 39.

FAIR VALUE HIERARCHY OF THE FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

2009 EUR million	Total	Level 2	Level 3
FINANCIAL ASSETS AT FAIR VALUE			
Available-for-sale financial assets			
Available-for-sale investments	0.3		0.3
Financial assets at fair value through income statement - held-for-trading			
Currency derivatives - non-hedge accounted	0.1	0.1	
Hedge accounted derivatives			
Interest rate derivatives - hedge accounted	0.0	0.0	
Total	0.4	0.1	0.3
FINANCIAL LIABILITIES AT FAIR VALUE			
Financial liabilities at fair value through income statement - held-for-trading			
Interest rate derivatives - non-hedge accounted	0.0	0.0	
Hedge accounted derivatives			
Interest rate derivatives - hedge accounted	0.5	0.5	
Total	0.5	0.5	

FAIR VALUE ON FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy levels
The fair values of the financial assets and liabilities on the hierarchy level 1 are based on quoted market prices of similar financial instruments traded in an active market. Currently there are no financial instruments on level 1.

The fair values of the financial assets and liabilities on the hierarchy level 2 are based on other price information than quoted market prices for a significant part of the valuation. This information is supported by observable market inputs either directly (i.e. prices) or indirectly (i.e. derived from prices).

The fair values of the financial assets and liabilities on the hiearchy level 3 are calculated using a valuation technique based on assumptions that are not supported by available observable market data. For example management estimates are utilized in generally accepted valuation models of the financial instruments on the level 3.

The fair value hierarchy level, into which the entire financial asset or liability is classified, is determined based on the lowest-hierarchy-level information being significant for the valuation of that particular financial asset or liability. The significance of the information is estimated considering the financial asset or liability in its entirety.

No significant transfers between the hierarchy levels took place during the financial period.

Available-for-sale investments
Available-for-sale investments comprise of unlisted shares that are measured at fair value. Certain unlisted shares for which fair values cannot be measured reliably are measured at cost less possible impairment.

Derivatives
All derivatives are initially recognized at fair value on the date derivative contract is entered into, and are subsequently remeasured at fair value on each balance sheet date. Determination of fair values is based on quoted market prices and rates, discounting of cash flows and option valuation models.

Finance leases
The fair value of finance lease liabilities corresponds to their book value. The fair value of finance leases is based on discounted future cash flows. The discount rate used corresponds to that applied to similar finance leases.

Current financial assets and liabilities
Due to their short maturity, the fair value of current financial assets and liabilities is regarded as corresponding to their original carrying amount.

Non-current financial assets
The fair value of non-current financial assets is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current interest-bearing liabilities
On December 31, 2009, 74.8% of non-current loans based on floating rates was connected to one-month euribor, libor or similar and the rest to maximum three-month euribor, libor or similar. Therefore, the fair value of non-current loans based on floating rates is regarded as equaling their book value. A part of non-current loans on floating rates is hedged with separate interest rate derivatives which are described in Note 22. The fair value of non-current loans on fixed rates is based on discounted future cash flows. The discount rate used corresponds to the market rate on the balance sheet date.

Non-current non-interest-bearing liabilities
Contingent considerations of business combinations and other acquisitions are recognized at fair value on the date of acquisition. Determination of fair values is based on discounted future cash flows.

24. INTEREST-BEARING LIABILITIES

EUR million	2009 Average interest rate, % 1)	2009	2008
Non-current interest-bearing liabilities			
Loans from financial institutions	1.38	27.3	38.4
Pension loans	2.26	8.2	4.0
Finance lease	6.73	0.0	0.1
Derivatives		0.4	0.4

EUR million	2009 Average interest rate, % 1)	2009	2008
Current interest-bearing liabilities			
Loans from financial institutions	1.78	49.9	72.9
Commercial paper program	0.98	19.0	4.0
Pension loans	2.22	3.8	1.0
Finance lease	5.94	0.1	0.0
Derivatives		0.0	
Other current liabilities		0.3	0.2
Total		109.1	121.0

1) Some of the loans are subject to interest rate swaps. Average interest rates are calculated without the effect of the interest rate swaps. More information in note 22.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR million	2009 Non-current	2009 Current	2008 Non-current	2008 Current
Loans from financial institutions				
EUR	14.6	14.9	19.6	27.4
USD	12.7	24.0	17.8	31.4
NOK		4.8		5.1
SEK				1.1
AUD	0.1	1.3	0.0	1.8
DKK		2.2	0.9	1.6
ZAR		0.5		0.4
JPY		0.6		0.6
PLN				0.1
CHF		1.7		1.7
THB				1.6
HUF				0.2
Other				0.0
Pension loans and commercial paper program				
EUR	8.2	22.8	4.0	5.0
Finance lease				
PLN	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Total	35.5	72.8	42.4	77.9

FINANCE LEASE

	2009		2008	
EUR million	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Within one year	0.1	0.1	0.0	0.0
1-3 years	0.0	0.0	0.1	0.1
3-5 years			0.0	0.0
Later than 5 years				
Total minimum lease payments	0.1	0.1	0.1	0.1
Less future finance charges	0.0		0.0	
Present value of minimum lease payments	0.1	0.1	0.1	0.1

The purchase option for the lease contract for the building of the Danish distribution company was used in October 2008. Other finance lease contracts are for machinery and equipment and are not individually significant.

25. NON-INTEREST-BEARING LIABILITIES

EUR million	2009	2008
Non-current non-interest-bearing liabilities		
Other non-current liabilities	3.1	4.0
Current non-interest-bearing liabilities		
Advances received	0.2	0.7
Trade payables	12.6	20.1
Accrued employee-related expenses	8.0	10.1
VAT payable	1.6	0.6
Other accrued expenses and deferred income	4.2	3.8
Other current liabilities	2.8	2.4
Total	32.7	41.7

Other non-current non-interest-bearing liabilities include contingent considerations of business combinations and other acquisitions on the date of acquisition. Contingent considerations of business combinations are recognized at fair value. Determination of fair values is based on discounted future cash flows.

Due to their short maturity, the fair value of current non-interest-bearing liabilities is regarded as corresponding to their book value.

26. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR million	2009	2008
On own behalf		
Business mortgages	16.1	16.1
Guarantees	0.2	0.3
Total	16.3	16.4

The mortgages given as security for own commitments include a business mortgage of the parent company of EUR 16.1 million. Since Normark Sport Finland Oy, a 100% owned subsidiary of Rapala VMC Corporation, is the legal shareholder of the distribution joint venture with Shimano, the parent company has guaranteed to Shimano the fulfillment of its subsidiary's obligations related to the joint venture.

Group's lease commitments are presented in note 27.

DISPUTES AND LITIGATIONS

In 2008, the Group appealed to the Administrative Court against the Finnish tax authorities' decision made in 2007, based on which the parent company's taxation has been amended since 2004. The appeal has not yet been processed. The taxes and the penalties for delayed payments levied by the tax authorities have been fully paid and booked. The cumulative disputed taxes totaled EUR 4.0 million on December 31, 2009.

The Group's management does not have knowledge of any other open disputes or litigations, which would have a significant impact on the Company's financial position.

27. LEASE CONTRACTS

THE GROUP AS A LESSEE

Future minimum rental payable under non-cancellable operating lease commitments

EUR million	2009	2008
Within one year	4.5	4.0
1-3 years	4.1	4.5
3-5 years	0.8	1.8
Later than 5 years	0.8	1.1
Total	10.3	11.3

The Group leases offices, warehouses and manufacturing facilities under several non-cancellable operating leases. The leases have varying terms and lengths, some of which may contain renewal options.

THE GROUP AS A LESSOR

Future minimum rental receivable under non-cancellable operating leases

EUR million	2009	2008
Within one year	0.1	0.1
1-3 years	0.0	0.1
Total	0.1	0.2

Some of the offices, warehouses and manufacturing facilities that are currently not used by the Group are leased to external parties. The leases have varying terms and lenghts, some of which may contain renewal options.

28. RELATED PARTY TRANSACTIONS

Subsidiaries owned directly or indirectly by the parent company as well as foreign branches are listed in note 33. Related party transactions between Group companies have been eliminated.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR million	Purchases	Paid rents	Other expenses	Receivables	Payables
2009					
Associated company Lanimo Oü	0.1			0.0	
Entity with significant influence over the Group 1)		0.2	0.1	0.0	
Management		0.3	0.0	0.0	0.0
2008					
Associated company Lanimo Oü	0.1			0.0	
Entity with significant influence over the Group 1)		0.2	0.1	0.0	0.0
Management		0.2	0.0	0.0	0.0

1) Lease agreement for the real estate for the consolidated operations in France and a service fee.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR million	2009	2008
Salaries and other short-term employee benefits	-2.5	-2.4
Costs for option programs to be settled in shares		0.0
Costs for option programs to be settled in cash	0.0	-0.1
Costs for share rewards	-0.1	
Total	-2.6	-2.5

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. In 2009, there were no changes in the Board of Directors or in the Executive Committee. In 2008, one new member was appointed to the Executive Committee and one member resigned.

On December 31, 2009, the members of the Board and the Executive Committee held directly a total of 1 795 319 (31.12.2008: 912 056) Company shares and indirectly through a controlled corporation 1 160 000 shares. Top management owned approximately 7.5% (5.2%) of the issued share capital and voting rights of Rapala on December 31, 2009.

In 2009 and 2008, no options were granted to top management. On December 31, 2009, top management held 291 250 options of which 213 750 options were exercisable (on December 31, 2008, 427 500 options of which 272 500 options were exercisable). The option scheme principles are the same for top management as for other employees.

In 2009, the Board approved a new share-based incentive plan for the Group's 50 key employees. For more information on share-based payments, see note 29 and the section 'Shares and Shareholders'. Details of top management shareholdings and options are given on pages 84–85.

The Group's business transactions or outstanding balances with top management or close members of their family are presented in the table 'Transactions and balances with related parties'.

EMPLOYEE BENEFITS FOR CHIEF EXECUTIVE OFFICER

EUR million	2009	2008
Salaries and other short-term employee benefits	-0.4	-0.5
Costs for option programs to be settled in shares		0.0
Costs for option programs to be settled in cash	0.0	0.0
Costs for share rewards	0.0	
Total	-0.4	-0.5

The monthly salary of the CEO is EUR 23 542. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2009 totaled EUR 109 400 (2008: EUR 110 000). In addition to the mandatory pension insurance, CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR million	2009	2008
Salaries and other short-term employee benefits	-1.9	-1.7
Costs for option programs to be settled in shares		0.0
Costs for option programs to be settled in cash	0.0	0.0
Costs for share rewards	-0.1	
Total	-2.0	-1.8

In addition to the monthly salary, CEO and other members of the Executive Committee participate in the Group's senior management bonus scheme. The amount and payment of the bonus requires that the EBITDA and cash flow targets are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board of Directors. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the relevant financial year are known and the second after a predetermined vesting period of a few months, to encourage retention of senior management.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR million	2009	2008
Salaries and other short-term employee benefits	-0.2	-0.2
Costs for option programs to be settled in shares		0.0
Total	-0.2	-0.3

Chairman of the Board is paid an annual remuneration of EUR 60 000 and other Members of the Board of Directors an annual remuneration of EUR 30 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board of Directors are paid a daily travel allowance and reimbursed for travel expenses following the company's traveling compensation principles. Members of the Board of Directors were paid a total of EUR 240 000 for their work on the Board of Directors and the Remuneration Committee in the financial year 2009 (2008: EUR 240 000).

29. SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 (Share-based Payments) to all share-based payment programs granted after November 7, 2002 that were unvested as of January 1, 2005. The Group had three separate share-based payment programs in place on December 31, 2009: one share option program (2004), one synthetic option program settled in cash (2006) and one share reward program (2009). Share-based payment programs are valued at fair value on the grant date and recognized as an expense in the income statement during the vesting period with a corresponding adjustment to the equity or liability. In the cash settled option program and in the share reward program the liability is revalued at each balance sheet date with changes in fair value recognized in the income statement. The income statement effect of the share-based payment programs is recognized in employee benefit expenses.

On March 31, 2009, the exercise period for the 2004A share option program expired. As a result of the share subscriptions with the remaining stock option program (2004B), and if all stock options are fully exercised, the Group's share capital may still be increased by a maximum of 38 970 EUR and the number of shares by a maximum of 433 000 shares. The shares that can be subscribed with these stock options correspond to 1.1% of the Company's shares and voting rights.

In 2009, the Board approved a new share-based incentive plan for the Group's 50 key employees. For more information on share-based payment programs, see section 'Shares and Shareholders'.

