RAPALA VMC

CORP.

FINANCIAL STATEMENTS 2016

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REPORT OF THE BOARD OF DIRECTORS

MARKET ENVIRONMENT

Sales were behind last year as trading conditions were challenging throughout the year, especially in big markets the US, Russia and France. In the Group's biggest market, the US, slow start of the year impacted the whole year. The struggling market situation in Russia continued to strongly affect the sales, but in the fourth quarter the sales strengthened in Russia and more stable Ruble slightly improved the market situation. The sales in France were also down, burdened by tightened competition and reserved market sentiment. Several markets witnessed changes and uncertainties, causing retailers to be careful with their purchasing.

Favorable late summer and early fall weathers were good for the summer fishing tackle sales, but not enough to offset the slower sales in early summer. Group's sales of winter fishing and winter sports equipment were negatively impacted by unfavorable winter weathers.

KEY FIGURES

EUR MILLION	2016	2015	2014
Net sales	**260.6**	278.2	273.2
Operating profit before depreciation and impairments EBITDA	**14.1**	28.1	30.0
Operating profit	**7.2**	21.0	22.9
as a percentage of net sales, %	**2.8**	7.6	8.4
Comparable operating profit	**18.8**	25.3	20.9
as a percentage of net sales, %	**7.2**	9.1	7.6
Profit before taxes	**2.2**	14.2	15.7
Net profit (loss) for the period	**-2.0**	8.1	10.2
Earnings per share	**-0.08**	0.17	0.24
Employee benefit expenses	**67.6**	68.4	65.6
Average number of personnel, persons	**2 829**	3 078	2 716
Research and development expenses	**2.5**	2.1	2.0
as a percentage of net sales, %	**0.9**	0.8	0.7
Net cash generated from operating activities	**26.7**	15.6	21.7
Total net cash used in investing activities	**-6.0**	-8.6	-8.1
Net interest-bearing debt at the end of the period	**96.1**	108.2	99.9
Equity-to-assets ratio at the end of the period, %	**43.1**	44.7	44.1
Debt-to-equity ratio (gearing) at the end of the period, %	**70.6**	77.3	73.2
Return on equity, %	**-1.5**	5.9	7.5

BUSINESS REVIEW

The Group's net sales were down 6% from last year. Changes in translation exchange rates decreased sales by approximately EUR 3.3 million. Correspondingly in local currency terms net sales were down 5% from last year.

North America

The sales in North America were below last year's levels throughout the year. The US retail scene was under some turmoil which impacted the sales. The second half sales in the US were above last year's level, supported by strong sales of group branded lures. The retailers' purchases started to reflect better the consumer demand after retailers' destocking earlier in the year. Late beginning of winter combined with carryover of winter fishing stock at retail level from last year's short winter slowed down the winter fishing tackle sales. In Canada, economic situation and trading conditions were weak throughout the year, burdening the region's sales.

Nordic

In the Nordic countries the full year sales were slightly below last year, but growing towards the end of the year. Excluding impacts of valuation of currency nominated accounts receivables, Nordic sales were slightly above last year's level. Sales were supported by stronger hunting sales, especially in Sweden and Denmark. In Norway sales improved from last year supported by better weather conditions. The winter fishing sales in the region also improved slightly from last year's low levels. Export sales from the Group's manufacturing units to non-Group distribution channels were down compared to last year.

Rest of Europe

The sales were below last year's level, following slowdown in sales especially in big markets Russia and France. Currency exchange rate changes, especially Russian Ruble, had a negative impact on the regions sales. During the fourth quarter the Ruble started to strengthen. The instability and uncertainties in Russia and Ukraine impacted sales volumes in the respective countries, but the market sentiment slightly improved towards the end of the year in Russia. In France the poor summer weathers affected the summer fishing tackle sales and tightened price competition and overall reserved market sentiment continued to burden the sales. In Poland the strong sales for the second half of the year were boosted by closeout sales of a third party category, while in Spain and Baltics sales were supported by increasing third party hunting sales.

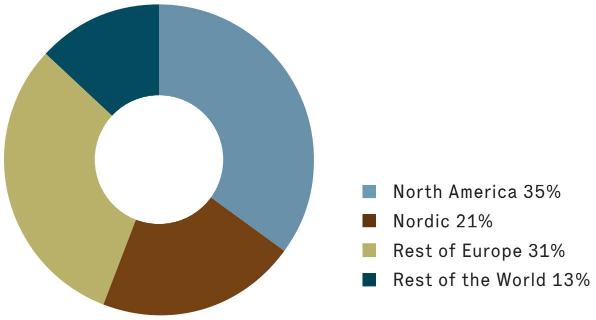
Rest of the World

The region's sales were behind last year throughout the year. Currency exchange rate changes, especially South African Rand, had a negative impact on the regions sales. The sales were burdened by struggling Asian markets, especially in Southeast Asia where the Group's distribution organization is being restructured. After a strong start of the year the sales slowed down on the fourth quarter in South Africa. The sales in China, South Korea, Chile and Mexico were stronger than last year. The region's sales were supported by new group distribution operation handling markets in Middle East and North Africa. Export sales from the Group's manufacturing units to non-Group distribution channels and sales in Australia were down compared to last year. Valuation of currency nominated accounts receivables had a positive impact on last year's sales.

EXTERNAL NET SALES BY AREA

EUR MILLION	2016	2015	CHANGE %	COMPARABLE CHANGE %
North America	**91.3**	99.2	-8%	-8%
Nordic	**55.3**	56.2	-2%	-1%
Rest of Europe	**81.3**	86.9	-6%	-4%
Rest of the World	**32.7**	35.9	-9%	-6%
TOTAL	**260.6**	**278.2**	**-6%**	**-5%**

NET SALES BY UNIT LOCATION



FINANCIAL RESULTS AND PROFITABILITY

Comparable (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) and reported operating profit decreased from last year. With comparable translation exchange rates, comparable operating profit was EUR 6.4 million behind last year's level.

Comparable operating profit margin was 7.2% (9.1). The decline in the profitability was directly driven by the lower sales, especially of higher margin Group Branded Products. Lower sales volumes impacted profitability negatively both at distribution and manufacturing level. Profit was also burdened by lower result of joint venture in the UK that was sold in September 2016. The Group did realize cost savings during the year but fixed costs' decrease did not offset the reduced gross profit caused by lower sales.

Respectively reported operating profit margin was 2.8% (7.6). Reported operating profit included loss of mark-to-market valuation of operative currency derivatives of EUR 1.6 million (2.1). Net expenses of other items affecting comparability included in the reported operating profit were EUR 10.0 million (2.3) of which EUR 9.2 million relates to redefined inventory valuations recognized in conjunction with the Group's strategy update initiated during the fourth quarter. Items affecting comparability also include costs related to restructurings in Southeast Asia distribution and France, as well as in various other units.

Total financial (net) expenses were EUR 5.0 million (6.8) for the year. Net interest and other financing expenses were slightly above last year's level at EUR 3.7 million (3.5). Compared to last year financial items were impacted less by (net) foreign exchange expenses of EUR 1.3 million (3.3).

Driven by items affecting comparability, net profit and earnings per share fell below zero and under last year's level. Excluding inventory allowance, net of tax impact, the net profit would have been about EUR 5.7 million and earnings per share about 0.12 EUR. Income taxes were impacted by loss making units and included a positive EUR 0.7 million tax adjustment on income taxes related to past years. The share of non-controlling interest in net profit decreased from last year and totaled EUR 1.0 million (1.4).

BRIDGE CALCULATION OF COMPARABLE OPERATING PROFIT

EUR MILLION	**2016**	2015	CHANGE %
Operating profit	**7.2**	21.0	-66%
Items affecting comparability			
Mark-to-market valuations of operative currency derivatives	**1.6**	2.1	-24%
Other items affecting comparability			
Restructurings			
France restructuring	**0.7**		
Southeast Asian distribution restructuring	**0.2**		
Closure of Chinese lure manufacturing		1.7	
Closing down of Norwegian warehousing operations		0.5	
Other restructurings	**0.2**		
Impairments		0.1	
Insurance compensations	**-0.6**		
Redefined provision on inventory value	**9.2**		
Other items	**0.3**		
COMPARABLE OPERATING PROFIT	**18.8**	**25.3**	**-26%**

SEGMENT REVIEW

Group Products

Group Fishing Products sales were down from last year's levels, negatively impacted by lower sales of fishing lures, lines and accessories especially in North America. Challenges in Rest of Europe market drove reduction of the Group's hook sales, while in North America VMC hook sales were growing. Group Fishing Products second half year sales were supported by better sales of fishing lures in the US, but burdened by lower sales of winter fishing tackle.

The sales of Other Group Products were at last year's level. Compared to last year both Group Products and Third Party Products sales were also negatively impacted by valuation of currency nominated accounts receivable, which supported the sales last year.

Comparable operating profit for Group Fishing Products declined compared to last year. Comparable operating profit was burdened by lower sales, which reduced profitability both at distribution and manufacturing level. Fixed costs were below last year levels driven by cost saving measures, but not sufficient to offset the reduced gross profit. Comparable operating profit in Other Group Products was above last year.