GENERAL TERMS AND CONDITIONS OF THE SHARE-BASED PAYMENT PROGRAMS

	2004A I (expired)	2004A II (expired)	2004B I	2004B II	2006A	2006B	2009
Nature of program	Granted share options	Granted share options	Granted share options	Granted share options	Granted synthetic options	Granted synthetic options	Performance share plan
Personnel at the grant date	95	11	95	11	113	116	50
Number of options/share rewards granted	453 750	46 250	453 750	46 250	483 500	495 000	max 200 000
Number of options outstanding	411 250	46 250	390 250	42 750	451 500	459 000	max 200 000
Exercise price, EUR [1]	5.96	5.96	6.09	6.09	6.14	5.95	-
Share price at the grant date, EUR	6.15	6.40	6.15	6.40	5.93	5.93	4.07
Term of contract	June 8, 2004– Mar. 31, 2009	Feb. 14, 2006– Mar. 31, 2009	June 8, 2004– Mar. 31, 2010	Feb. 14, 2006– Mar. 31, 2010	Dec. 14, 2006– Mar. 31,2011 [3]	Dec. 14, 2006– Mar. 31,2012 [3]	June. 23, 2009– Mar. 15, 2011
Vesting period	June 8, 2004– Mar. 31, 2007	Feb. 14, 2006– Mar. 31, 2007	June 8, 2004– Mar. 31, 2008	Feb. 14, 2006– Mar. 31, 2008	Dec. 14, 2006– Mar. 31,2009	Dec. 14, 2006– Mar. 31,2010	June 23, 2009– Mar. 15,2011
Conditions of the agreement	[2]	[2]	[2]	[2]	[2]	[2]	[2]
Execution	In shares	In shares	In shares	In shares	In cash [3]	In cash [3]	In shares [4]

1)The exercise price has been reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the subscription period for shares. For more details on dividends, see note 31.

2) Employment during vesting period. As a general rule, in case of prior employment termination, options are forfeited.

3) The share-specific cash value will be determined in accordance with the end price on the test date (i.e. vesting date) or, as the case may be, on an additional test date. End price is the volume weighted average price of the share during the ten trading days before the test date. If at test date the difference between the exercise price and the end price (including the dividend adjustment) is positive, the reward will be paid. If the difference between the exercise price and end price on the test date (including the dividend adjustment) is negative, the end price will be determined again on an additional test date, which is the six, twelve, eighteen and twenty-four months' anniversary of the test date. If the difference between the exercise price and the end price is positive on any of the additional test dates, the reward will be paid and this incentive scheme shall automatically expire.

4) The potential reward from the plan will be based on the Rapala´s earnings per share (EPS) in 2010. As a general rule, the reward will be paid in shares.

INPUT TO THE MODEL

2009	2004A I (expired)	2004A II (expired)	2004B I	2004B II	2006A	2006B
Expected volatility, %	38	18	38	18	14	30
Expected life of option at the grant date (years)	4.8	3.1	5.8	4.1	4.3	5.3
Risk-free interest rate, %	3.54	2.99	3.74	3.16	0.58	1.08
Estimated forfeit ratio at the grant date, %	7	0	10	5	5	7
Fair value of the option at the grant date, EUR	2.35	1.33	2.61	1.41	1.09	1.34
Option-pricing model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

2008	2004A I	2004A II	2004B I	2004B II	2006A	2006B
Expected volatility, %	38	18	38	18	28	24
Expected life of option at the grant date (years)	4.8	3.1	5.8	4.1	4.3	5.3
Risk-free interest rate, %	3.54	2.99	3.74	3.16	2.15	2.49
Estimated forfeit ratio at the grant date, %	7	0	10	5	5	7
Fair value of the option at the grant date, EUR	2.35	1.33	2.61	1.41	1.09	1.34
Option-pricing model	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

The expected volatility has been determined by using the historical volatility of the share price. Period very close to Initial Public Offering, in December 1998, has been excluded from the history, since it is not considered to be qualitative for volatility estimation purposes. The historical volatility is calculated based on the weighted average remaining life of the share options. The expected life of the option is based on historical data. The non-market criteria are not included in the fair value of the option but taken into account in the number of options that are assumed to vest.

In 2008 and 2009, no options were exercised and no new options were granted. The weighted average remaining contractual life for the share options outstanding as of December 31, 2009 is 1.27 years (2008: 1.76 years). The range of exercise prices (reduced by the amount of dividends distributed) for options outstanding at the end of the year 2009 was EUR 5.95–6.14 (2008: EUR 5.96–6.14).

MOVEMENT IN NUMBER OF OPTIONS AND WEIGHTED AVERAGE EXERCISE PRICES OF OPTIONS DURING THE YEAR

	2009		2008	
	Pcs.	Weighted average exercise price EUR/share	Pcs.	Weighted average exercise price EUR/share
Outstanding Jan. 1	1 822 000	6.08	2 318 668	6.15
Forfeited during the year	-21 000	6.05	-50 500	6.14
Expired during the year	-457 500	5.96	-446 168	6.02
Outstanding Dec. 31	1 343 500	6.06	1 822 000	6.08
Exercisable at the end of the year	884 500	6.12	899 500	6.02

SHARE-BASED PAYMENT RECOGNITION IN THE INCOME STATEMENT

EUR million	2009	2008
Employee benefit expenses		
Share-based payment programs to be settled in shares	-0.1	-0.1
Option programs to be settled in cash	-0.2	0.3
Social security expenses liability from share-based payments	0.0	0.1
Deferred taxes	0.0	-0.1
Total	-0.2	0.2

SHARE-BASED PAYMENT RECOGNITION IN THE BALANCE SHEET

EUR million	2009	2008
Assets		
Deferred tax assets	0.1	0.0
Equity and liabilities		
Equity	-0.3	-0.1
Liabilities from option programs to be settled in cash	0.3	0.1
Social security expenses liability from share-based payments [5]	0.1	0.1

5) Included in current other non-interest-bearing payables.

When the stock options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium fund. No stock options were exercised in 2008 and 2009.

30. EARNINGS PER SHARE

	2009	2008
Net profit for the period attributable to the equity holders of the Company, EUR million	12.1	17.7
Weighted average number of shares, 1000 shares	39 208	39 403
Effect of dilution	-	-
Diluted weighted average number of shares, 1000 shares	39 208	39 403
Earnings per share, EUR	0.31	0.45
Diluted earnings per share, EUR	0.31	0.45

For more details on the calculations of earnings per share, see accounting principles for the consolidated accounts page 43.

31. DIVIDEND PER SHARE

The dividend paid for 2008 was EUR 0.19 per share, totaling EUR 7.5 million. A dividend of EUR 0.19 per share, a total of EUR 7.4 million, is proposed for the Annual General Meeting of Shareholders to be held on April 14, 2010. This dividend payable is not reflected in the financial statements for 2009.

32. EVENTS AFTER THE BALANCE SHEET DATE

The Group has no knowledge of any significant events after the balance sheet date that would have a material impact on the financial statements for 2009. Material events after the balance sheet date have been discussed in the Review of the Board of Directors.

33. GROUP COMPANIES

Subsidiaries by geographical area		Country	Group holding %	Nature of activity
Europe				
Rapala Finance N.V.	*	Belgium	100	Administration
Normark S.r.o.	2)	Czech Republic	50	Distribution
Normark Denmark A/S	*	Denmark	100	Distribution
Normark Sport Ltd.		England	100	Administration
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Normark Sport Finland Oy	*	Finland	100	Distribution
Normark Suomi Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	90	Manufacturing
Rapala Shimano East Europe Oy	2)	Finland	50	Administration
Rapala France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Rapala Eurohold Ltd.	*	Hungary	56.6	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Normark UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Elbe Normark AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Normark Polska Sp.z.o.o.	*	Poland	100	Distribution
Normark Portugal SA		Portugal	100	Distribution
SC Normark Sport Romania S.r.l.	1)	Romania	56.6	Distribution
OOO Raptech	*	Russia	100	Manufacturing
ZAO Normark	2)	Russia	50	Distribution
Normark Spain SA	*	Spain	100	Distribution
Normark Scandinavia AB	*	Sweden	100	Distribution
Normark Trading AB		Sweden	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
VMC Waterqueen Ukraine	2)	Ukraine	50	Distribution

Subsidiaries by geographical area		Country	Group holding %	Nature of activity
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing/design/ manufacturing
VMC Inc.		USA	100	Distribution
Rest of the World				
Rapala Freetime Australia Pty Ltd.	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Rapala VMC China co.		China	100	Distribution
Willtech Industrial Ltd.	*	Hong Kong	100	Administration/sourcing/ design
Willtech (PRC) Ltd.		Hong Kong	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC South-Africa Distributors Pty Ltd.	*	South Africa	70	Distribution
Rapala VMC Korea Co., Ltd	*	South Korea	100	Distribution
Rapala VMC (Thailand) Co.,Ltd.	*	Thailand	100	Distribution

Associated companies by geographical area	Country	Group holding %	Nature of activity
Lanimo Oü	Estonia	33.3	Manufacturing

Foreign branches

Willtech Industrial Ltd., agency in China
Normark S.r.o., branch office in Slovak Republic

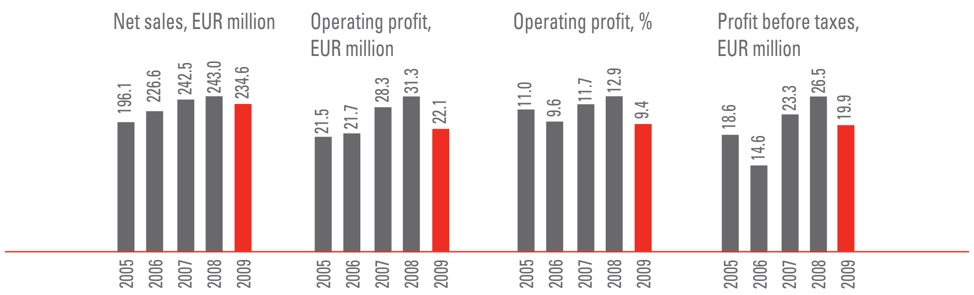
1) Established in 2009
2) Controlled by Rapala
* Shares owned by the parent company

In January 2010, new distribution companies were established in Iceland (fishing tackle) and China (gift products).

KEY FINANCIAL FIGURES

SCOPE OF ACTIVITY AND PROFITABILITY

		2005	2006	2007	2008	2009
Net sales	EUR million	196.1	226.6	242.5	243.0	234.6
Operating profit before depreciation and impairments	EUR million	26.3	28.0	33.8	37.5	28.9
as a percentage of net sales	%	13.4	12.4	13.9	15.5	12.3
Operating profit	EUR million	21.5	21.7	28.3	31.3	22.1
as a percentage of net sales	%	11.0	9.6	11.7	12.9	9.4
Profit before taxes	EUR million	18.6	14.6	23.3	26.5	19.9
as a percentage of net sales	%	9.5	6.5	9.6	10.9	8.5
Net profit for the period	EUR million	14.0	11.0	17.5	19.2	14.3
as a percentage of net sales	%	7.1	4.9	7.2	7.9	6.1
Attributable to						
Equity holders of the Company	EUR million	14.0	10.8	17.3	17.7	12.1
Minority interest	EUR million	0.0	0.2	0.3	1.6	2.2
Capital expenditure	EUR million	21.7	13.8	9.3	13.7	7.6
as a percentage of net sales	%	11.0	6.1	3.8	5.6	3.2
Research and development expenses	EUR million	0.7	1.2	1.6	1.8	2.0
as a percentage of net sales	%	0.4	0.5	0.7	0.7	0.9
Net interest-bearing debt at the end of the period	EUR million	95.9	99.3	80.2	89.5	79.4
Capital employed at the end of the period	EUR million	171.3	180.6	177.1	193.2	191.1
Return on capital employed (ROCE)	%	13.8	12.3	15.9	16.9	11.5
Return on equity (ROE)	%	20.8	14.1	19.7	19.2	13.3
Equity-to-assets ratio at the end of the period	%	33.1	33.4	38.2	38.0	42.8
Debt-to-equity ratio (gearing) at the end of the period	%	127.1	122.2	82.8	86.4	71.1
Average personnel for the period	Persons	3 780	3 987	4 577	4 143	2 259
Personnel at the end of the period	Persons	3 986	3 921	4 356	3 197	2 271



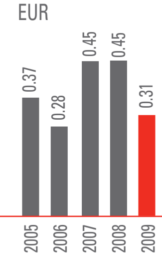
SHARE RELATED KEY FIGURES [1]

		2005	2006	2007	2008	2009
Earnings per share	EUR	0.37	0.28	0.45	0.45	0.31
Fully diluted earnings per share	EUR	0.37	0.28	0.45	0.45	0.31
Equity per share	EUR	1.96	2.09	2.43	2.59	2.75
Dividend per share	EUR	0.11	0.12	0.18	0.19	0.19
Dividend/earnings ratio	%	30.3	42.8	40.2	42.2	61.3
Effective dividend yield	%	1.80	1.94	3.24	5.46	3.82
Price/earnings ratio		16.5	22.1	12.5	7.8	16.1
Share price at the end of the period	EUR	6.10	6.19	5.55	3.48	4.97
Lowest share price	EUR	5.50	5.60	5.40	2.95	3.50
Highest share price	EUR	6.88	6.75	6.27	5.65	5.16
Average share price	EUR	5.91	6.26	5.82	4.21	4.46
Number of shares traded	Shares	23 027 428	12 468 161	8 684 433	4 144 626	3 138 597
Number of shares traded of average number of shares	%	60.81	32.33	22.51	10.52	8.01
Share capital	EUR million	3.5	3.5	3.6	3.6	3.6
Dividend for the period	EUR million	4.2	4.6	6.9	7.5	7.4
Year end market capitalization [2]	EUR million	234.8	238.8	219.3	136.6	194.5
Number of shares at the end of the period excluding own shares [2]	1000 shares	38 498	38 576	39 468	39 256	39 128
Weighted average number of shares [2]	1000 shares	37 871	38 565	38 781	39 403	39 208
Fully diluted number of shares at the end of the period [2]	1000 shares	38 516	38 620	39 468	39 256	39 128
Fully diluted weighted average number of shares [2]	1000 shares	37 889	38 609	38 781	39 403	39 208

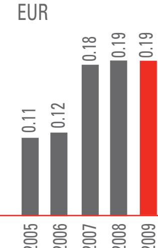
1) In 2007, new restricted shares (RAP1VN0107) granted their holders the same rights as the old shares (RAP1V), except that these new shares did not give right to dividend paid from financial year 2007 and there was a lock-up period of 12 months. The new class of shares was combined to the old class of shares on October 24, 2008 when the difference regarding the right to dividend between the classes ended. For more details on RAP1VN0107 shares and its effect on share related key figures of 2007, see Annual Report 2007.

2) Excluding own shares.

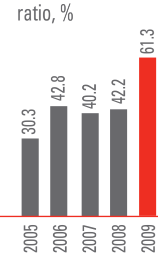
Earnings per share, EUR



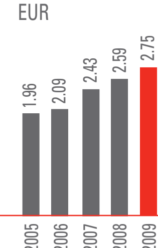
Dividend per share, EUR



Dividend/earnings ratio, %

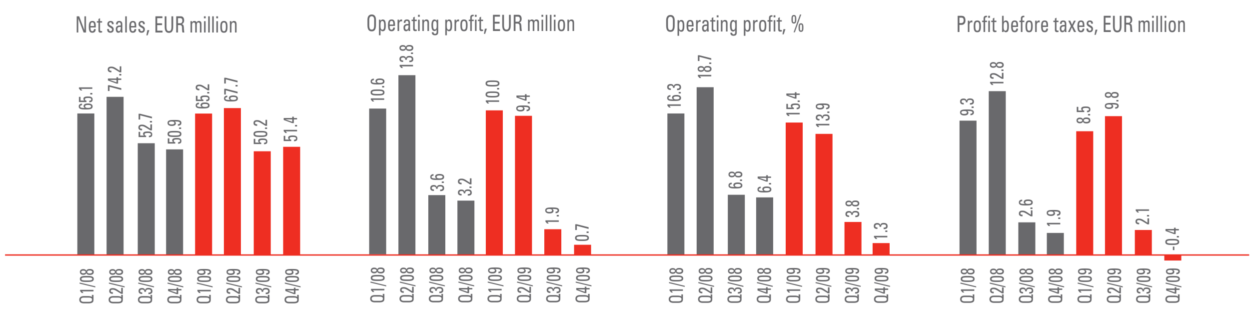


Equity per share, EUR



KEY FIGURES BY QUARTER

		Q1/08	Q2/08	Q3/08	Q4/08	Q1/09	Q2/09	Q3/09	Q4/09
Net sales	EUR million	65.1	74.2	52.7	50.9	65.2	67.7	50.2	51.4
Operating profit before depreciation and impairments	EUR million	12.2	15.4	5.2	4.8	11.6	11.5	3.3	2.5
as a percentage of net sales	%	18.8	20.7	9.8	9.5	17.7	17.1	6.6	4.8
Operating profit	EUR million	10.6	13.8	3.6	3.2	10.0	9.4	1.9	0.7
as a percentage of net sales	%	16.3	18.7	6.8	6.4	15.4	13.9	3.8	1.3
Profit before taxes	EUR million	9.3	12.8	2.6	1.9	8.5	9.8	2.1	-0.4
as a percentage of net sales	%	14.3	17.2	4.9	3.7	13.0	14.5	4.1	-0.8
Net profit for the period	EUR million	6.8	9.4	2.0	1.0	6.2	7.4	1.5	-0.8
as a percentage of net sales	%	10.5	12.7	3.7	2.0	9.5	11.0	2.9	-1.5
Attributable to									
Equity holders of the Company	EUR million	6.3	8.2	1.2	1.9	6.0	6.2	0.8	-0.9
Minority interest	EUR million	0.5	1.2	0.7	-0.9	0.2	1.3	0.6	0.1
Capital expenditure	EUR million	1.8	1.4	8.2	2.3	1.5	1.0	1.7	3.3
Net interest-bearing debt at the end of the period	EUR million	96.5	98.7	89.0	89.5	112.3	101.0	83.3	79.4
Capital employed at the end of the period	EUR million	196.3	201.4	195.3	193.2	222.7	211.5	194.0	191.1
Return on capital employed (ROCE)	%	22.8	29.3	7.7	7.0	19.3	18.6	4.0	1.4
Return on equity (ROE)	%	27.8	37.7	7.8	4.0	23.1	27.8	5.4	-2.9
Equity-to-assets ratio at the end of the period	%	36.3	37.5	39.4	38.0	35.3	37.5	41.4	42.8
Debt-to-equity ratio (gearing) at the end of the period	%	96.7	96.1	83.7	86.4	101.7	91.4	75.2	71.1
Average personnel for the period	Persons	4 398	4 489	4 477	4 259	2 446	2 447	2 356	2 261
Personnel at the end of the period	Persons	4 692	4 664	3 546	3 197	2 393	2 233	1 976	2 271



PARENT COMPANY FINANCIALS, FAS

PARENT COMPANY INCOME STATEMENT

EUR million	2009	2008
Net sales	28.1	28.0
Other operating income	0.1	0.1
Change in inventory of finished products and work in progress	-0.7	0.8
Production for own use	0.1	0.1
Materials and services	-12.2	-12.9
Employee benefit expenses	-8.8	-9.1
Other operating expenses	-4.1	-3.9
Operating profit before depreciation and impairments	2.5	3.1
Depreciation and impairments	-1.3	-1.1
Operating profit	1.2	2.0
Financial income and expenses	-0.6	-2.7
Profit before extraordinary items	0.6	-0.6
Extraordinary items	1.5	1.1
Profit before appropriations and taxes	2.1	0.4
Appropriations	-0.4	0.0
Income taxes	-1.1	-1.3
Net profit for the period	0.6	-0.8

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

ASSETS

EUR million	2009	2008
Non-current assets		
Intangible assets	1.7	1.0
Tangible assets	5.7	5.1
Investments	138.5	109.3
Interest-bearing receivables	3.2	15.1
Non-interest-bearing receivables	0.9	1.0
Total non-current assets	150.1	131.5
Current assets		
Inventories	5.4	5.9
Current financial assets		
Interest-bearing	7.8	23.1
Non-interest-bearing	11.4	20.4
Cash and cash equivalents	6.1	10.8
Total current assets	30.7	60.3
Total assets	180.8	191.8

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR million	2009	2008
Shareholders' equity		
Share capital	3.6	3.6
Share premium fund	16.7	16.7
Fair value reserve	-0.5	-0.4
Fund for invested non-restricted equity	4.9	4.9
Own shares	-1.4	-0.9
Retained earnings	39.0	47.3
Net income for the period	0.6	-0.8
Total shareholders' equity	62.9	70.3
Appropriations	0.5	0.1
Non-current liabilities		
Interest-bearing	35.8	41.9
Non-interest-bearing		
Total non-current liabilities	35.8	41.9
Current liabilities		
Interest-bearing	62.5	57.8
Non-interest-bearing	19.1	21.7
Total current liabilities	81.6	79.5
Total shareholder's equity and liabilities	180.8	191.8

PARENT COMPANY SHARE CAPITAL

	2009	2008
Shares	39 468 449	39 468 449
EUR	3 552 160	3 552 160

Each share is entitled to one vote.

For more information on board's authorizations and acquisition of own shares see Consolidated financial statements' note 19.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

EUR million	2009	2008
Share capital Jan. 1	3.6	3.6
Share capital Dec. 31	3.6	3.6
Share premium fund Jan. 1	16.7	16.7
Share premium fund Dec. 31	16.7	16.7
Fair value reserve Jan. 1	-0.4	0.0
Gains and losses on cash flow hedges	-0.1	-0.4
Fair value reserve Dec. 31	-0.5	-0.4
Fund for invested non-restricted equity Jan. 1	4.9	4.9
Fund for invested non- restricted equity Dec. 31	4.9	4.9
Own shares Jan. 1	-0.9	
Purchase of own shares	-0.6	-0.9
Own shares Dec. 31	-1.4	-0.9
Retained earnings Jan. 1	46.4	54.2
Dividends paid	-7.5	-6.9
Net income for the period	0.6	-0.8
Retained earnings Dec. 31	39.6	46.4

DISTRIBUTABLE EQUITY

Other distributable funds		
Retained earnings	46.4	54.2
Dividends paid	-7.5	-6.9
Purchase of own shares	-1.4	-0.9
Gains and losses on cash flow hedges	-0.5	-0.4
Net income for the period	0.6	-0.8
Distributable earnings	37.7	45.2
Other distributable equity		
Fund for invested non- restricted equity	4.9	4.9
Total distributable equity	42.6	50.1

PARENT COMPANY STATEMENT OF CASH FLOW

EUR million	2009	2008
Net profit for the period	0.6	-0.8
Adjustments		
Income taxes	1.1	1.3
Financial income and expenses	1.3	1.2
Reversal of non-cash items		
Depreciation and impairments	1.3	1.1
Other items	-1.5	1.6
Interest paid	-2.8	-4.8
Interest received	2.1	2.9
Income taxes paid	-1.2	-1.9
Dividends received	0.3	
Other financial items, net	0.7	
Profit after adjustments	1.9	0.6
Change in working capital		
Change in receivables	-3.7	-6.2
Change in inventories	0.5	-0.5
Change in liabilities	-3.2	3.5
Total change in working capital	-6.4	-3.2
Net cash generated from operating activities	-4.4	-2.6
Net cash used in investing activities		
Purchases of intangible assets	-1.1	
Purchases of tangible assets	-1.4	-0.8
Acquisition of subsidiaries	-27.8	-1.9
Total net cash used in investing activities	-30.3	-2.7
Net cash generated from financing activities		
Dividends paid	-7.5	-6.9
Purchase of own shares	-0.6	-0.9
Loan withdrawals	46.5	47.0
Loan repayments	-44.8	-28.2
Change in interest-bearing receivables	36.2	-1.3
Total net cash generated from financing activities	29.9	9.7
Change in cash and cash equivalents	-4.8	4.4
Cash and cash equivalents at the beginning of the period	10.8	6.9
Foreign exchange rate effect	0.1	-0.5
Cash and cash equivalents at the end of the period	6.1	10.8

The financial statements of Rapala VMC Oyj have been prepared according to the Finnish Accounting Standards (FAS). Parent company's complete financial statements are available at the Group's website www.rapala.com.

Risk Management

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. This is done by monitoring and mitigating the related threats and risks and simultaneously identifying and managing opportunities.

Rapala's Approach to Risk Management

The Board evaluates the Group's financial, operational and strategic risk position regularly and establishes related policies and instructions to be implemented and coordinated by Group management. The daily risk management activity is primarily allocated to the management of the business units.

The importance of risk management has increased when the Group has continued to expand its operations. Risk management continued to receive significant attention and new development initiatives by Group management also in 2009. In 2009, focus of Group level risk management actions was on foreign exchange, credit, liquidity, interest rate and hazard risks and further development of Group wide insurance programs as well as development of internal controls.

The following is a summary of key strategic, operational and financial risks and what the Group has done to mitigate these risks.

Strategic Risks

Sport fishing is one form of leisure hobby and the Group's products are competing against wide range of other hobbies. The Group is promoting the attractiveness of sport fishing through active sales and marketing as well as brand management. By utilizing its unique research and development processes and resources, the Group is constantly developing new products to meet consumer's needs and creating new needs for the consumers.

Brand portfolio and corporate reputation are among the most valuable intangible assets of the Group. Rapala is actively managing the brands and their identity and securing that the value of the brands or corporate reputation is not jeopardized or violated by any means. The Group's brands are also legally protected.

Consumers relate the Group's brands to high quality, unique fishing experience, special functional features and trustworthy distribution channel. Consumers are able to differentiate illegal copy products and this does not constitute a strategic threat for the Group. The Group protects vigorously its intellectual property rights and acts against illegal copiers and distributors.

Sport fishing is dependent on availability of fresh fishing waters for fishes to live and breed. Increased pollution of the environment is a growing concern for the Group. Rapala is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce the environmental impacts of its operations. The Group is also acting in the forefront to develop products, e.g. catch-and-release equipment, to comply with the fish protection initiatives. For more details on the environmental actions, see the section Corporate Responsibility and Sustainable Development.

The Group faces competition in all the markets where its products are sold. Due to uniquely wide distribution network, the Group's geographical market risk is truly globally spread, evening out seasonal and local market fluctuations.