Third Party Products

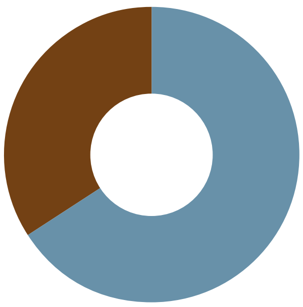
The sales of Third Party Products were below last year's level, burdened by lower sales of Third Party Fishing Products. The challenging trading conditions in Russia continued to reduce the Third Party Fishing products sales in the region. Also the difficult market situation in France affected negatively the Third Party Fishing Products sales. Third Party Hunting sales were up from last year in Nordic and new hunting markets in Europe and Rest of the World. Currency fluctuations had negative impact on sales in Russia and South Africa.

Comparable operating profit for Third Party Products was behind last year's level burdened by lower sales and aggressive sales campaigns' negative impact on margins, but supported by price increases issued to offset the unfavorable development in purchase currencies last year.

NET SALES BY OPERATING SEGMENT

EUR MILLION	2016	2015	CHANGE %	COMPARABLE CHANGE %
Group Products	**172.1**	184.7	-7%	-6%
Third Party Products	**88.5**	93.5	-5%	-3%
Eliminations		0.0		
TOTAL	**260.6**	**278.2**	**-6%**	**-5%**

NET SALES BY OPERATING SEGMENTS



COMPARABLE OPERATING PROFIT BY OPERATING SEGMENT

EUR MILLION	2016	2015	CHANGE %
Group Products	**17.4**	22.2	-22%
Third Party Products	**1.4**	3.2	-55%
TOTAL COMPARABLE OPERATING PROFIT	**18.8**	**25.3**	**-26%**
Items affecting comparability	**-11.6**	**-4.3**	**-168%**
TOTAL OPERATING PROFIT	**7.2**	**21.0**	**-66%**

FINANCIAL POSITION

Following the Group's intense focus on cash flow and inventories, cash flow from operating activities reached all time annual record of EUR 26.7 million (15.6) despite challenging trading conditions and lower sales. Change in working capital amounted to EUR 10.5 million (-3.3).

Inventories were in the end of December EUR 102.2 million (116.2) decreasing by EUR 14.0 million from last year, of which EUR 9.5 million (9.2 million with average FX rates) results from non-cash allowances relating to redefined inventory valuation. On comparable basis, the Group's inventories decreased by EUR 8.1 million from last December despite slowdown in sales. Change in translation exchange rates increased inventory value by EUR 3.7 million.

Net cash used in investing activities was below last year's level and totaled EUR 6.0 million (8.6). Operative capital expenditure was lower compared to last year. Operative capital expenditure was EUR 8.4 million (9.1). Investments in manufacturing operations in Indonesia and extension of the hook factory and warehouse building in France were finalized already in the first half of the year. Net investing activities included EUR 1.0 million (1.1) annual installment received related to the 2011 disposal of the gift business and sale of UK joint venture shares of EUR 1.2 million in 2016. Last year's investing activities included the last installment of the acquisition of the Sufix brand of EUR 0.9 million.
Liquidity position of the Group was good. Undrawn committed long-term credit facilities amounted to EUR 59.9 million at the end of the period. Driven by strong cash flow, gearing and net interest-bearing debt decreased from last year and equity-to-assets was slightly below last year's level. Following the higher ratio between net interest bearing debt and reported EBITDA, the Group has during the year agreed with its lenders on higher covenant levels covering also the last quarter of 2016. The Group expects to fulfill the requirements of the lenders also at the end of the first quarter of 2017.

KEY FIGURES

EUR MILLION	2016	2015	CHANGE %
Net cash generated from operating activities	**26.7**	15.6	71%
Net interest-bearing debt at the end of the period	**96.1**	108.2	-11%
Debt-to-equity ratio (gearing) at the end of the period, %	**70.6**	77.3	
Equity-to-assets ratio at the end of the period, %	**43.1**	44.7	

STRATEGY IMPLEMENTATION

After the changes in the Group's management in the third quarter of 2016, the Group initiated during the fourth quarter a process to update its future strategies. Following the conclusions of the strategy update, in order to build solid financial and operational platform for long term growth, the Group's primary focus in coming three years will be on capturing organic growth opportunities in fishing tackle business. The Group will also take determined actions to improve its profitability, lighten balance sheet and improve operational performance. In longer term the target is to return to more aggressive growth track and actively seek synergistic growth opportunities also outside the fishing tackle business.

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

In 2016 the Group's key priorities included improving the performance and capturing the benefits of the lure factory in Batam, Indonesia, improving operational efficiencies of manufacturing operations and developing global supply chain management. New global product launch initiatives, Asian distribution restructuring as well as improving the cost efficiency were also high on the management agenda. These topics will continue to be on the Group's focus and be further accelerated together with various new strategic initiatives.

PRODUCT DEVELOPMENT

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

The Group is reorganizing and boosting its lure product development procedure by centralizing the product development know-how and key resources to one location in Vääksy, Finland. The R&D center will serve both the European and Asian lure manufacturing units. This will also increase the agility of the product development procedures.

The most important product launch in 2016 was the introduction of the new Rapala Shadow Rap Shad lure launched in early spring.

Other notable releases were new series of Rapala fisherman's tools and accessories, which received Best New Product Awards in the European trade show EFTTEX and the Australian trade show AFTA.

Introductions of new Storm hero lures were prepared during the second half of the year, and the Storm 360GT soft plastic lure was launched globally to the markets in January 2017, supported with coordinated global marketing campaigns.

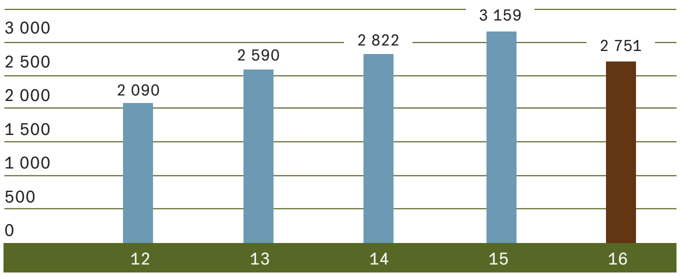
ORGANIZATION AND PERSONNEL

Average number of personnel was 2 829 (3 078). At the end of December, the number of personnel was 2 751 (3 159), decrease coming from optimizing the capacity and streamlining the lure manufacturing operations in Asia as well as restructuring in South East Asia, France and various other units.

The Group made the following appointments and changes in the Group's Board and Executive Committee effective September 1, 2016: Jorma Kasslin was appointed as Executive Chairman of the Board. Jussi Ristimäki was appointed as President and Chief Executive Officer. Cyrille Viellard was appointed to be in charge of Group's distribution in Europe (excluding Russia) and Latin America. Lars Ollberg was appointed, in addition to his current role as Head of Accessory and Outdoor Business and Distribution in Asia, Pacific and Middle East, to be responsible for global coordination of Group's innovations as well as distribution in South Africa. Stanislas de Castelnau was appointed as Head of Manufacturing Operations and Global Supply Chain Development. He also maintained the role as Head of Hook and Carp business unit.

Juhani Pehkonen left the Executive Committee on December 31, 2016. Arto Nygren was appointed as Executive Vice President, Lure Manufacturing and member of the Executive Committee as of January 1, 2017.

PERSONNEL AT THE END OF THE PERIOD



ENVIRONMENTAL AND CORPORATE RESPONSIBILITY

The Group's operations are continuously developed into an even more sustainable direction to promote clean environment. Products, manufacturing processes and operating methods are developed to reduce the environmental impact throughout the products' lifecycle. The Group seeks to replace current raw materials with more environmentally friendly substances – yet maintaining the products' desirability. The Group develops the reporting and follow-up on environmental matters.

The Group has recently developed corporate compliance and responsibility matters, and a global Code of Conduct was introduced and implemented in 2015.

Environmental, economical and social responsibility issues are described in more detail in the Corporate Responsibility section of the corporate website (www.rapalavmc.com).

RISK MANAGEMENT

The objective of the Group's risk management is to support the implementation of the Group's strategy and execution of business targets. 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 the Group management. The Group has focused on developing new internal control procedures that were implemented in 2015. The principles of the Group's risk management are described in detail in the section Risk Management included in the consolidated financial statements.

GOVERNANCE AND SHARE INFORMATION

The Board updated and approved the Corporate Governance Statement that is available on corporate website.

For information on shares, shareholders and Board's authorizations, see the section Shares and Shareholders. Related party transactions and top management remuneration are disclosed in the note 28.

SHORT-TERM OUTLOOK

In 2016 the Group's sales decreased in many big markets and the outlook for 2017 is still somewhat cautious. In many countries changes in political regimes are causing uncertainties on the future development of the economic activity.

In North America sales picked up during latter part of 2016 and this development is expected to continue. New product introductions, including the new Storm 360GT soft bait manufactured in the Batam factory, are expected to support the sales. In Russia the market continues to be challenging, although the strengthening of Ruble has slightly improved the sentiment. In Central Europe the markets continue to be competitive. Sales in Rest of the World markets are expected to improve.

Following the updated strategy, the Group will launch various initiatives to boost the organic growth and improve the cost and capital efficiency as well as operational performance in the future. These initiatives will trigger some additional expenses and investments in 2017.

The Group expects 2017 full year net sales to be above last year's level and comparable operating profit (excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability) to be in the same range as in 2016.

The operations of the Batam manufacturing unit have stabilized and are expected to further support Group's profitability.

PROPOSAL FOR PROFIT DISTRIBUTION

Taking into consideration the Group's reduced net result (impacted by the non-cash inventory allowance) and strong cash flow the Board of Directors proposes to the Annual General Meeting that a dividend of 0.10 EUR for 2016 (0.15 EUR) per share is distributed from the Group's distributable equity and remaining distributable funds are carried forward to retained earnings. It is proposed that the dividend is distributed in two equal installments. At December 31, 2016 the distributable equity totaled to EUR 25.1 million.

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

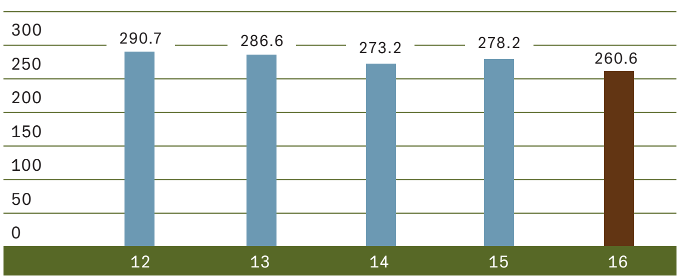
EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are disclosed in the note 31 of the consolidated financial statements.

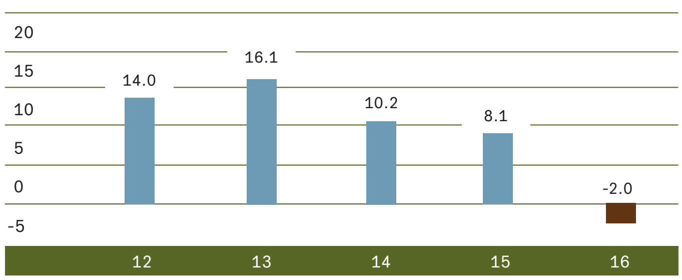
KEY FINANCIAL FIGURES

		2016	2015	2014	2013	2012
Scope of activity and profitability						
Net sales	EUR million	**260.6**	278.2	273.2	286.6	290.7
Operating profit before depreciation and impairments	EUR million	**14.1**	28.1	30.0	33.6	32.7
as a percentage of net sales	%	**5.4**	10.1	11.0	11.7	11.2
Operating profit	EUR million	**7.2**	21.0	22.9	26.1	25.9
as a percentage of net sales	%	**2.8**	7.6	8.4	9.1	8.9
Profit before taxes	EUR million	**2.2**	14.2	15.7	20.6	21.0
as a percentage of net sales	%	**0.8**	5.1	5.8	7.2	7.2
Net profit (loss) for the period	EUR million	**-2.0**	8.1	10.2	16.1	14.0
as a percentage of net sales	%	**-0.8**	2.9	3.7	5.6	4.8
Attributable to						
Equity holders of the parent company	EUR million	**-3.0**	6.7	9.2	12.5	10.1
Non-controlling interest	EUR million	**1.0**	1.4	1.0	3.6	3.8
Capital expenditure	EUR million	**8.4**	9.1	8.7	10.7	14.4
as a percentage of net sales	%	**3.2**	3.3	3.2	3.7	5.0
Research and development expenses	EUR million	**2.5**	2.1	2.0	1.6	2.0
as a percentage of net sales	%	**0.9**	0.8	0.7	0.6	0.7
Net interest-bearing debt at the end of the period	EUR million	**96.1**	108.2	99.9	96.3	89.9
Capital employed at the end of the period	EUR million	**232.2**	248.1	236.5	231.4	227.5
Return on capital employed (ROCE)	%	**3.0**	8.7	9.8	11.4	11.4
Return on equity (ROE)	%	**-1.5**	5.9	7.5	11.8	10.2
Equity-to-assets ratio at the end of the period	%	**43.1**	44.7	44.1	44.5	42.2
Debt-to-equity ratio (gearing) at the end of the period	%	**70.6**	77.3	73.2	71.2	65.3
Average personnel for the period	Persons	**2 829**	3 078	2 716	2 428	2 127
Personnel at the end of the period	Persons	**2 751**	3 159	2 822	2 590	2 090

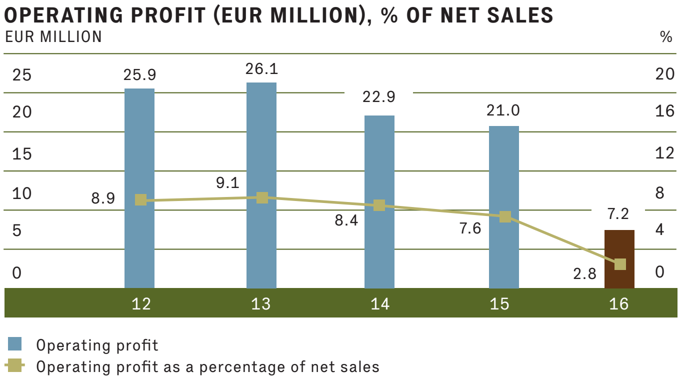
NET SALES, EUR MILLION



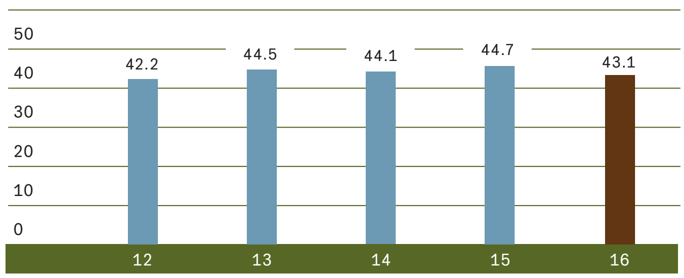
NET PROFIT (LOSS) FOR THE PERIOD, EUR MILLION



OPERATING PROFIT (EUR MILLION), % OF NET SALES



EQUITY-TO-ASSETS RATIO, %

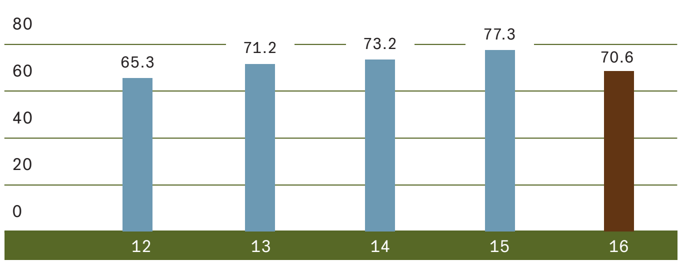


		2016	2015	2014	2013	2012
Share related key figures						
Earnings per share	EUR	**-0.08**	0.17	0.24	0.32	0.26
Fully diluted earnings per share	EUR	**-0.08**	0.17	0.24	0.32	0.26
Equity per share	EUR	**3.33**	3.43	3.34	3.19	3.32
Dividend per share [1]	EUR	**0.10**	0.15	0.20	0.24	0.23
Dividend/earnings ratio [1]	%	**-128.9**	86.3	83.3	74.3	88.5
Effective dividend yield [1]	%	**2.42**	3.16	4.25	4.62	4.74
Price/earnings ratio		**-53.2**	27.3	19.6	16.1	18.7
Share price at the end of the period	EUR	**4.13**	4.74	4.71	5.20	4.85
Lowest share price	EUR	**3.90**	4.57	4.69	4.56	4.52
Highest share price	EUR	**4.90**	5.85	6.00	5.50	6.50
Average share price	EUR	**4.30**	5.11	5.17	4.88	5.50
Number of shares traded	Shares	**2 782 154**	2 074 690	1 065 880	3 122 353	5 679 621
Number of shares traded of average number of shares	%	**7.26**	5.41	2.77	8.08	14.61
Share capital	EUR million	**3.6**	3.6	3.6	3.6	3.6
Dividend for the period [1]	EUR million	**3.8**	5.7	7.7	9.3	8.9
Year end market capitalization [2]	EUR million	**158.3**	181.8	180.8	200.5	188.0
Number of shares at the end of the period [2]	1 000 shares	**38 323**	38 360	38 393	38 561	38 767
Number of own shares at the end of period	1 000 shares	**677**	640	607	907	701
Weighted average number of shares [2]	1 000 shares	**38 329**	38 366	38 506	38 660	38 885
Fully diluted number of shares at the end of the period [2]	1 000 shares	**38 323**	38 360	38 393	38 561	38 767
Fully diluted weighted average number of shares [2]	1 000 shares	**38 329**	38 366	38 506	38 660	38 885

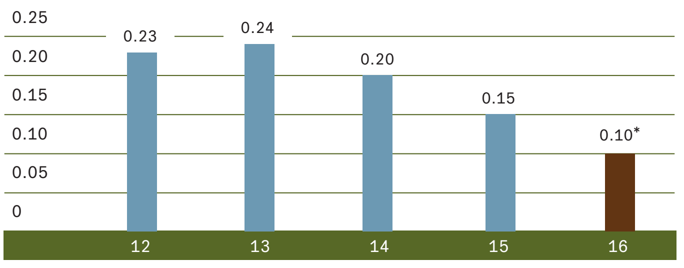
[1] Year 2016 board proposal.

[2] Excluding own shares.