Rapala has limited amount of global competitors. The biggest competitors do have significant power in their home markets, but globally the geographical scope of their operations is more narrow. Rapala's global distribution company network is unique in the industry and

difficult to imitate. Within each market, Rapala's competitors are in many cases local fishing tackle producers operating with limited geographical scope and limited range of products. In some countries, competition is created by fishing tackle retailers selling their private label products, as well as internet sales to some extent. Established fishing tackle brands' expansion into new product categories is also creating competition in some product segments. The strength of the Group's product development and brand portfolio, as well as flexibility to serve different markets with market-specific products ranges, are essential in succeeding in this competition.

The Group's production is spread out in several countries. Some of these countries include higher political risk but simultaneously provide access to competitive labor cost. The Group monitors the country risks and labor costs and seeks ways to manage production and distribution costs.

Manufacturing of sport fishing products is not dependent on any proprietary manufacturing technologies or patents. The Group's manufacturing units are actively monitoring the development of generic manufacturing technologies and considering the applications to production of its products.

Distribution of third party fishing and outdoor products creates a material part of the Group's sales. Due to geographical spread and multitude of the existing and potential suppliers, the Group is not critically dependent on any single product or raw material supplier. Rapala's strategic partnerships with Shimano (for the distribution of rods and reels) and Yao I (the producer of Group's Sufix fishing lines) have proven to be successes.

Rapala's customer base is extensively diversified geographically and quantitatively. Customers are mostly country-specific and not operating globally. The Group is not critically dependent on any single customer: even the biggest single customer represents less than 5% of the Group's net sales. Rapala is not largely engaged in direct consumer retailing. This is not considered to be a risk as consumer demand is largely driven by brand consciousness and alternative routes to market can be established when needed.

Rapala is expanding considerably through organic growth as well as mergers and acquisitions. Careful target selection, proper due diligence process and post-merger integration are key issues in securing that the expansion initiatives are successful and in line with the Group's strategic objective of profitable growth.

Board evaluates the Group's strategic risks annually as part of the strategy process and Group management continuously monitors changes in the business environment. Strategic risk management in local jurisdictions is allocated to the management of each business unit.

Operational and Hazard Risks

Even if the fishing tackle business has traditionally not been strongly influenced by the increased uncertainties and downturns in the general economic climate, this may influence, at least for a short while, the sales of fishing tackle when retailers reduce their inventory levels and face financial challenges. While continuing, these uncertainties may also affect the amount retailers invest in advertising and promotions, which may affect consumer spending at least temporarily. Also quick and strong increases in living expenses and uncertainties concerning employment may temporarily affect consumer spending also in fishing tackle, even though historically the underlying consumer demand has proven to be fairly solid.

During the year the underlying consumer demand for the Group's products is seasonal and also impacted by unforeseeable factors such as weather. To offset the seasonality, the Group is engaged in production and distribution of winter fishing and sports equipment. The Group has also expanded its own distribution network to the southern hemisphere to mitigate the effects of seasonality.

Due to the seasonality in demand, the Group's product shipments concentrate annually to relatively short time periods, where supply problems could endanger the sales of the season. Similarly, lower than expected sales volumes may lead to excess inventories, as it is difficult to cancel committed orders within short notice.

There is a high level of dependency between the Group's manufacturing and distribution units and interruption at earlier stage of the supply chain can have knock-on effects throughout the rest of the organization. The importance of proper order forecasting and production

planning has also increased. The related risks are managed with high level of cooperation between the manufacturing and distribution units, safety stocks and proper insurances. The Group-wide supply chain and logistics initiative started in 2009 is also tackling these risks relating to operational efficiencies.

The Group's sales prices are primarily fixed annually or bi-annually, normally before each season. Sudden changes in raw material prices or foreign exchange rates may have significant impact on cost of some products. The Group aims to push increases in costs to the sales prices immediately or during a period of time. The Group's market risks and mitigation actions are analyzed in more detail in section Financial Risks.

In respect of manufacturing activities, the Group is not critically dependent on any single external production factor supplier. The increased use of subcontractors in China requires proper supplier management, but as such the Group is not critically dependent on any of these subcontractors. Availability of competent production labor is essential and the Group aims to maintain good employer reputation and personnel relations to achieve this.

There are significant dependencies between the Group's manufacturing units, which could cause supply problems e.g. in case of fire or other hazard. Such hazard could lead to property damages but also to business interruption losses throughout the supply chain. Therefore, Rapala has increased the emphasis of hazard risk management. The Group has together with an insurance company planned and executed a series of hazard prevention reviews to Group's key locations. Group management has also continued to build risk awareness throughout the organization.

The Group is, with assistance of an insurance broker, further developing the global insurance programs, which cover most of the Group companies. Global insurance policies, which take into account the Group's interdependency, are in place for property damage and business interruption, transportation as well as general and product liabilities.

Board evaluates the Group's operational risks at least once a year as part of the operational plans and budgets. Group management monitors and coordinates the continuous management of operational risks, which is the responsibility of the management of each business unit.

Financial Risks

The Group's financial risks consist of market risks, credit and default risks and liquidity risks. Board evaluates financial risks several times during the year and Group management monitors and manages them continuously. Financial risks are discussed in detail, as required by IFRS 7, in note 22 to the consolidated financial statements.

Corporate Responsibility and Sustainable Development

Rapala recognizes its responsibility in relation to the shareholders, clients, employees and society as well as those with whom the Group does business. Rapala is committed to carry on business in an ethically correct manner and according to local or international legislation and regulations. The mission of Rapala is to provide a positive and strong human experience in the nature and especially in sport fishing and, therefore, the Group lives from and promotes a clean and healthy environment.

Group Strategy and Management Approach to Sustainable Development

Rapala's strategic objective is profitable growth, which is founded on a unique manufacturing, sourcing and R&D platform, a leading global distribution network in the fishing tackle industry and a strong brand portfolio with several leading brands. The Group's unique manufacturing platform consists of the world's largest lure manufacturing facility located in China, Europe's largest lure production facility with specialized factories in Finland, Estonia and Russia, the most advanced treble hook factory located in France, and high-quality knife manufacturing in Finland. Rapala has also developed an extensive sourcing platform and process to ensure high-quality but low-cost third party manufacturing for its selected products.

The Group's own personnel operate in some 30 countries and its products are sold to some 140 countries. Rapala has been in the lure business, which was the first product category for the Group, for some 70 years. The VMC hook operations acquired in 2000 will celebrate its 100-year anniversary in 2010. Marttiini knife manufacturing, acquired in 2005, has operated for more than 80 years already. Also many products still offered by the Group, have a life-cycle of several dozens of years. Almost all of the Group's products relate to outdoor life and sports with a close connection to nature.

In its operations, Rapala takes into account its personnel, the local societies and environment as well as health and safety issues. All Group companies worldwide co-operate transparently, honestly and responsibly with authorities, local societies and other relevant parties in economic, social and environmental matters.

Economic Responsibility

Rapala's purpose is to create value for its stakeholders including customers, personnel, suppliers and subcontractors as well as shareholders and investors who are interested in the Group's financial performance. The financial success provides the Group companies with the resources and possibilities to develop their operations in a responsible and sustainable way also in the future.

Rapala focuses on profitable growth to increase shareholder value. This objective is achieved by providing customers with high-quality products and service, creating long-lasting partnerships with suppliers, subcontractors and customers, and offering employees competitive compensation and good working conditions. With operations in some 30 countries worldwide, Rapala also influences and creates well-being for the local societies. The Group's value added is distributed to these different stakeholders as shown in the graph below.

Rapala creates value for its customers by offering its products and services worldwide. By market areas, North America contributed 28% (26%), Nordic countries 24% (24%), Rest of Europe 35% (39%) and Rest of the World 13% (11%) to the Group's total net sales. See Note 2 of the consolidated financial statement for detailed geographical information.

In 2009, Group companies paid interests of EUR 3.4 million (EUR 6.2 million) to financial institutions and corporate income taxes of EUR 5.3 million (EUR 8.0 million) to tax authorities worldwide. As presented in the graph below, the shareholders of the Company were paid dividends of EUR 7.5 million in 2009 (EUR 6.9 million).

Social Responsibility

Importance of Competent and Motivated Personnel

With more than 2 000 employees in some 30 countries worldwide, Rapala recognizes the importance of competent and well-motivated personnel. Rapala appreciates the continuous development of its employees who have possibilities to both on-the-job learning and special training or education. The Group's strategy for profitable growth requires that the management systems, the group-wide knowledge sharing and the everyday practices are developed systematically in all Group companies. Personnel coaching and instructions together with good working conditions and appropriate protective equipment are important to minimizing occupational health and safety risks. The human resources management practices vary between the Group companies depending on the nature of the business units' operations in manufacturing, distribution, research and development and administration, and, to some extent, between different geographical areas do the different regulations and local practices.

One of the Group's key values in the corporate culture is entrepreneurship. Rapala respects diversity and equal opportunities of all employees irrespective of color, nationality, gender, age or religion. Rapala employs men (49%) and women (51%) of all ages as shown in the graphs on page 78. Rapala's employees represent tens of different nationalities worldwide. There is no use of child labor in the Group's manufacturing or other operations. At the end of 2009, 64% (68%) of the employees worked in manufacturing or R&D, 14% (18%) in administration and 22% (14%) in distribution in 2009.

The Group's employee benefit expenses of EUR 53.8 million (EUR 57.5 million) represent 23% (24%) of the consolidated net sales. The employee benefits include wages, salaries, pension and other social security costs as well as other performance incentives. The CEO and senior management participate in the Group's senior management bonus scheme encouraging the achievement of the Group's targets and the performance improvement. More information on top management remuneration can be found on page 87.

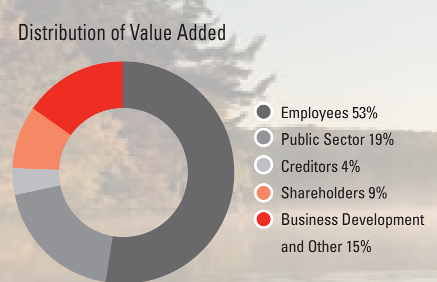
The operational changes and performance improvement initiatives carried out in the Group's Chinese manufacturing facilities and in the European operations target to the positive development of the Group's profitability with enhanced efficiencies and quality. While these improvement initiatives resulted in personnel reductions, Rapala strived to act responsibly and in accordance with local legislation and practices as well as good human resources management principles. In 2009, the number of personnel decreased by 930 employees in China.

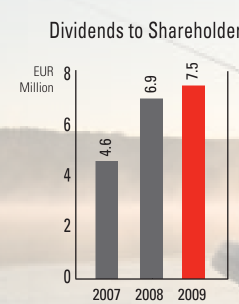
Supporting Local Societies and Human Rights

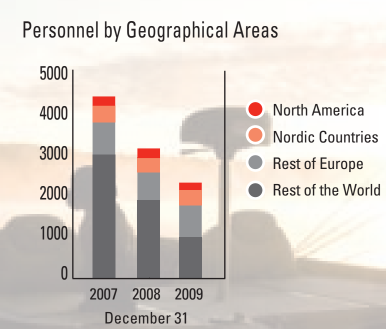
When operating in 30 countries and expanding its business into new markets, Rapala supports the sustainable development of local societies and the protection of human rights. Group companies worldwide contribute to many fundraising campaigns of local societies, and, for example, donate fishing equipment as prizes and encouragement for fishing competitions and environmental cleaning projects organized by non-profit organizations.

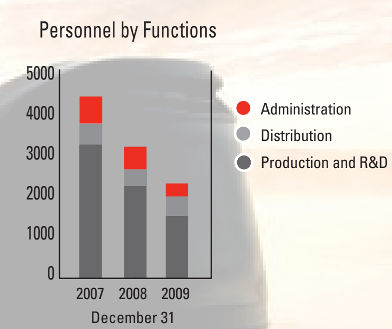
Rapala is a founder member of the European Fishing Tackle Trade Association (EFTTA) which was established in London in 1981, as an international, independent association to serve the European fishing tackle trade by campaigning to promote sport fishing, environmental issues and international business. Rapala has its own representative in EFTTA's Board. EFTTA supports annually several environmental and training projects across Europe.

For more than a decade already, Rapala's Swedish subsidiary has been the sole supporting partner to one of the world's most professional sport fishing educational institute, the Sport Fishing Academy (SFA) in Sweden. SFA has educated more than 600 dedicated and advanced sport fishing instructors and guides, marine conservationists and specialists to the international markets. Rapala provides the students and their teachers with fishing tackle and with business and fishing expertise. SFA has expanded also to hunting and each year Rapala awards four scholarships to the academy's fishing and hunting branches.









With two well-known local non-profit organizations, Rapala has established and sponsors a fish farm in North-West Tanzania. The objectives of the project is to help the local population to have access to a steady supply of protein-rich food as well as a regular employment and long-term income to all those involved in the activity. Additionally, fish farming relieves the pressure of over-fishing on Lake Victoria and leads to the control over both trade and the environment encouraging Lake Victoria's ecology and wealth.