DEBT-TO-EQUITY RATIO (GEARING) %

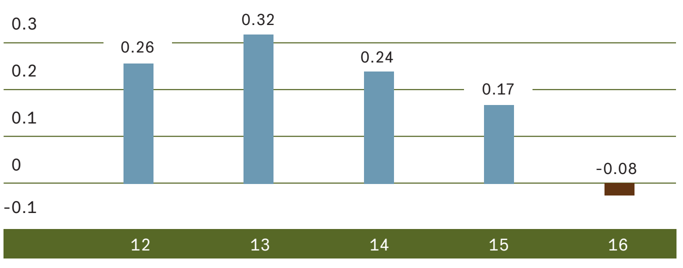


DIVIDEND PER SHARE, EUR

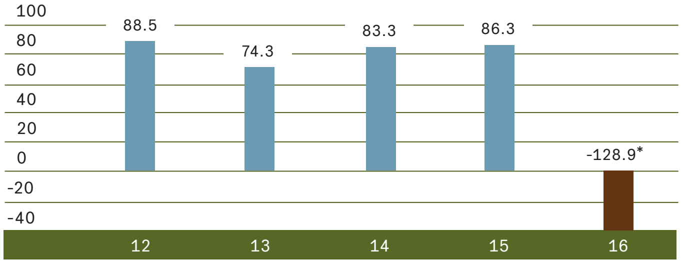


*Board proposal

EARNINGS PER SHARE, EUR



DIVIDEND/EARNINGS RATIO, %



*Board proposal

CONSOLIDATED FINANCIAL STATEMENTS, IFRS

CONSOLIDATED INCOME STATEMENT

EUR MILLION	NOTE	2016	2015
Net sales	2	**260.6**	**278.2**
Other operating income	4	**1.3**	1.0
Change in inventory of finished products and work in progress		**-13.8**	2.2
Production for own use		**0.1**	0.2
Materials and services	6	**-115.3**	-133.2
Employee benefit expenses	7	**-67.6**	-68.4
Other operating expenses	5	**-51.1**	-52.3
Share of results in associates and joint ventures	13	**-0.1**	0.4
Operating profit before depreciation, amortization and impairments		**14.1**	**28.1**
Depreciation, amortization and impairments	11, 12	**-6.9**	-7.1
Operating profit		**7.2**	**21.0**
Financial income and expenses	9	**-5.0**	-6.8
Profit before taxes		**2.2**	**14.2**
Income taxes	10	**-4.2**	-6.1
NET PROFIT (LOSS) FOR THE PERIOD		**-2.0**	**8.1**
Attributable to			
Equity holders of the parent company		**-3.0**	6.7
Non-controlling interests	14	**1.0**	1.4
Earnings per share for profit (loss) attributable to the equity holders of the parent company	30		
Earnings per share, EUR		**-0.08**	0.17
Diluted earnings per share, EUR		**-0.08**	0.17
Weighted average number of shares, 1 000 shares		**38 329**	38 366
Diluted weighted average number of shares, 1 000 shares		**38 329**	38 366

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR MILLION	2016	2015
Net profit (loss) for the period	**-2.0**	**8.1**
Other comprehensive income, net of tax [1]		
Items that will not be reclassified to income statement		
Remeasurements of defined benefit liabilities	**0.1**	0.1
Total items that will not be reclassified to income statement	**0.1**	**0.1**
Items that may be reclassified subsequently to income statement		
Change in translation differences	**4.2**	5.5
Cashflow hedges [2]	**0.5**	0.4
Net investment hedges	**0.8**	-2.9
Total items that may be reclassified susequently to income statement	**5.5**	**3.1**
Other comprehensive income for the period, net of tax	**5.6**	**3.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3.6**	**11.3**
Attributable to		
Equity holders of the parent company	**1.9**	11.0
Non-controlling interests	**1.6**	0.3

[1] The income tax relating to each of the component of the other comprehensive income is disclosed in the note 10.

[2] Specification on cash flow hedges, see note 19.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR MILLION	NOTE	2016	2015
ASSETS			
Non-current assets			
Goodwill	11	**50.8**	50.1
Other intangible assets	11	**27.4**	28.1
Tangible assets	12	**36.2**	33.9
Investments in associates and joint ventures	13	**0.0**	1.5
Available-for-sale financial assets	15	**0.3**	0.3
Interest-bearing receivables	16	**0.0**	2.8
Non-interest-bearing receivables	16	**0.3**	0.7
Deferred tax assets	10	**8.5**	9.4
Total non-current assets		**123.5**	**126.7**
Current assets			
Inventories	17	**102.2**	116.2
Trade and other non-interest-bearing receivables	16	**53.2**	55.4
Income tax receivables		**2.6**	2.7
Interest-bearing receivables	16	**0.9**	1.0
Cash and cash equivalents	18	**33.8**	11.4
Total current assets		**192.7**	**186.7**
TOTAL ASSETS		**316.1**	**313.4**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Share capital		**3.6**	3.6
Share premium fund		**16.7**	16.7
Hedging fund		**-0.2**	-0.7
Fund for invested non-restricted equity		**4.9**	4.9
Own shares		**-5.6**	-5.4
Translation differences		**1.7**	-2.6
Retained earnings		**106.4**	115.0
Equity attributable to equity holders of the parent company	19	**127.5**	**131.5**
Non-controlling interests	14	**8.6**	8.5
Total equity		**136.1**	**140.0**
Non-current liabilities			
Interest-bearing liabilities	24	**41.5**	58.6
Non-interest-bearing liabilities	25	**0.2**	1.4
Employee benefit obligations	20	**2.2**	2.3
Deferred tax liabilities	10	**9.1**	9.7
Provisions	21	**0.0**	
Total non-current liabilities		**53.1**	**72.0**
Current liabilities			
Interest-bearing liabilities	24	**89.3**	64.8
Trade and other non-interest-bearing payables	25	**36.4**	34.9
Income tax payable		**1.2**	1.7
Provisions	21	**0.0**	0.0
Total current liabilities		**126.9**	**101.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**316.1**	**313.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR MILLION	NOTE	2016	2015
Net profit for the period		**-2.0**	**8.1**
Adjustments			
Income taxes	10	**4.2**	6.1
Financial income and expenses	9	**5.0**	6.8
Reversal of non-cash items			
Depreciation and impairments	11, 12	**6.9**	7.1
Exchange rate differences	9	**1.1**	2.8
Share of results in associated companies and joint ventures	13	**0.1**	-0.4
Gains/losses on disposals of intangible, tangible assets and subsidiaries		**0.0**	0.1
Other items		**9.2**	-0.6
Total adjustments		**26.4**	**21.8**
Financial items			
Interest paid		**-3.8**	-3.5
Interest received		**0.2**	0.2
Income taxes paid		**-4.5**	-7.7
Other financial items, net		**-0.2**	-0.1
Total Financial items		**-8.2**	**-11.1**
Change in working capital			
Change in receivables		**2.7**	5.0
Change in inventories		**8.7**	-1.6
Change in liabilities		**-1.0**	-6.7
Total change in working capital		**10.5**	**-3.3**
Net cash generated from operating activities		**26.7**	**15.6**
Net cash used in investing activities			
Acquisition of intangible assets	11	**-0.4**	-0.4
Proceeds from sale of tangible assets	12	**0.2**	0.2
Acquisition of tangible assets	12	**-8.0**	-8.7
Acquisition of Sufix trademark	3		-0.9
Proceeds from disposal of Willtech Gift, net of cash	3	**1.0**	1.1
Disposal of joint venture, Shimano Normark UK	3	**1.2**	
Change in interest-bearing receivables		**0.0**	0.0
Total net cash used in investing activities		**-6.0**	**-8.6**
Net cash generated from financing activities			
Dividends paid to parent company shareholders		**-5.7**	-7.7
Purchase of own shares		**-0.2**	-0.2
Non-current loan withdrawals			0.0
Current loan withdrawals		**124.7**	121.7
Non-current loan repayments		**-5.0**	-1.7
Current loan repayments		**-114.0**	-120.0
Payment of finance lease liabilities		**0.0**	0.0
Total net cash generated from financing activities		**-0.2**	**-7.8**
Change in cash and cash equivalents		**20.5**	-0.9
Cash and cash equivalents at the beginning of the period		**11.4**	12.2
Foreign exchange rate effect		**1.9**	0.1
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	18	**33.8**	**11.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY								
EUR MILLION	SHARE CAPITAL	SHARE PREMIUM FUND	HEDGING FUND	FUND FOR INVESTED NON-RESTRICTED EQUITY	OWN SHARES	TRANSLATION DIFFERENCES	RETAINED EARNINGS	NON-CONTROLLING INTEREST	**TOTAL EQUITY**
Equity on Jan. 1, 2015	**3.6**	**16.7**	**-1.1**	**4.9**	**-5.2**	**-6.5**	**116.0**	**8.2**	**136.5**
Net profit (loss) for the period							6.7	1.4	**8.1**
Other comprehensive income *)									
Translation differences						5.9		-0.3	**5.5**
Defined benefit plans							0.1		**0.1**
Cash flow hedging			0.4						**0.4**
Net investment hedges						-2.0		-0.8	**-2.9**
Total comprehensive income			**0.4**			**3.8**	**6.7**	**0.3**	**11.3**
Purchase of own shares					-0.2				**-0.2**
Dividends paid							-7.7		**-7.7**
EQUITY ON DEC. 31, 2015	**3.6**	**16.7**	**-0.7**	**4.9**	**-5.4**	**-2.6**	**115.0**	**8.5**	**140.0**
Net profit (loss) for the period							**-3.0**	**1.0**	**-2.0**
Other comprehensive income *)									
Translation differences						**3.2**		**0.9**	**4.2**
Defined benefit plans							**0.1**		**0.1**
Cash flow hedging			**0.5**						**0.5**
Net investment hedges						**1.1**		**-0.3**	**0.8**
Total comprehensive income			**0.5**			**4.3**	**-2.9**	**1.6**	**3.6**
Purchase of own shares					**-0.2**				**-0.2**
Dividends paid							**-5.7**	**-1.5**	**-7.2**
EQUITY ON DEC. 31, 2016	**3.6**	**16.7**	**-0.2**	**4.9**	**-5.6**	**1.7**	**106.4**	**8.6**	**136.1**

*) Net of tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

COMPANY'S BACKGROUND

Rapala VMC Corporation ("company") is a Finnish public limited liability company organized under the laws of Finland, domiciled in Asikkala and listed on the Nasdaq Helsinki stock exchange since 1998. The parent company Rapala VMC Corporation and its subsidiaries ("the Group") operate in some 40 countries and the company is one of the leading fishing tackle companies in the world.

The consolidated financial statements have been prepared for the accounting period of 12 months from January 1 to December 31, 2016. The Board of Directors of the company has approved these financial statements for publication at its meeting on February 15, 2017. 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.rapalavmc.com or from Mäkelänkatu 91, 00610 Helsinki, Finland.

BASIS FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS and IFRS standards as well as the SIC and IFRIC interpretations in effect on December 31, 2016. 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.

APPLIED NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group has adopted the new and amended standards and interpretations that took effect during the financial year 2016 and are relevant to its operations. The changes did not have material impact on the Group's consolidated financial statements.

- IAS 1 Presentation of Financial Statements – Disclosure Initiative (amendment). The amendment obligates to assess the relevance and presentation of disclosures. The change did not have any material impact on the Group's consolidated financial statements.

- IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (amendment). The amendments clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption. The change did not have any impact on the Group's consolidated financial statements.

- IFRS 11 Joint arrangements – Accounting for Acquisitions of Interests in Joint Operations (amendment). The amendment clarifies the relationship of the standard to IFRS 3 and other relevant standards when accounting for the acquisition of an interest in a joint operation, in circumstances in which the activity of the joint operation constitutes a business. The change did not have any material impact on the Group's consolidated financial statements.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN 2017–2019

In 2017 the Group will adopt the following new, revised and amended standards and interpretations, which are relevant to its operations as they become effective. They are not expected to have a material impact on the Group's consolidated financial statements.

- IAS 7 Statement of Cash Flows – Disclosure Initiative (amendment, effective for annual periods beginning on or after January, 1 2017). The amendment requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The change is not expected to have a material impact on the Group's consolidated financial statements. This new standard has not yet been approved for application in the EU.

- IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (amendment, effective for annual periods beginning on or after January, 1 2017). The amendment harmonizes the accounting for deferred tax assets for unrealized losses for assets recognized at fair value. The change is not expected to have a material impact on the Group's consolidated financial statements. This new standard has not yet been approved for application in the EU.

In 2018 or later, the Group will adopt the following new, revised or amended standards and interpretations, which are relevant to its operations:

- IFRS 9 Financial Instruments (new, effective for annual periods beginning on or after January 1, 2018). This new standard will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. New standard includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. The Group is currently evaluating the impact of this standard on its consolidated financial statements. Based on the preliminary assessment, application of IFRS 9 is not expected to have a material impact on the Group's financial statements.

- IFRS 15 Revenue from Contracts with Customers (new, effective for annual periods beginning on or after January, 1 2018). IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue is recognized when, or as, the customer obtains control of the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In addition, IFRS 15 requires quantitative and qualitative disclosures about the entity's contracts with customers, performance obligations in the contracts and significant judgements made. The Group plans to adopt the new standard on the required effective date using the full retrospective method. The Group has prepared a preliminary assessment of IFRS 15 and based on the assessment it will not have a material impact on the Group's consolidated financial statements, although increasing disclosure requirements.

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

- IFRS 16 Leases (new, effective for annual periods beginning on or after January 1, 2019). New standard specifies how to recognize, measure, present and disclose leases. It introduces a single model for accounting leases on a balance sheet of a lessee. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and low value leases. Lessor accounting remains similar to the current standard, where leases are classified either as finance or operating leases. The Group has started a preliminary assessment of the impacts on its financial statements. The Group will recognize new assets and liabilities for its operating leases of facilities and vehicles. The nature of lease expenses will change, as IFRS 16 replaces the lease expenses currently shown in other operating expenses with a depreciation charge for right-of-use assets and interest expense on lease liabilities shown in financial expenses. The Group continues with more detailed assessment of the impacts of this new standard. This new standard 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 has control. The control is based either to governing power established through direct or indirect holding of over 50% of the voting rights and/or control established through other means. The financial statements of the subsidiaries are prepared for the same accounting period 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 of the consideration 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. Consideration includes the fair value of any contingent consideration arrangement. Also, cost directly related to acquisition were included in the cost of acquisition up to 1 January 2010. 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 are companies where the Group holds voting rights of 20–50% and/or in which the Group has significant influence, but not control. Joint ventures are companies, over which the Group has contractually agreed to share control with another venturer. Currently associated companies and joint ventures are included in the consolidated financial statements using the equity method. Under the equity method, the Group's share of the profit or loss of an associate or a joint venture is recognized in the consolidated income statement before operating profit.

The Group's interest in an associated company or a joint venture is carried in the balance sheet at an amount that reflects the Group's share of the net assets of the associate or joint venture together with goodwill on acquisition, as amortized, less any impairment. Unrealized gains, if any, between the Group and the associated companies or joint ventures are eliminated to the extent of the Group's ownership. Associated companies' and joint ventures' financial statements have been converted to correspond with the accounting principles in use in the Group. If the Group's share of losses exceeds the carrying amount of the 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 or joint venture.

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. Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity in accordance with the share of the non-controlling interest. All transactions with non-controlling interests are recorded in equity when the parent company remains in control. When the Group loses the control in a subsidiary, the remaining investment is recognized at fair value through the income statement.

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 foreign operation.

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 currencies 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 plans, inventory allowances 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. Until 31.12.2009, any costs directly attributable to the business combination, such as professional fees, were included to the cost of an acquisition. From 1.1.2010 onwards, costs related to acquisitions are recognized directly to income statement. 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, amortization 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 and structures	10–25 years
Machinery and equipment	5–10 years
Other tangible assets	3–10 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 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 intangible 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 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, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge. 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.

Non-derivative 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. They are measured at amortized cost using the effective interest method.

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 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 quoted 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. The fair values of these instruments are either computed by Bloomberg market data tool by the company or received from the respective bank. Currently, the Group does not have embedded derivatives.

Derivatives may be designated as hedging instruments, in which case hedge accounting is applied. At the inception of a hedge relationship, the Group designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. 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. 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. Changes in fair value of derivative instruments are recognized in the income statement based on their nature either in the operative costs if the hedged item is an operative foreign currency transaction or as financial income or expenses, if the hedged item is a monetary transaction.

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.

The changes in the fair values of derivatives that are designated as hedging instruments but are not accounted for according to the principles of hedge accounting are recognised in the income statement based on their nature either in the operative costs, if the hedged item is an operative transaction, or as financial income or expenses, if the hedged item is a monetary transaction.

In principal, the fair values of derivative instruments are presented in the statement of financial position under short-term or long-term non-interest bearing assets or liabilities based on their maturity. Derivative instruments that are designated and qualify as fair value hedges of monetary assets or liabilities, are presented in the same group of interest-bearing assets or liabilities as the hedged instrument.

Effective portion of changes in the fair values of foreign currency hedges used against the translation differences arising from the consolidation of net investments in foreign subsidiaries are recognized in translation differences in the statement of other comprehensive income. 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 disposed of partially or in its entity.

FINANCIAL LIABILITIES

Financial liabilities are classified into the following categories: derivatives designated as hedging instruments in an effective hedge, financial liabilities at fair value through profit or loss (including other derivatives) and financial liabilities measured at amortized cost. Financial liabilities, except derivatives, are initially recognized at the fair value of the consideration received plus directly attributable transactions costs. After initial recognition, 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 recognised on the balance sheet only when the Group becomes a party to the contractual provisions of the financial instrument.

A financial asset is derecognized 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 only when it is extinguished, that 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 when the asset is sold or when the impairment is permanent.

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.

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. Inventories are presented net of net realizable value allowance recognized for obsolete and slow-moving inventories.

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 on the day of trading in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

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

Employee benefit 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.

For defined benefit plans, costs are assessed using the projected unit credit actuarial valuation method, in which the cost of providing benefit 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 benefit 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 the fair value of plan assets. All actuarial gains and losses are recognized in other comprehensive income immediately as they occur. The past service cost is recognized as an expense in the income statement.

Share-based payments

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 payments 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 in the fund for invested non-restricted equity.

DIVIDEND

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 and share of results in associates and joint ventures 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 operative 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 are presented on a separate row before cash and cash equivalents at the end of period, separate from cash generated from (used in) operating, investing and financing activities.