In Sortavala, Russia, Rapala supports the local kindergarten and elementary school encouraging the children to educate and develop themselves. In 2009, the Group also provided in cooperation with the insurance company If a total of 500 reflectors for children to protect them in the dark autumn and winter time in the area with nearly no street lights.

High-Quality Products and Services

Today Rapala's distribution network covers the four major continents and is locally present in some 30 different countries. It allows the Group to introduce new products efficiently and effectively to these markets and to build long lasting partnerships and alliances with local retailers and fishermen.

Rapala's research and development is globally well known and respected for its capability to continuously bring new high-quality products with new and exceptional features to meet the fishermen's demanding expectations. The Group's wide distribution network acts as a channel for market and customer input, which is used for product development.

As a proof of the quality and continuous development, Rapala holds the number one position in world records with more than 840 world-record catches according to the International Game Fish Association (IGFA). More information on world records on page 28.

Rapala's research and development expenses of EUR 2.0 million in 2009 (EUR 1.8 million) represent 14% (9%) of the Group's net profit for the period.

Environmental Responsibility

Rapala's Approach to Environmental Affairs

Healthy and clean environment is important for Rapala for the reason that its sport fishing, hunting and outdoor businesses originate from, and are based on, human experience in the nature. Industrial and business activities inevitably create various impacts on the environment that the Group is trying to manage in a way that also future generations of man would be able to go and experience the nature using Rapala's products. In addition, the Group promotes environmental issues beyond its own operations.

The use of raw materials, airborne emissions and waste are the most significant environmental impacts of the Group. Rapala is improving its environmental performance through continuous development efforts, by increasing awareness and actively developing processes to replace hazardous materials and decreasing the use of energy and increasing the effectiveness in the use of raw materials. The Group aims to develop its products, manufacturing processes and operating methods so that their environmental impact throughout the product's lifecycle will remain as small as possible. This process is long-lasting and, meanwhile, changes in production volumes and product mix may have greater short-term effects than the development trend as such.

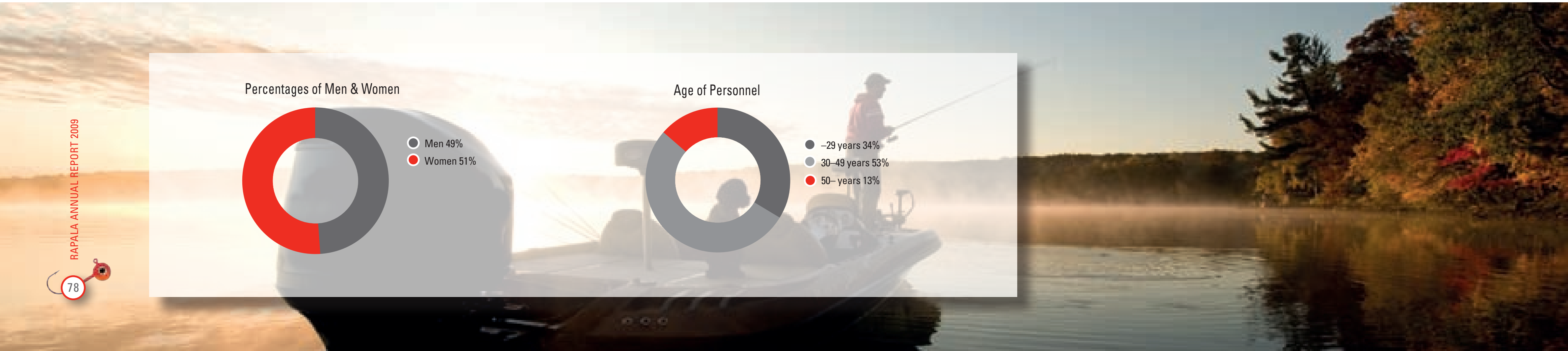
Our manufacturing sites develop their environmental operations in accordance with local legislation and regulation.

Possible safety risks in manufacturing operations are caused by handling of flammable and toxic raw materials during the production process.

More than one third of Rapala's sales come from outsourced and third party products. The most significant environmental impacts of these products, while in Group ownership, are related to transportation and storage of goods.

Rapala and its Group companies operate in line with the local environmental laws and regulations. Ways of conducting business, including internal and external business processes, are continuously developed keeping in mind the environmental aspects and the principles of sustainable development.

Several Group companies are members of local and national environmental organizations. They take part in the funding of these organizations, providing education on clean and healthy waters and



other environmental issues and participating in clean-up actions.

The following is a summary of practical actions and measurements the Group is taking to minimize the negative impacts of its business to environment and actions to improve environmental affairs in areas where it operates.

Production Processes

Less than 50% of the products sold by Rapala are produced in the Group's own manufacturing facilities. In order to minimize the waste in painting, the lures are electronically engaged for better adherence of the paint. With this advanced painting technique, also usage and waste of lacquer is minimized.

Production waste is separated into energy, plastics, bio materials, metals, carton, paper waste and hazardous materials to promote and increase recycling. In addition, some of the Group's factories have replaced oil as an energy source with gas, which is more environmental friendly. In Finland and partly also in China, paint has partly been changed from soluble dies to water-dilutable to reduce VOC emissions. The long-term plan is to develop qualities of current paint to fully replace soluble dies with water-dilutable paints.

Raw Materials

Hard-body lures manufactured by the Group are made of balsa, apache and plastics. An important part of the wood is sourced from the registered farms that respect the local law and regulations and sustainable development rules in farming and forestry. The Group's research and development department continuously seeks for possibilities to replace currently used raw materials with more environmentally friendly substitutes that do not decrease the desired features of the products. The Group is also working in cooperation with external suppliers in order to find more environmental friendly raw materials.

Products

Most of the Group products are long-lasting, kept and used by consumers for years and even decades. All of the wooden parts of the Group products are biodegradable and most of the metal used in the Group products can be recycled. The biggest environmental challenge has been the plastic products but the Group has successfully progressed in developing and replacing certain models with biodegradable plastics. Even if some of the products may end up in the water or nature during e.g. the sport fishing activities, the important challenge is to get the consumers to make their unused or damaged products available for recycling.

Transportation and Storage of Goods

To reduce the environmental impacts of transportation, the Group aims to maximize sea transportation and minimize air transportation between the continents, from the factories to distribution units. The Group also aims to consolidate the shipments so that small quantities will not be shipped separately. The storage of goods does not have much impact on environment other than use of energy for heating and lighting of the premises. The Group also optimizes its production to minimize the shipping volumes between factories and distribution companies and manages inventories to minimize the volume of goods stored.

Special Issues and Actions in 2009

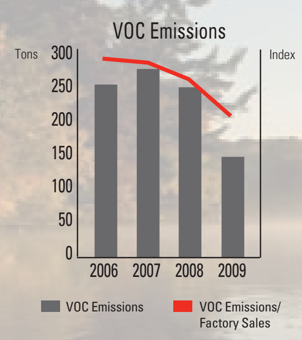
In 2009, Rapala has continued to develop and increased the reporting and follow-up of environmental affairs. More work is still needed to further develop these indicators and to standardize the measurement but especially to implement new ways of working to ensure long-term improvement in the underlying environmental effects.

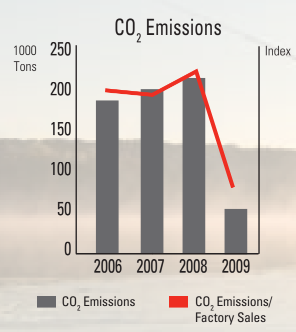
Rapala lure factory in Finland started to use water-based closed-cycle cleaning methods replacing old chemical based methods to wash painting tools.

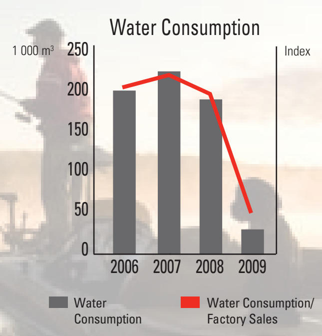
Environmental R&D work especially on biodegradable plastics proceeded in 2009. The first biodegradable products under Trigger X brand launched in 2008 have been well received by the retailers, and development work for new models is under way.

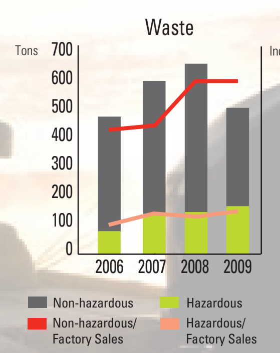
In 2009, the Group companies participated in several countries in fisheries restoration and recreational fishing promotion campaigns. In the following paragraphs we summarize few of these actions.

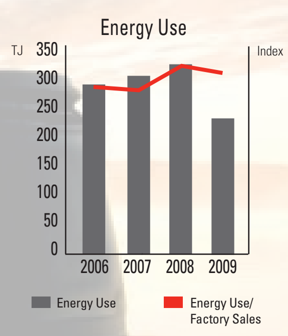
In the USA, Rapala continued the participation in a project organized by Northwest Sportfishing Industry Association (NSIA) to support the











efforts to preserve and restore the fisheries environment. Through the efforts of NSIA, fisheries that had been closed to fishing for decades are now open due to a mass marking program of all Columbia River hatchery salmon and steelhead. NSIA has also convinced the Columbia River hydroelectric owners to increase the spill over the dams to further assist the down river migration of salmon and steelhead smolts, which has significantly increased their survival rates.

In Norway, the Group participated in several projects, which aim to restore fisheries and certain species of fish, and promote recreational fishing experience. In Finland, Rapala continued to support a project to study the move of salmon and trout in the River Vantaa and raise the awareness of environmental aspects and the fishing opportunities close to the capital of Finland. In addition, the Group supported cleaning of lakes, rivers and sea shores as well as environmental and fishing related education in many countries such as South Africa.

No material non-compliance, environmental accidents or hazards occurred in 2009.

Environmental Performance in 2009

Rapala monitors the emissions to air of its own manufacturing operations globally. In 2009, the Group changed the operating model of its Chinese manufacturing operations into decentralized, outsourced based manufacturing. The Group's Chinese manufacturing operations consists now from four own factories and dozens of outsourcing partners. Accordingly, the level of in-house manufacturing is much smaller in 2009 compared to 2008. These developments have resulted also in significant changes on the direct environmental measures of the Group manufacturing operations as shown in the presented graphs.

The most significant emissions for the Group are the volatile organic compounds (VOC) and carbon dioxides (CO_2). Rapala's VOC emissions are calculated based on materials used in production, and carbon dioxides are calculated based on energy purchased and fuel used. In 2009, Rapala's VOC emissions were 134 (246) tons and carbon dioxide emissions were 52 (219) thousand tons. VOC emissions originate mainly from different types of solvent used in conjunction with painting operations. Majority of the CO_2 emissions are created indirectly when energy produced elsewhere is purchased and consumed by the Group factories.

Rapala's operations generate e.g. metal, wood, plastics, cardboard and municipal waste. Significant part of the waste is biodegradable like wood or recyclable like metals. Waste is recycled in compliance with local regulations and practices. In 2009, Rapala's operations generated 485 tons (641 tons) of waste of which 108 tons (113 tons) were hazardous waste, which is processed by disposal facilities dedicated for hazardous waste.

Rapala manufacturing is not very energy-intensive but energy consumption is an environmental aspect measured by for the Group. The majority of the energy is consumed in the form of electricity, natural gas and district heat. Fuel oil is used in some units for reserve and additional energy. In 2009, Rapala's total energy consumption was 229 TJ (331 TJ). The majority of this is electricity. This amount does not include the fuels used in transportation and vehicles.

Rapala manufacturing units do not use much water in their processes. Most of the use is for sanitation and catering purposes. In 2009, the water consumption was 31 000 m3 (184 000 m^3).

In 2009, the Group environmental expenses were some EUR 0.3 million (EUR 0.2 million) and environmental investments some EUR 0.1 million (EUR 0.2 million).

Shares and Shareholders

Rapala's shares have been traded on the NASDAQ OMX Helsinki since 1998. In 2009, the shares traded between EUR 5.16 and 3.50 with an average price of EUR 4.46.

Shares and Voting Rights

On December 31, 2009, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 468 449 (2008: 39 468 449). The book value of a share is EUR 0.09. Each share is entitled to one vote.

Board's Authorizations

Based on authorization given by the Annual General Meeting (AGM) in April 2007, the Board can decide to issue shares through issuance of shares, options or special rights entitling to shares in one or more issues. The number of new shares to be issued including the shares to be obtained under options or special rights shall be no more than 10 000 000 shares. This authorization includes the right for the Board to resolve on all terms and conditions of the issuance of new shares, options and special rights entitling to shares, including issuance in deviation from the shareholders' preemptive rights. This authorization is in force for a period of 5 years from the resolution by the AGM. The Board is also authorized to resolve to repurchase a maximum of 2 000 000 shares by using funds in the unrestricted equity. This amount of shares corresponds to less than 10% of all shares of the Company. Shares can be repurchased by deviating from the proportion in which the company's shareholders own shares in the company. The shares will be repurchased through public trading arranged by NASDAQ OMX Helsinki at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of NASDAQ OMX Helsinki and applicable rules regarding the payment period and other terms of the payment. This authorization is effective until the end of the next AGM.