COMPARABLE OPERATING PROFIT AND ITEMS AFFECTING COMPARABILITY

In order to reflect the underlying business performance and to enhance comparability between financial periods, the Group presents alternative performance measures. Comparable operating profit is operating profit excluding mark-to-market valuations of operative currency derivatives and other items affecting comparability, which include material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items. Alternative performance measures should not be considered in isolation as a substitute for measures of performance in accordance with IFRS.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 uncertainty related to estimations 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 the Group and when needed 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 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.

Defined benefit obligations

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 recognized in other comprehensive income immediately as they occur which could have a slight impact on the Group’s statement of comprehensive income.

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.

Hyperinflation

The Group may have operations in hyperinflatory economies. The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated in accordance of IAS 29 (Financial Reporting in Hyperinflatory Economies) in case the adjustments are material in relation to the Group’s consolidated financial statements.

ROUNDING OF FIGURES

The consolidated financial statements are presented in millions of euros. 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.

2 SEGMENT INFORMATION

The Rapala Group is led as a whole, as an integrated chain of units engaged in manufacturing, sourcing and distributing of mainly fishing tackle equipment as well as hunting, outdoor and winter sports equipment. The base unit of the Group’s management is a single subsidiary engaged in one or several activities within the integrated supply chain. Each subsidiary and business is represented by a member in the Executive committee. The Group does not have any structure of independently led divisions, but the Group is managed as a whole. The Group’s CEO, together with the Board of Directors is the ultimate decision maker.

Despite the integrated nature of the Group’s operations, the type and source of products being processed by the units creates difference in the Group’s management approach. There is a distinction in the strategic and operative role of the products depending on whether the product sold is being manufactured by the Group itself; whether the product is sourced by the Group externally, but sold under one of the Group’s own brands; whether the product is a third party product represented and distributed by the Group; or whether the product is part of Group’s core fishing tackle business or some supporting product category outside of fishing. This distinction between the type and source of products is the basis for the Group’s operating segments.

The Group’s operating segments are Group Fishing Products, Other Group Products and Third Party Products. Group Fishing Products and Other Group Products have been combined to reportable segment Group Products. Group Fishing Products are fishing tackle products manufactured or sourced by the Group itself and sold under the Group’s brands. Group Fishing Products include lures and baits, fishing hooks, fishing lines and fishing accessories. Other Group Products include Group manufactured and/or branded products for winter sports and some other non-fishing businesses. Third Party Products include non-Group branded fishing products and third party products for hunting, outdoor and winter sports, which are distributed by the Group utilizing the same supply channel as Group Fishing Products and Other Group Products.

The Group has changed the measurements of segment performance by excluding items affecting comparability from operating profit. The Group measures segment performance based on sales, comparable operating profit and assets. Comparable operating profit is adjusted by mark-to-market valuations of operative currency derivatives and other items affecting comparability including material restructuring costs, impairments, gains and losses on business combinations and disposals, insurance compensations and other non-operational items. Definitions of the alternative performance measures are presented in Definitions of Key Figures on page 46. All the other segment reporting is consistent with IFRS accounting principles. Reportable segments are consistent with those in the financial statements 2015.

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

REPORTABLE SEGMENTS

2016

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL REPORTABLE SEGMENTS
Net Sales	**172.1**	**88.5**	**260.6**
Depreciation, amortization and impairment losses	**-6.0**	**-1.0**	**-6.9**
Share of results in associates and joint ventures (included in OP)	**0.0**	**-0.1**	**-0.1**
Comparable operating profit	**17.4**	**1.4**	**18.8**
Segment assets			
Non-interest-bearing assets	**226.3**	**55.1**	**281.4**
Investments in associates and joint ventures	**0.0**	**0.0**	**0.0**
Total segment assets	**226.3**	**55.1**	**281.4**
Investments	**7.7**	**0.7**	**8.4**

2015

EUR MILLION	GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL REPORTABLE SEGMENTS
Net Sales	**184.7**	**93.5**	**278.2**
Depreciation, amortization and impairment losses	-6.0	-1.0	-7.1
Share of results in associates and joint ventures (included in OP)	0.1	0.3	0.4
Comparable operating profit	**22.2**	**3.2**	**25.3**
Segment assets			
Non-interest-bearing assets	236.5	60.2	296.7
Investments in associates and joint ventures	0.3	1.1	1.4
Total segment assets	**236.8**	**61.3**	**298.2**
Investments	7.9	1.2	9.1

RECONCILIATIONS

EUR MILLION	2016	2015
Net sales		
Total sales for reportable segments	**260.6**	278.2
Elimination of inter-segment sales		0.0
Group net sales	**260.6**	**278.2**
Comparable operating profit		
Total comparable operating profit for reportable segments	**18.8**	25.3
Mark-to-market valuations of operative currency derivatives	**-1.6**	-2.1
Other items affecting comparability	**-10.0**	-2.3
Group total operating profit	**7.2**	**21.0**
Group financial income and expenses	**-5.0**	-6.8
Group profit before taxes	**2.2**	**14.2**
Other items affecting comparability		
Restructurings		
France restructuring	**-0.7**	
Southeast Asian distribution restructuring	**-0.2**	
Closure of Chinese lure manufacturing		-1.7
Closing down of Norwegian warehousing operations		-0.5
Other restructurings	**-0.2**	
Impairments		-0.1
Insurance compensations	**0.6**	
Redefined provision on inventory value	**-9.2**	
Other items	**-0.3**	
Total other items affecting comparability	**-10.0**	**-2.3**
Assets		
Total assets for reportable segments	**281.4**	298.2
Unallocated interest-bearing assets	**34.7**	15.2
Group total assets	**316.1**	**313.4**

GEOGRAPHICAL AND GROUP-WIDE INFORMATION

The Group operates in four geographical areas which are North America, Nordic, Rest of Europe and Rest of the World. External net sales and non-current assets are presented separately in the countries which proportion is significant.

The non-current assets exclude non-current financial assets and deferred tax assets.

The Group's customer base consists of a large number of customers in several market areas and no single customer represents by itself a significant part of the Group's net sales.

External net sales by unit location

EUR MILLION	2016	2015
Finland	**23.4**	25.9
Other Nordic Countries	**31.9**	30.3
Nordic total	**55.3**	**56.2**
Russia	**14.4**	16.8
France	**36.1**	39.0
Other European Countries	**30.9**	31.1
Rest of Europe total	**81.3**	**86.9**
USA	**82.1**	85.3
Other North America	**9.2**	13.9
North America total	**91.3**	**99.2**
Rest of the World total	**32.7**	**35.9**
TOTAL	**260.6**	**278.2**

Non-current assets by unit location

EUR MILLION	2016	2015
Finland	**18.1**	18.2
Other Nordic Countries	**3.6**	3.7
Nordic total	**21.7**	**21.8**
Rest of Europe total	**17.2**	**19.2**
USA	**33.1**	32.4
Other North America	**4.2**	4.1
North America total	**37.3**	**36.5**
China (incl. Hong Kong)	**27.6**	27.3
Other countries	**10.5**	8.7
Rest of the World total	**38.1**	**36.0**
TOTAL	**114.4**	**113.5**

3 ACQUISITIONS AND DISPOSALS

ACQUISITIONS IN 2016

There were no acquisitions in 2016.

ACQUISITIONS IN 2015

In 2015 last installment of EUR 0.9 million was paid related to Sufix trademark acquisition closed in 2008.

DISPOSALS IN 2016

In December 2016 the Group received a yearly installment of EUR 1.0 million relating to the disposal of the gift business in 2011. In 2011 the Group sold 100% of the shares of Willtech Gift Ltd ("Willtech Gift "). Part of the consideration was settled by a guaranteed interest bearing promissory note that matures in 2017.

In September 2016 the Group sold its 50% share in the joint venture Shimano Normark UK Ltd back to its other owner Shimano Europe Fishing Holding B.V. In connection to the disposal it was agreed that the UK distribution of Dynamite will come under the control of Rapala and Dynamite Baits Ltd. The sales price of GBP 1.0 million was fully paid during 2016.

DISPOSALS IN 2015

In December 2015 the Group received a yearly installment of EUR 1.1 million relating to the disposal of the gift business in 2011.

4 OTHER OPERATING INCOME

EUR MILLION	2016	2015
Royalty income	**0.1**	0.3
Rental income	**0.1**	0.1
Scrap sales	**0.1**	0.1
Gains from sale of intangible and tangible assets	**0.0**	0.0
Insurance compensations	**0.7**	0.0
Other income	**0.3**	0.5
TOTAL	**1.3**	**1.0**

5 OTHER OPERATING EXPENSES

EUR MILLION	2016	2015
Selling and marketing expenses	**-11.7**	-12.5
Rents paid	**-7.6**	-8.1
Freight out	**-5.4**	-5.9
Maintenance and utility expenses	**-5.4**	-6.0
Traveling expenses	**-4.0**	-4.3
Sales commissions	**-4.1**	-3.9
Consulting expenses	**-2.2**	-2.0
IT and telecommunication	**-2.3**	-2.5
Auditors' fees and services	**-0.8**	-0.8
Currency derivatives	**0.3**	2.0
Losses on sale of tangible and intangible assets	**-0.0**	-0.1
Other expenses	**-7.7**	-8.3
TOTAL	**-51.1**	**-52.3**

AUDITORS' FEES AND SERVICES

EUR MILLION	2016	2015
Audit fees	**-0.8**	-0.8
Fees for tax services	**0.0**	0.0
Other fees	**0.0**	0.0
TOTAL	**-0.8**	**-0.8**

6 MATERIALS AND SERVICES

EUR MILLION	2016	2015
Materials, goods and supplies		
Purchases during the period	**-110.7**	-131.5
Change in inventory	**-3.4**	-0.3
External services	**-1.2**	-1.5
TOTAL	**-115.3**	**-133.2**

7 EMPLOYEE BENEFIT EXPENSES

EUR MILLION	2016	2015
Wages and salaries	**-53.4**	-54.3
Pension costs - defined contribution plans	**-5.0**	-4.5
Pension costs - defined benefit plans	**-0.1**	-0.1
Other long-term employee benefits	**-0.2**	-0.1
Other personnel expenses	**-9.0**	-9.3
TOTAL	**-67.6**	**-68.4**

The employee benefit expenses in 2016 included EUR 0.9 million employee related restructuring expenses. For more details on employee benefits for top management and possible share-based incentive plans, see notes 28 and 29.

AVERAGE PERSONNEL

PERSONS	2016	2015
North America	**128**	126
Nordic	**363**	377
Rest of Europe	**790**	853
Rest of the World	**1 548**	1 722
TOTAL	**2 829**	**3 078**

8 RESEARCH AND DEVELOPMENT EXPENSES

Net profit for the period includes research and development expenses of EUR 2.5 million recognized as an expense in 2016 (2015: EUR 2.1 million). Group has not capitalized research and development costs.

9 FINANCIAL INCOME AND EXPENSES

EUR MILLION	2016	2015
Foreign exchange gains and losses		
From financial assets	**2.3**	5.8
From financial liabilities measured at amortized cost	**-1.7**	-8.0
Interest and other financial income		
Interest income from loans and receivables	**0.3**	0.3
Other financial income	**0.0**	0.0
Interest and other financial expenses		
Interest expense on financial liabilities measured at amortized cost	**-3.0**	-2.9
Change in fair value of interest rate derivatives - hedge accounted	**0.0**	-0.1
Interest rate derivatives - non-hedge accounted	**-0.1**	-0.2
Currency derivatives - non-hedge accounted	**-1.8**	-1.0
Other financial expenses	**-0.9**	-0.6
TOTAL	**-5.0**	**-6.8**

RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR MILLION	2016	2015
Change in fair value of interest rate derivatives - hedge accounted, net of tax	**0.5**	0.4
Gains and losses on hedges of net investments, net of tax	**0.8**	-2.9
TOTAL	**1.3**	**-2.4**

EXCHANGE GAINS AND LOSSES IN THE INCOME STATEMENT

EUR MILLION	2016	2015
In net sales	**0.4**	2.2
In purchases	**0.7**	-1.7
In other operating expenses		
Currency derivatives, non-hedge accounted	**0.3**	2.0
TOTAL	**1.3**	**2.5**

Gains and losses of derivatives designed as cash flow hedges are presented together with the hedged instrument, if hedge accounting is applied: -0.7 million (2015: EUR -0.8 million) is recognized in interest expenses.

Gains and losses of derivatives designed as fair value hedges are presented together with the hedged instrument, if hedge accounting is applied: EUR -2.4 million (2015: EUR +1.3 million) is recognized in foreign exchanges gains and losses.

In 2016, hedge accounted interest rate derivatives designed as cash flow hedges, which do not fulfill effectiveness requirements, had an effect of EUR 0.0 million (2015: EUR -0.1 million) in the financial income and expenses of income statement.

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR MILLION	2016	2015
Income taxes	**-3.9**	-6.5
Deferred taxes	**-0.3**	0.4
TOTAL	**-4.2**	**-6.1**

INCOME TAX RECONCILIATION

EUR MILLION	2016	2015
Income taxes at Finnish corporate tax rate (20%)	**-0.4**	-2.8
Effect of different tax rates in foreign subsidiaries	**-2.0**	-2.1
Taxes for prior years	**0.7**	0.2
Foreign withholding taxes	**-0.3**	-0.8
Non-deductible expenses and tax exempt income	**-0.2**	0.5
Losses for which no deferred tax benefit is recognized	**-1.7**	-1.0
Changes in the carrying amounts of deferred tax assets and liabilities from prior years	**-0.7**	-0.1
Impact of the changes in the tax rates on deferred tax balances	**0.2**	0.0
Other items	**0.1**	0.1
INCOME TAXES IN THE INCOME STATEMENT	**-4.2**	**-6.1**

TAX EFFECTS RELATING TO EACH COMPONENT OF OTHER COMPREHENSIVE INCOME

2016

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	**4.2**		**4.2**
Remeasurements of defined benefit liabilities	**0.1**	**0.0**	**0.1**
Cash flow hedges	**0.6**	**-0.1**	**0.5**
Net investment hedges	**0.9**	**-0.1**	**0.8**
TOTAL	**5.9**	**-0.3**	**5.6**

2015

EUR MILLION	BEFORE TAX	TAX EXPENSE/ BENEFIT	NET OF TAX
Change in translation differences	5.5		5.5
Remeasurements of defined benefit liabilities	0.1	0.0	0.1
Cash flow hedges	0.6	-0.1	0.4
Net investment hedges	-2.7	-0.2	-2.9
TOTAL	**3.4**	**-0.3**	**3.2**

MOVEMENT OF DEFERRED TAXES

2016

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	DEC. 31
Tax losses and credits carried forward	**1.6**	**0.3**		**0.1**	**2.0**
Provisions	**0.1**	**0.7**		**0.0**	**0.8**
Employee benefits	**0.7**	**0.1**	**0.0**		**0.7**
Depreciation difference	**0.1**	**-0.1**		**0.0**	**0.1**
Effect of consolidation and eliminations	**5.5**	**-1.4**		**0.1**	**4.2**
Other temporary differences	**1.5**	**0.0**	**-0.1**	**0.1**	**1.5**
TOTAL DEFERRED TAX ASSETS	**9.6**	**-0.5**	**-0.2**	**0.3**	**9.2**
Depreciation difference and other untaxed reserves	**1.2**	**0.1**		**0.0**	**1.4**
Inventory	**2.7**	**-0.1**		**0.1**	**2.7**
Fair value adjustments for acquired net assets	**2.8**	**-0.1**		**-0.1**	**2.6**
Other temporary differences	**3.2**	**-0.1**		**0.1**	**3.2**
TOTAL DEFERRED TAX LIABILITIES	**10.0**	**-0.1**		**0.1**	**9.9**
NET DEFERRED TAX ASSET	**-0.4**	**-0.3**	**-0.2**	**0.2**	**-0.6**

2015

EUR MILLION	JAN. 1	INCOME STATEMENT	EQUITY	TRANSLATION DIFFERENCES	DEC. 31
Tax losses and credits carried forward	1.3	0.4		-0.1	1.6
Provisions	0.1	0.0		0.0	0.1
Employee benefits	0.6	0.1	0.0	0.0	0.7
Depreciation difference	0.1	0.0		0.0	0.1
Effect of consolidation and eliminations	5.1	0.2		0.3	5.5
Other temporary differences	1.7	-0.2	-0.1	0.1	1.5
TOTAL DEFERRED TAX ASSETS	**9.0**	**0.4**	**-0.1**	**0.3**	**9.6**
Depreciation difference and other untaxed reserves	3.2	-2.2		0.3	1.2
Inventory	2.5	0.0		0.3	2.7
Fair value adjustments for acquired net assets	3.3	-0.6		0.1	2.8
Other temporary differences	0.3	2.8		0.1	3.2
TOTAL DEFERRED TAX LIABILITIES	**9.3**	**0.0**		**0.7**	**10.0**
NET DEFERRED TAX ASSET	**-0.3**	**0.4**	**-0.1**	**-0.3**	**-0.4**

Deferred taxes have been reported as a net balance according to IAS 12. As of December 31, 2016, the Group had tax losses carried forward of EUR 33.3 million (2015: EUR 30.9 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 5.0 million of these tax losses will expire during the next five years (2015: EUR 24.5 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 1.9 million (2015: EUR 1.5 million) in group companies, which have generated losses in financial year 2016 or 2015. The recognition of these assets is based on profit estimates, which indicate that the realization of these deferred tax assets is probable.