Own Shares

On February 6, 2009, the Board decided to continue buying back own shares in accordance with the authorization granted by the Annual General Meeting on April 3, 2008. The repurchasing of shares ended on March 30, 2009 when Rapala held 221 936 own shares. Based on the authorization of the AGM held on April 7, 2009 and the Board's decision on July 24, 2009 the repurchasing of own shares continued until September 18, 2009 and on September 30, 2009 Rapala held 321 867 own shares. Based on the Board's decision on October 23, 2009 the repurchasing of own shares continued until December 30, 2009. At the end of December 2009, Rapala held 340 344 own shares, representing 0.9% of the total number and the total voting rights of Rapala shares. The average price for the repurchased own shares in January-December 2009 was EUR 4.31. The average share price of all repurchased own shares held by Rapala was EUR 4.12

Changes in Share Capital

There were no changes in the share capital in 2009.

Shareholder Register

The shares of the Company belong to the Book Entry Securities System. Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to ownership of shares.

Shareholder Agreement

Viellard Migeon & Cie (VM&C) and Utavia S.à.r.l (Utavia) entered into a shareholders' agreement on June 29, 2006 with respect to their shares in Rapala, and the shareholders of Utavia have agreed to be bound by the said shareholders' agreement. The main shareholder of Utavia is the CEO of Rapala, Jorma Kasslin, with ca. 43% shareholding. The other shareholders are Board members or managers of the Group. In total, Utavia has some 40 shareholders. On June 29, 2006, Utavia purchased from De Pruines Industries (DPI) 1 610 000 shares representing ca. 4.08% of the issued share capital and voting rights in Rapala. DPI is a subsidiary of VM&C. On December 31, 2009, VM&C owned directly or through its subsidiaries approximately 28.1% of the issued share capital and voting rights of Rapala.

In the shareholders' agreement, Utavia has undertaken to vote in Rapala's General Meetings of shareholders in favor of the resolutions approved and/or submitted by VM&C and authorized VM&C to exercise the voting rights attached to the Rapala shares held by it. VM&C has a right of first refusal to any shares sold by Utavia. The parties to the shareholders' agreement undertake to use and exercise the votes that they control at the General Meetings of Rapala so that two persons designated by VM&C and one person designated by Utavia (the first person appointed being Jorma Kasslin in this respect) are appointed as members of the Board.

Share-Based Incentive Plans

The Group had three separate share-based payment programs in place on December 31, 2009: one stock option program, one synthetic option program settled in cash and one share reward program settled in shares. The following share-based payment programs are currently in place mainly for senior and middle management (2004 program is also for non-executive Board members):

- The 2004 Share Option Program: A maximum of 1 000 000 options were issued to 106 managers: 500 000 options exercisable between March 31, 2007 and March 31, 2009 at an exercise price of EUR 6.16 per share (2004A), and 500 000 options exercisable between March 31, 2008 and March 31, 2010 at an exercise price of EUR 6.41 per share (2004B). On March 31, 2009, the exercise period for options issued under the Share Option Program 2004A expired. The exercise price of 2004B option represents the weighted average share price in March 2006. The exercise price shall be reduced by the amount of dividends

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2009 *

Shareholder	Number of shares	%
Viellard Migeon & Cie	10 992 661	27.9
Sofina S.A.	7 500 000	19.0
So Wai Hang	1 770 843	4.5
Odin Finland I-II	1 665 754	4.2
Odin Norden I-II c/o Odin Forvaltnings AS	1 619 372	4.1
Utavia S.a.r.l	1 610 000	4.1
The State Pension Fund	1 200 000	3.0
Shimano Singapore Private Limited	889 680	2.3
Etera pension insurance company	600 000	1.5
Nordea Nordic Small Cap Fund	486 958	1.2
Administrative registrations	4 807 785	12.2
Other shareholders total	6 325 396	16.0
Total number of shares	39 468 449	100

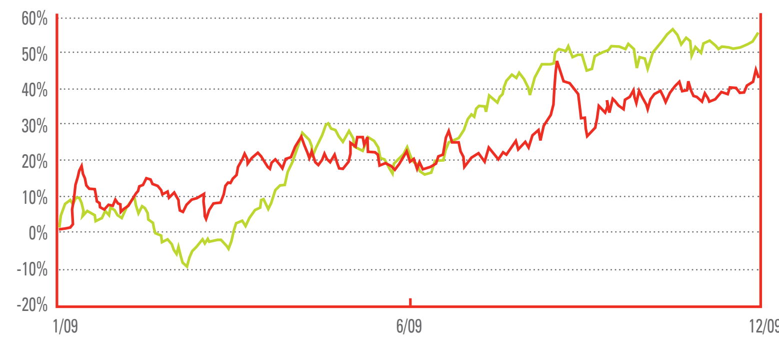
SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2009 *

Shareholder category	Number of shares	%
Private and public corporations	1 022 388	2.6
Financial and insurance companies	2 893 944	7.3
Public institutions	3 099 716	7.9
Non-profit organizations	121 229	0.3
Individuals	1 358 667	3.4
International shareholders	24 554 720	62.2
Administrative registrations [1]	6 417 785	16.3
Total	39 468 449	100

1) Includes shares owned by Utavia S.a.r.l. (1 610 000 shares).

SHARE PRICE DEVELOPMENT IN 2005–2009, EUR

SHARE PRICE IN 2009, %



DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2009 *

Number of shares	Number of shareholders	%	Total shares	%
1 - 100	584	30.0	43 379	0.1
101 - 500	780	40.0	223 269	0.6
501 - 1 000	274	14.1	230 462	0.6
1 001 - 10 000	246	12.6	704 502	1.8
10 001 - 1 000 000	55	2.8	7 250 693	18.4
1 000 001 -	9	0.5	31 016 144	78.6
Total	1 948	100	39 468 449	100

* Number of shares includes 340.344 own shares held by the parent company.

distributed after the subscription period for option rights has ended and before the commencement of the share subscription period. The outstanding 2004B options represented 1.1% of the company's outstanding shares on December 31, 2009.

- The 2006 Synthetic Option Program: A maximum of 1 000 000 options were issued to 116 managers: 500 000 options exercisable between March 31, 2009 and March 31, 2011 at an exercise price of EUR 6.44 per share (2006A), and 500 000 options exercisable between March 31, 2010 and March 31, 2012 at an exercise price of EUR 6.44 per share (2006B). Exercise price represents the weighted average share price during the period from January 1 to March 31, 2006. The share-specific cash value will be determined in accordance with the end price on the test date (i.e. vesting date) or, as the case may be, on an additional test date. End price is the volume weighted average price of the share during the ten trading days before the test date. If at test date the difference between the exercise price and the end price (including the dividend adjustment) is positive, the reward will be paid. If the difference between the exercise price and end price on the test date (including the dividend adjustment) is negative, the end price will be determined again on an additional test date, which is the six, twelve, eighteen and twenty-four months' anniversary of the test date. If the difference between the exercise price and the end price is positive on any of the additional test dates, the reward will be paid and this incentive scheme shall automatically expire. The exercise price shall be reduced by the amount of dividends distributed after the subscription period for option rights has ended and before the commencement of the share subscription period.

- The 2009 Share Reward Program: In 2009, the Board approved a new share-based incentive plan for the Group's 50 key employees. The 2009 Share Reward Program's earning period commenced on January 1, 2009 and will end on December 31, 2010. The potential reward from this program will be based on Rapala's earnings per share in 2010 and it will be paid as Rapala's shares in 2011. The gross rewards to be paid on the basis of this program will correspond to the value of a maximum total of 200 000 Rapala shares.

For more details on share-based payments see note 29 in the consolidated financial statements.

Management Shareholding

On December 31, 2009, the members of the Board and the Executive Committee held directly a total of 1 795 319 Company shares and indirectly through a controlled corporation 1 160 000 Company shares, corresponding to 7.5% of all shares and voting rights. If the share option program 2004B was exercised in its entirety, shareholdings and aggregate voting rights held by the members of the Board and the Executive Committee would increase up to 7.8%. Details of management shareholdings are given on pages 84–85.

Trading and Performance of the Company's Shares

The Company share (RAP1V) is quoted on the NASDAQ OMX Helsinki. The 2009 closing price on December 31 was EUR 4.97. The highest price in 2009 was EUR 5.16, the lowest price EUR 3.50 and the average price EUR 4.46. The share price increased 42.8% in 2009. The OMX Nordic Mid Cap price index increased 55.5% in 2009. A total of 3 138 597 Rapala shares were traded in 2009. This represents 7.95% of all shares on December 31, 2009.

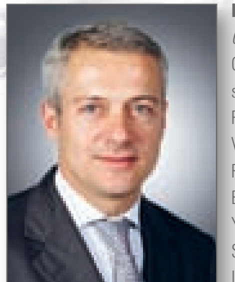
At the end of 2009, the market capitalization of all outstanding shares, excluding own shares, was EUR 194.5 million. Earnings per share (basic) were EUR 0.31 (EUR 0.45 in 2008). For more share related key figures see page 69.

Dividend

The Board proposes to the AGM that a dividend of EUR 0.19 per share will be paid for the financial year 2009.

Board of Directors and Management

BOARD OF DIRECTORS



Emmanuel Viellard
Chairman
Chairman of the Rapala Board since 2005
President of Viellard Migeon & Cie
Vice Chairman and Executive Vice President of Lisi Industries
B.A., CPA
Year of birth: 1963
Shareholding*: -
Indirect shareholding through a controlled corporation*: 100 000
Options*: 10 000

Jorma Kasslin
President and Chief Executive Officer
Rapala Board member since 1998
M.Sc. (Eng.)
Year of birth: 1953
Shareholding*: -
Indirect shareholding through a controlled corporation*: 680 000
Options*: 57 000

Eero Makkonen
Rapala Board member since 1998
Chairman of the Rapala Board 1999-2005
B.Sc. (Eng.)
Year of birth: 1946
Shareholding*: -
Indirect shareholding through a controlled corporation*: 100 000
Options*: 10 000

Jan-Henrik Schauman
Rapala Board member since 1999
M.Sc. (Econ.), MBA
Year of birth: 1945
Shareholding*: -
Options*: 10 000

Christophe Viellard
Rapala Board member since 2000
Chairman of Viellard Migeon & Cie
Diploma ESCP
Year of birth: 1942
Shareholding*: -
Indirect shareholding through a controlled corporation*: 100 000
Options*: 10 000

King Ming (William) Ng
Head of Chinese Manufacturing Operations and Hong Kong Office
Rapala Board member since 2001
B.Sc. (Eng.)
Year of birth: 1962
Shareholding*: 1 770 843
Options*: 15 000

Marc Speeckaert
Rapala Board member since 2005
MBA
Year of birth: 1951
General Manager of Sofina
Shareholding and options*: -

*Shareholdings and options on December 31, 2009. Options also include synthetic options.

EXECUTIVE COMMITTEE

Jorma Kasslin
President and
Chief Executive Officer (CEO)
Rapala Executive Committee
member since 1998
See information in section
"Board of Directors"

Jouni Grönroos
Chief Financial Officer (CFO)
Rapala Executive Committee
member since 2005
Shareholding*: 19 001
Indirect shareholding through a
controlled corporation*: 30 000
Options*: 33 250

King Ming (William) Ng
Head of Chinese Manufacturing
Operations and Hong Kong Office
Rapala Executive Committee
member since 2001
See information in section
"Board of Directors"

Olli Aho
Company Counsel, Secretary of the
Board and Investor Relations
Rapala Executive Committee
member since 1998
Shareholding*: -
Indirect shareholding through a
controlled corporation*: 70 000
Options*: 32 000

Juhani Pehkonen
Head of Lure Business
Rapala Executive Committee
member since 1998
Shareholding*: -
Indirect shareholding through a
controlled corporation*: 30 000
Options*: 32 000

Stanislas de Castelnau
Head of Fishing Hook Business
Rapala Executive Committee
member since 2002
Shareholding*: -
Indirect shareholding through a
controlled corporation*: 10 000
Options*: 29 500

Tom Mackin
President of Rapala USA
Rapala Executive Committee
member since 2007
Shareholding*: 3 000
Indirect shareholding through a
controlled corporation*: 10 000
Options*: 32 000

Lars Ollberg
Head of Fishing Line and
Accessory Business
Rapala Executive Committee
member since 2008
Shareholding*: 2 475
Indirect shareholding through a
controlled corporation*: 30 000
Options*: 20 500

*Shareholdings and options on December 31, 2009. Options also include synthetic options.

OTHER GROUP KEY MANAGERS

LURES
Jari Kokkonen, Sales and Marketing
Teemu Mäkelä, Marketing – Lures, Fishing Lines and Accessories
Jukka Sairanen, Research & Development – Rapala
Arto Nygren, Vääksy Factory
Rauno Rantanen, Pärnu Factory
Marina Sharapova, Sortavala Factory
DQ Yung, Willtech Factory
Kevin Au, Willtech Lures

FISHING HOOKS
Christian Victor, Sales and Marketing (Europe)
Cyrille Mathieu, Sales and Marketing (USA)
Rodolphe Jacques, Sales and Marketing (ROW)

FISHING ACCESSORIES
Päivi Ohvo, Marttiini Knives
Brian Wong, Willtech Accessories
Peter Nordlander, Sourcing, Distribution in China and South Korea

OTHER PRODUCTS
Juhani Eskelinen, Peltonen Cross Country Skis
Cynthia Foong, Willtech Gift Products
Tapio Nirkkonen, KL-Teho Parts and Products

ADMINISTRATION
Mikko Häikiö, Financial Planning and Business Control
Esko Jäntti, Group Treasury
Kati Näätänen, Group Reporting and Financial Control
Jussi Ristimäki, Group Tax and Risk Management

DISTRIBUTION
Gregg Wollner, USA
Nancy Adelmann, USA
John Newton, Canada
Philippe Guigo, France
Jean-Philippe Nicolle, France and VMC
Janne Paukkunen, Spain, Portugal and South America
Saku Kulmala, Finland and Eastern Europe
Matts Baum, Sweden
Nils Larsen, Denmark
Hasse Coucheron-Aamot, Norway
Thomas Brumann, Switzerland
Victor Skvortsov, Russia
Mirek Adamski, Poland
Roman Sereda, Ukraine
Remigijus Zubavicius, Lithuania
Vitas Miskinis, Eastern Europe and Latvia
Daniel Sirucka, Czech Republic
Mati Banhard, Estonia
Karoly Agh jr., Hungary
Dorel Tomescu, Romania
Manabu Kimoto, Japan
Leong Loke, Malaysia and Thailand
Jay Choi, South Korea
Aku Valta, Australia
Grant Pledger, South Africa
Mark Pledger, South Africa

Corporate Governance Statement

Rapala's Corporate Governance is based on Finnish Companies Act, other regulations concerning publicly listed companies, Rapala's articles of association and the rules and instructions concerning listed companies of the NASDAQ OMX Helsinki. Rapala adheres to the Finnish Corporate Governance Code which is publicly available e.g. on the website of the Securities Market Association at www.cgfinland.fi. The full version of Rapala's Corporate Governance document, as well as this Corporate Governance Statement, is available at the website www.rapala.com. This Corporate Governance Statement is presented separately from the Review of the Board of Directors (Board), which can be found on pages 30–32.

General Meeting

The General Meeting is the highest decision-making body of a limited company where the shareholders participate in the supervision and management of the company. The Annual General Meeting (AGM) decides on the matters stipulated in the Companies Act and Rapala's Articles of Association.

The Group President, the Chairman of the Board and a sufficient number of Directors shall attend the General Meeting. A person nominated for the first time to be elected as a member of the Board shall participate in the General Meeting where the election takes place unless there are well founded reasons for the absence.

The AGM of the Company is held once a year. According to the Articles of Association, the AGM shall be held before the end of June. An extraordinary General Meeting is to be convened when necessary. The shareholders exercise their rights of vote and action at the General Meeting. Each share is entitled to one vote in the AGM.

Under the Articles of Association the shareholders of the Company are invited to the General Meeting by publishing the invitation and the agenda in a widely circulated daily paper and on the Company website as decided by the Board. The invitation to the Annual General Meeting shall state the matters to be handled at the General Meeting. The minutes of the AGM are published on Rapala's website at www.rapala.com.

More information on the AGM is found in section "Shareholder Information" and on Rapala's website.

Board of Directors

The members of the Board are elected by the AGM. The term of a member of the Board lasts until the next AGM. The Board elects the Chairman to serve until the next AGM.

The duties and responsibilities of the Board are principally based on the Finnish Companies Act and the Company's Articles of Association. All significant issues concerning the Company are decided by the Board. These include, but are not limited to, appointing and removing the CEO, approving strategic guidelines, financial statements, interim reports, business plans, annual budgets, stock exchange releases and considerable investments or divestments.

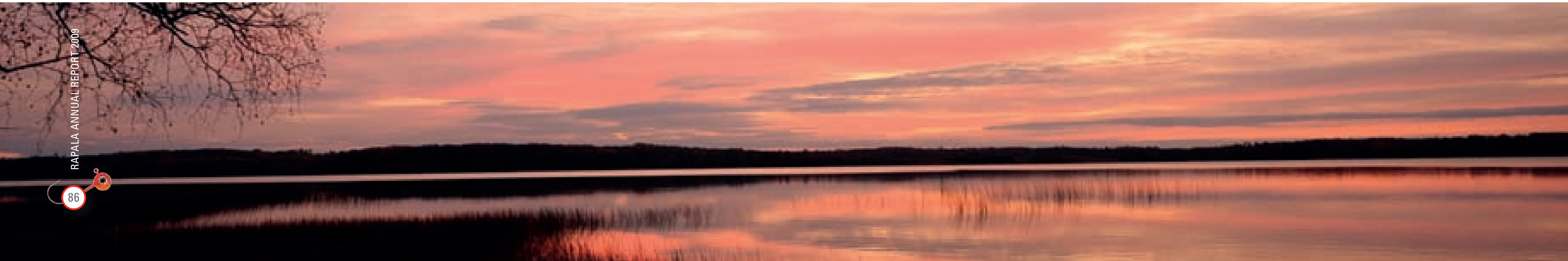
The Articles of Association provide that the Board consists of no fewer than five and no more than ten members. A person elected as a member of the Board shall have the qualifications required to perform the Directors' duties and the possibility to devote sufficient time to the work. The current Board comprises seven members: the Group President & CEO, the Head of Rapala's Chinese Manufacturing Operations and Hong Kong Office, and five non-executive members: Mr. Emmanuel Viellard, Mr. Eero Makkonen, Mr. Jan-Henrik Schauman, Mr. Marc Speeckaert and Mr. Christophe Viellard. In addition, all members of the Board, other than Mr. Emmanuel Viellard, Mr. Christophe Viellard and Marc Speeckaert, are independent of significant shareholders of the Company. Rapala does not follow the Corporate Governance recommendation for the independency of Board members to the extent that the Group President & CEO as well as Head of Group Chinese Manufacturing Operations and Hong Kong Office are members of the Board in addition to their executive positions. Their membership in the Board is based on their significant shareholding in the Company as well as a broad know-how and long-term experience in fishing tackle industry. The Board does not have deputy members.

During the financial year 2009, the Board met 14 times. The average attendance rate at these meetings was 93.9%.

More information on Board members can be found on page 84.

Board Committees in 2009

In 2009, the Board had only one Board committee, the Remuneration Committee. The Remuneration Committee operates under its charter and its main responsibility is to prepare the decisions of the Board relating to the remuneration of key employees of the Group. The Committee's other tasks include reviewing and making recommendations with respect to the terms of employment of the CEO and reviewing the remuneration



packages of the Executive Committee members and some other senior managers.

The Remuneration Committee is chaired by the Chairman of the Board, Emmanuel Viellard. Its members are drawn from the Company's non-executive and independent Directors and currently consist of Eero Makkonen and Jan-Henrik Schauman. Committee members' appointments run concurrently with a Director's term as a member of the Board. In 2009, the Committee met two times. The attendance rate at these meetings was 100%.

Since the Company does not have a separate Audit Committee, the entire Board is responsible for the tasks of an Audit Committee. These include the control of the financial reporting, external accounting, internal control and risk management issues. Of the seven Board members, at least three have the necessary financial expertise to assume these duties. The Board is regularly in contact with the auditors of the Company.

The Board has not appointed a Nomination Committee due to the size of the Group and the significant shareholding represented by the current members of the Board. Nomination issues are managed by the Board.

President and CEO

The CEO is appointed by the Board. Since 1998, Mr. Jorma Kasslin has acted as the CEO and as a member of the Board.

The CEO also acts as the Group's President. The duties and responsibilities of the President are set forth in the Finnish Companies Act. The President & CEO is responsible for the day-to-day management of the Group in accordance with the instructions and rules given by the Board. Unless separately authorized by the Board, the CEO shall not take actions, which may be considered unusual or far-reaching in view of the scope and nature of the Company's business. The CEO is entitled to represent the Company in any matter within his/her authority. The CEO chairs the Executive Committee. The CEO's service terms and conditions have been specified in writing in a service agreement approved by the Board.

Executive Committee

The Executive Committee assists the CEO in planning and managing the operations of the Group. The members of the Executive Committee report to the CEO. The Executive Committee convenes under the leadership of the CEO and is composed of different Executive Committee members depending on the matters at hand.

More information on Executive Committee members can be found on page 85.

Business Organization and Responsibilities

The Group comprises the parent company and the manufacturing and distribution subsidiaries. The head offices of the Group are located in Helsinki and Brussels. The share of the Company is quoted on the NASDAQ OMX Helsinki.

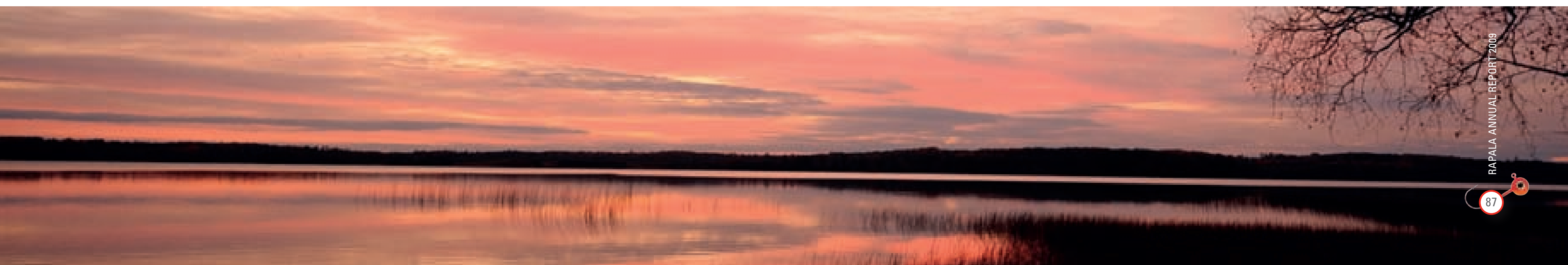
Responsibility for the management of these subsidiaries rests with each company's Board, which typically comprises, the Group President, the Group Chief Financial Officer, the Company Counsel and the subsidiary's President. In addition, the Group companies have their own management teams. The Group's business organization consists of three operating segments: Group Fishing Products, Other Group Products and Third Party Products.

Remuneration

In 2009, the annual fee to the Chairman of the Board was EUR 60 000 and the fee to other Board members was EUR 30 000. The members of the Remuneration Committee do not receive further compensation. Members of the Board are paid a daily travel allowance and reimbursed for travel expenses corresponding to the Company's traveling compensation principles.

The monthly salary of the CEO is EUR 23 542. The CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus accrued for 2009 totaled EUR 109 400. In addition to the mandatory pension insurance, the CEO has the right to receive further compensation of EUR 8 400 annually to be placed in a voluntary pension scheme or a similar arrangement. The retirement age and pension of CEO are determined in accordance with the legislation in force. The Company shall give notice at any time or using 24 months notice period and the CEO shall give notice 3 or 6 months prior to terminating the service contract. The term of notice is dependent on the cause for termination of employment. If the service agreement is terminated by the Company without a cause, the CEO is entitled to severance compensation corresponding to 24 months' salary (excluding profit bonuses).

The CEO and senior management of the Group participate in the Group's senior management bonus scheme. Every year, a profit bonus scheme is established for the following year. The amount and payment of the bonus requires that EBITDA and cash flow targets set by the Board are achieved. If the targets are not achieved, payment of bonus is fully at the discretion of the Board. Bonuses awarded under the scheme are paid in two installments, the first when the audited results for the



relevant financial year are known and the second after a predetermined vesting period of few months, to encourage retention of senior management.

For compensation of the Board, the CEO and the Executive Committee, see note 28 in the consolidated financial statements. Shareholdings and options of the Board, the CEO and the Executive Committee are given on pages 84–85.

Risk Management, Internal Control and Internal Audit

The objective of Rapala's risk management is to support the implementation of the Group's strategy and execution of business targets. This is done by monitoring and mitigating the related threats and risks while simultaneously identifying and managing opportunities. The Board evaluates the Group's financial, operational and strategic risk position on a regular basis and establishes related policies and instructions to be implemented and coordinated by Group management. The Board monitors the business activities of the Company and is responsible for ensuring that accounting, reporting and asset management are organized appropriately.

The CEO and Group Risk Management continuously monitor changes in business environment and coordinate the management of the Group's strategic, operational and financial risks. Group Risk Management consists of Group CFO, Group Treasurer and Group Risk Manager and convenes on a regular basis. The daily risk management activity is primarily allocated to the management of the business units, who are responsible for managing the local strategic, operational and financial risks.

All Group companies report their financial performance and position at least once a month to the Group Finance, which prepares management analyses and reports for the Board and the Executive Committee. Business performance and internal control issues are reviewed also in global and regional management meetings a few times each year. In addition, Group Finance performs business unit reviews and visits during the year.

The Group does not have a separate Internal Audit organization due to the size of the Group's operations. The Group Finance, lead by the CFO, is responsible for regular reviews of financial performance and internal control procedures at Group companies and reporting significant findings to the CEO and the Board. From time to time, management conducts or buys external services, if needed, to conduct specific and limited internal audits. In 2009, one such internal audit was performed. The absence of an in-house internal audit organization is also taken into account in the external audit.

The President and Controller of each subsidiary meet annually with the local auditor to discuss internal control and statutory compliance issues. The auditors of each subsidiary provide an audit opinion to the auditors of the Company at the conclusion of each annual audit. Each annual audit may also give rise to the preparation of a management letter to the Company outlining their audit findings in greater detail and recommending any improvements in internal controls. In addition, the auditors of the Company meet regularly the Group Management representatives of the Company to discuss and review the business and related financial, accounting, internal control and risk management issues.

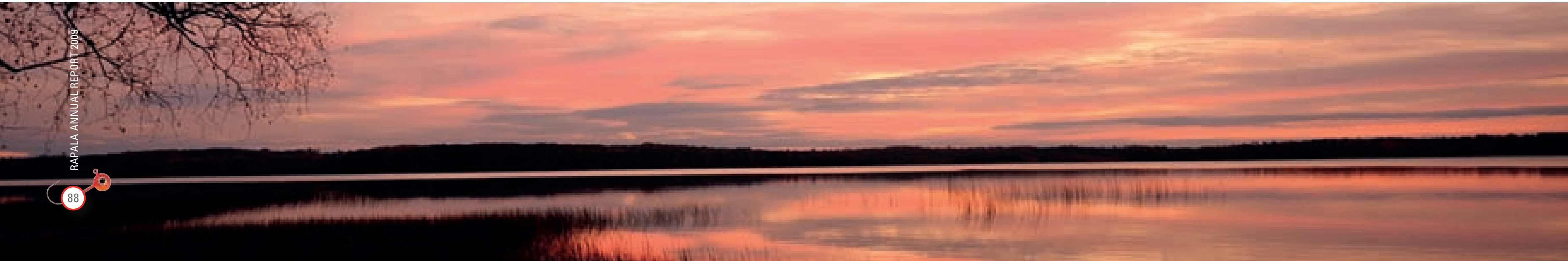
Insider Administration

The Group's guidelines on insider administration follow the Guidelines for Insiders issued by the NASDAQ OMX Helsinki. Under the Group's guidelines on insider administration, both permanent and project specific insiders are subject to trading restrictions regarding the Company's securities. The permanent insiders as well as persons under their custody and the corporations controlled by them are prohibited from trading with the securities three weeks prior to the publication of an annual or quarterly report of the Company. The project specific insiders are prohibited from trading with the securities during their project participation. The Company arranges internal communication, training and supervision of insider issues.

Information on persons included in the public insider register can be found on the Company's website.

Audit

Ernst & Young is responsible for the audit of the majority of Group companies globally. The auditors of the parent company, Ernst & Young Oy, are responsible for instructing and coordinating the audit in all Group companies. The auditor in charge is Mikko Järventausta, CPA. The fact that the Group has no separate internal audit organization of its own is reflected in the scope and content of the audit.



Shareholder Information

Annual General Meeting

The Annual General Meeting (AGM) of Rapala VMC Corporation will be held at noon (12.00) on April 14, 2010 at Rapala Office, Arabiankatu 12, Helsinki, Finland.

Each shareholder who is registered in the Company's shareholder register maintained by Euroclear Finland Oy on March 31, 2010 has the right to participate in the AGM. A holder of nominee-registered shares who wishes to attend the AGM should give notice for temporary entry into the company's shareholders' register for participation in the general meeting at the latest on the date of registration for the AGM on April 9 at 10.00 AM (Finnish time). A holder of nominee-registered shares is advised to request necessary instructions regarding the registration in the shareholders' register of the Company, the issuing of proxy documents and registration for the general meeting from his/her custodian bank.

Shareholders who wish to attend the AGM must notify the Company no later than April 9, 2010 at 4 p.m. (Finnish time). Instructions for submitting notice of attendance, as well as additional information on the AGM, are available at www.rapala.com.

Financial Reporting Schedule in 2010

In 2010, Rapala will publish financial information as follows:

1st Quarter 2010	Interim Report on April 27, 2010
2nd Quarter 2010	Interim Report on July 22, 2010
3rd Quarter 2010	Interim Report on October 21, 2010

Contacts

Should you require more information about Rapala, please do not hesitate to contact one of the following persons:

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Company Counsel and Investor Relations
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Fax: +32 2 6260 439
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Analysts Covering Rapala

These analysts follow Rapala and prepare investment analysis on it. These persons cover Rapala on their own initiative.

Evli Bank	Mika Karppinen
Nordea Bank	Rauli Juva
SEB Enskilda	Jutta Rahikainen
Swedbank	Tomi Tiilola
Ålandsbanken	Martin Sundman

Annual Summary 2009

On January 29, 2010 Rapala published the following annual summary of stock exchange releases and announcements published in 2009.

December 16
Rapala Acquires Ultrabite Pheromone Technology Brand

October 23
Interim Report Q3

October 23
Financial Reporting in 2010

October 23
Rapala Continues to Buy Back Own Shares

July 24
Interim Report Q2

July 24
Rapala Continues to Buy Back Own Shares

April 28
Interim Report Q1

April 7
Decisions of Annual General Meeting

March 16
Annual Report 2008

March 13
Performance Share Plan for Key Personnel

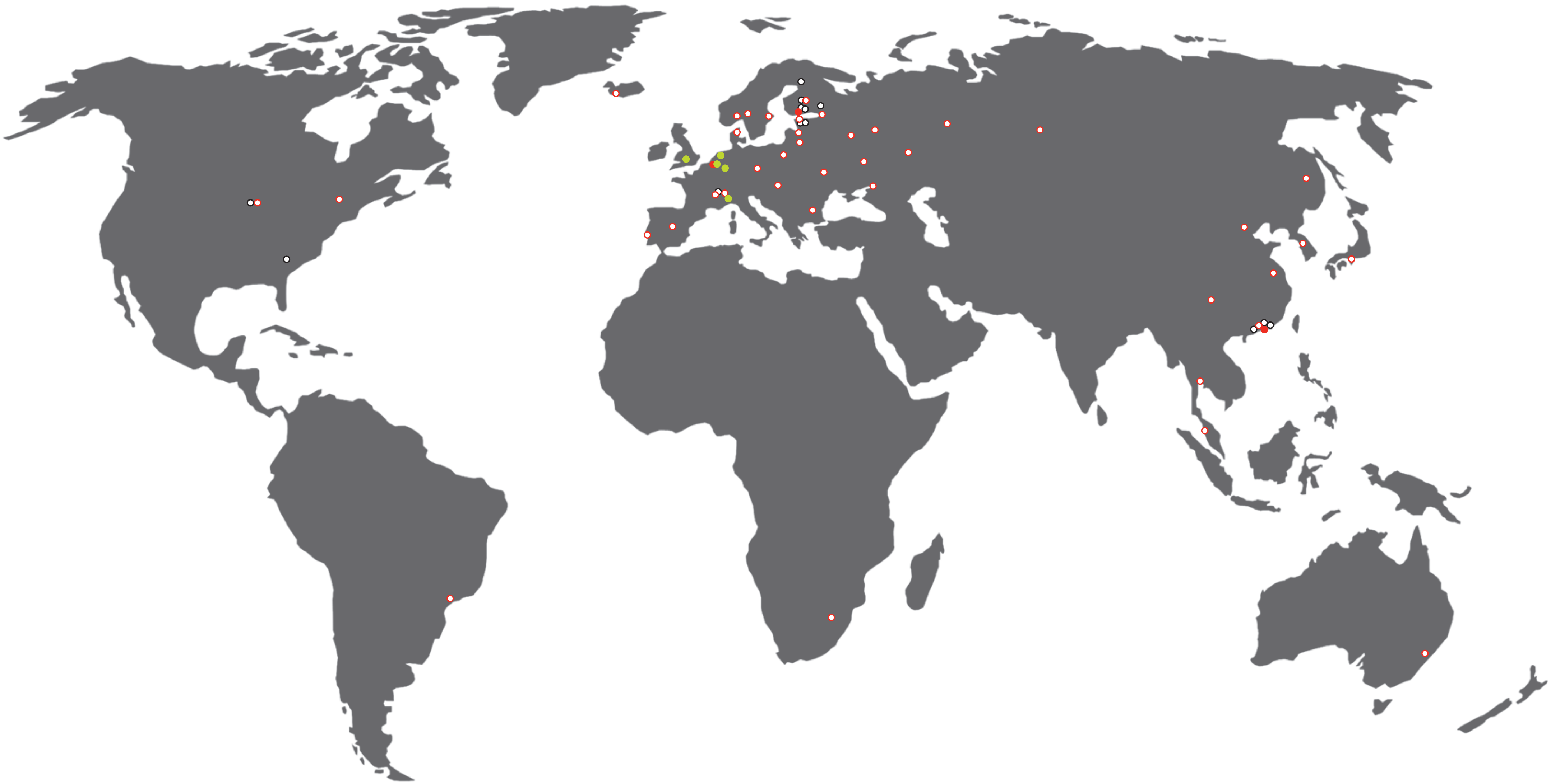
March 13
Notice to Convene the Annual General Meeting

February 6
Annual Accounts 2008

February 6
Rapala Continues to Buy Back Own Shares

Full press and stock exchange releases are available at www.rapala.com. Rapala announced on February 6, 2009 and on July 24, 2009 as well as on October 23, 2009 that it continues to acquire its own shares. The Company has authorized a brokerage company to communicate these acquisitions. Releases related to these share buy-backs are available at www.rapala.com.

Locations of Business Operations




Group manufacturing and sourcing units
Group administration units
Group distribution units
Shimano distribution units

Examples of Rapala Product Range

Group Fishing Products – Lures

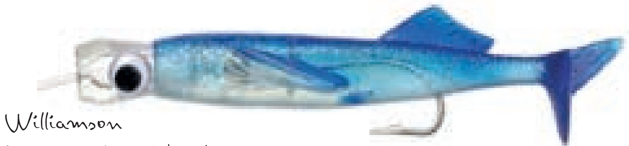

Rapala Flat Rap


Rapala Trolls-To-Minnow


Storm Live Kickin' Shad


Storm ThunderBeast


Williamson Live Goggle Eye


Williamson
Live Ballyhoo Hybrid


Luhr-Jensen
Shoehorn Spoon


Luhr-Jensen
Kwikfish


Trigger X
Rejuvenator Spray

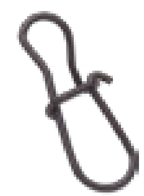

Luhr-Jensen
Flash Fly

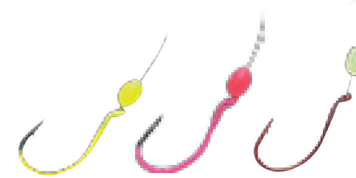

Trigger X
Creature
Bait

Group Fishing Products – Hooks


VMC Bass Series


VMC Treble Hooks Series


VMC Duo
Lock Snap


VMC Live Bait Series

Group Fishing Products – Lines

Sufix Performance Fuse

Sufix Performance Stretch Braid

Sufix Tru-Braid

Sufix Performance Braid

Sufix Duraflex

Sufix Castable 100% Fluoro-carbon

Rapala Long Cast Line and Fluorocarbon Line

Group Fishing Products – Accessories

Rapala Flotation Long Shallow's Vest

Rapala Folding Fishing Knife

Rapala VisionGear Titanium Collection

Rapala Deluxe Neoprene Waders

Rapala Hip Pack

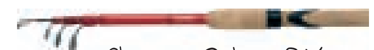
Third Party Products – Fishing

Humminbird 955

Shimano Solstace 400

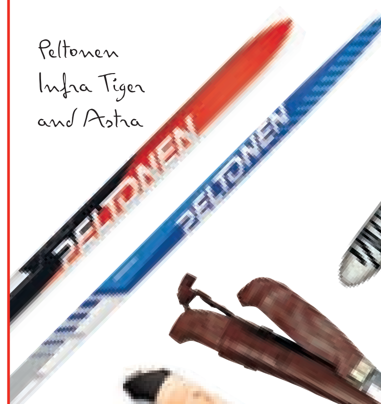
Cannon Magellan 20DT

Minnkota Maxxum 55



Shimano Catana BX

Other Group Products



Peltonen Infra Tiger and Astra

Kooky pen

Marttiini Hunting knives

Third Party Products – Hunting, Winter Sports and Outdoor

Bushnell Backtrack

Alpina TCS Skating

Tasco 10x25

Remington 770 Camo

Escort Waterflow Combo

Rapala VMC Corporation is a public company
listed on the NASDAQ OMX Helsinki.

www.rapala.com