11 INTANGIBLE ASSETS

2016

EUR MILLION	GOODWILL	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	**50.0**	**26.5**	**4.2**	**6.2**	**87.0**
Additions				**0.4**	**0.4**
Disposals				**-0.1**	**-0.1**
Reclassifications [1]	**-0.1**			**0.5**	**0.5**
Translation differences	**0.8**	**-0.5**	**0.0**	**0.0**	**0.3**
ACQUISITION COST DEC. 31	**50.8**	**26.1**	**4.2**	**7.0**	**88.0**
Accumulated amortization Jan. 1		**-0.9**	**-3.1**	**-4.8**	**-8.9**
Disposals				**0.1**	**0.1**
Reclassifications [1]				**-0.2**	**-0.2**
Amortization during the period			**-0.2**	**-0.6**	**-0.8**
Impairments				**-0.1**	**-0.1**
Translation differences		**0.0**	**0.0**	**0.0**	**0.0**
ACCUMULATED AMORTIZATION DEC. 31		**-0.9**	**-3.3**	**-5.6**	**-9.8**
CARRYING VALUE JAN. 1	**50.1**	**25.6**	**1.1**	**1.4**	**78.2**
CARRYING VALUE DEC. 31	**50.8**	**25.1**	**0.9**	**1.4**	**78.2**

2015

EUR MILLION	GOODWILL	TRADEMARKS	CUSTOMER RELATIONS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	47.9	22.9	4.1	7.6	**82.5**
Additions				0.4	**0.4**
Disposals				-0.3	**-0.3**
Reclassifications [1]		2.0		-1.7	**0.4**
Translation differences	2.2	1.6	0.2	0.1	**4.1**
ACQUISITION COST DEC. 31	**50.1**	**26.5**	**4.2**	**6.2**	**87.0**
Accumulated amortization Jan. 1		-0.5	-2.6	-4.9	**-8.1**
Disposals				0.3	**0.3**
Reclassifications [1]		-0.3		0.3	**0.0**
Amortization during the period			-0.4	-0.5	**-0.9**
Impairments		-0.1			**-0.1**
Translation differences		0.0	-0.1	0.0	**-0.1**
ACCUMULATED AMORTIZATION DEC. 31		**-0.9**	**-3.1**	**-4.8**	**-8.9**
CARRYING VALUE JAN. 1	**47.9**	**22.4**	**1.4**	**2.7**	**74.4**
CARRYING VALUE DEC. 31	**50.1**	**25.6**	**1.1**	**1.4**	**78.2**

[1] Includes reclassifications between intangible and tangible assets.

GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES BY BUSINESS SEGMENTS

EUR MILLION	GROUP FISHING PRODUCTS	OTHER GROUP PRODUCTS	THIRD PARTY PRODUCTS	TOTAL
2016				
Goodwill	**48.9**	**0.0**	**1.8**	**50.8**
Trademarks with indefinite lives	**24.6**	**0.0**	**0.5**	**25.1**
Discount rate, %	**8.1**	**8.1**	**7.7**	
2015				
Goodwill	48.2	0.0	1.9	**50.1**
Trademarks with indefinite lives	25.1		0.5	**25.6**
Discount rate, %	8.9	8.9	9.6	

IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS WITH INDEFINITE LIVES

The Group is led as a whole and not organized nor managed in independent divisions. 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 profitability. Discount rate is the weighted average pre-tax cost of capital (WACC) which is defined for each cash-generating unit separately. The components of WACC are the risk-free yield rate, market risk premium, industry specific beta, cost of debt, and target capital structure. In the impairment tests prepared in 2016 and 2015, 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 2016 or 2015.

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 specific risks related to assets.

Growth rate – Compared to historical sales growth development, 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. According to the Group's management in the main business segments Group Fishing Products and Third Party Products 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 the discount rate would be 5.9 percentage points higher in Group Fishing Products and 2.6 percentage points in Third Party Products or EBITDA 35.9 percentage lower than used in the management's estimates in Group Fishing Products and 26.2 percentage points in Third Party Products, it would not lead to an impairment loss in these main cash generating units.

12 TANGIBLE ASSETS

2016

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	2.0	26.1	56.3	23.3	1.1	108.7
Additions		1.6	1.5	2.7	2.3	8.0
Disposals		-0.6	-0.4	-1.6		-2.6
Reclassifications [1]		0.0	0.8	0.9	-2.2	-0.5
Translation differences	0.1	0.5	0.4	0.7	0.0	1.7
ACQUISITION COST DEC. 31	2.0	27.6	58.6	26.0	1.2	115.3
Accumulated depreciation Jan. 1		-17.2	-41.9	-15.7		-74.9
Disposals		0.5	0.3	1.6		2.4
Reclassifications [1]			0.4	-0.2		0.2
Depreciation during the period		-0.7	-3.1	-2.2		-6.1
Impairments			0.0			0.0
Translation differences		-0.2	-0.1	-0.4		-0.8
ACCUMULATED DEPRECIATION DEC. 31		-17.7	-44.5	-17.0		-79.2
CARRYING VALUE JAN. 1	2.0	8.8	14.4	7.5	1.1	33.9
CARRYING VALUE DEC. 31	2.0	10.0	14.0	9.0	1.2	36.2

2015

EUR MILLION	LAND	BUILDINGS AND STRUCTURES	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	1.8	23.8	58.6	15.0	1.5	100.8
Additions	0.1	2.2	2.1	2.8	1.5	8.7
Disposals			-0.1	-1.1		-1.3
Reclassifications [1]		0.0	-4.9	6.1	-1.9	-0.7
Translation differences	0.0	0.1	0.7	0.4	0.0	1.3
ACQUISITION COST DEC. 31	2.0	26.1	56.3	23.3	1.1	108.7
Accumulated depreciation Jan. 1		-16.5	-42.6	-9.7		-68.8
Disposals			0.1	0.8		1.0
Reclassifications [1]		0.0	4.5	-4.5		0.0
Depreciation during the period		-0.7	-3.3	-2.0		-6.0
Translation differences		-0.1	-0.5	-0.3		-1.0
ACCUMULATED DEPRECIATION DEC. 31		-17.2	-41.9	-15.7		-74.9
CARRYING VALUE JAN. 1	1.8	7.3	16.0	5.4	1.5	32.0
CARRYING VALUE DEC. 31	2.0	8.8	14.4	7.5	1.1	33.9

[1] Includes reclassifications between intangible and tangible assets and inventories.

13 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The Group has disposed its 50% joint venture interest in unlisted Shimano Normark UK Ltd domiciled in United Kingdom on September 1, 2016. The company was distributing Rapala Group's and Shimano's products in the UK on an exclusive basis. After the disposal the UK distribution of Dynamite will come under the control of Rapala and Dynamite Baits Ltd. The entity was consolidated using the equity method until the date of sale. The carrying amount did not include goodwill or impairments.

The Group has a 33.3% interest in associate Lanimo Oü, an unlisted company domiciled in Estonia. Its main activity is producing leather-haberdashery. The carrying amount does not include goodwill or impairments. Lanimo Oü's figures are based on the information for the period ending on September 30, due to differences in reporting time schedule. Information for the financial period ending on December 31, 2015 is the following: assets EUR 0.1 million, liabilities EUR 0.1 million, sales EUR 0.2 million and profit EUR 0.0 million.

EUR MILLION	2016	2015
Acquisition cost Jan. 1	**1.5**	1.0
Share of profit/loss	**-0.1**	0.4
Decrease	**-1.2**	
Translation differences	**-0.2**	0.1
ACQUISITION COST DEC. 31	**0.0**	**1.5**

Information on associates and joint ventures

	SHIMANO NORMARK UK LTD		LANIMO OÜ	
EUR MILLION	2016 [1]	2015	2016	2015
Net sales	**9.4**	13.4	**0.2**	0.1
Purchases and other expenses	**-9.5**	-12.5	**-0.1**	-0.1
Depreciation	**0.0**	-0.1	**0.0**	0.0
Interest income and expenses	**0.0**	0.0	**0.0**	0.0
Net profit for the period	**-0.2**	0.8	**0.0**	0.0
Non-current assets		0.1	**0.0**	0.0
Current assets		3.9	**0.1**	0.1
Of which cash and cash equivalents		2.8	**0.0**	0.0
Non-current liabilities			**0.0**	0.0
Of which financial liabilities			**0.0**	0.0
Current liabilities		1.0	**0.0**	0.0
Net assets of associate/ joint venture		3.0	**0.0**	0.0
Net assets belonging to Rapala Group		1.5	**0.0**	0.0

[1] Income statement figures January-August 2016, joint venture sold on September 1, 2016.

14 NON-CONTROLLING INTERESTS

Rapala Group includes one company, where non-controlling interest is material based on Group's consolidated net profit for the period. Group owns 50% of AO Normark domiciled in Russia. The other 50% is owned by Shimano Inc. AO Normark distributes Rapala Group's and Shimano's products in Russia. Rapala Group has control over the company, based on operative leadership model and a shareholder contract, which gives majority of the voting power to Rapala in the board of a holding company directly owning AO Normark. The company is treated as a subsidiary and fully consolidated to the figures of Rapala Group.

Financial information below is based on AO Normark's reported figures before intra-Group eliminations.

	PROFIT (LOSS) ALLOCATED TO NON-CONTROLLING INTERESTS		EQUITY BELONGING TO NON-CONTROLLING INTERESTS	
EUR MILLION	2016	2015	2016	2015
AO Normark	**0.6**	0.9	**2.8**	3.2
Other partly-owned subsidiaries	**0.3**	0.5	**5.8**	5.3
TOTAL	**1.0**	**1.4**	**8.6**	**8.5**

Summarized financial information

AO Normark

EUR MILLION	2016	2015
Net sales	**14.9**	17.5
Purchases and other expenses	**-13.4**	-15.0
Depreciation	**-0.1**	-0.1
Interest income and expenses	**-0.3**	-0.6
Net profit for the period	**1.2**	1.8
Non-current assets	**0.3**	0.3
Current assets	**10.2**	9.0
Non-current liabilities	**0.3**	0.3
Current liabilities	**4.5**	2.6
Equity	**5.7**	6.4
Cash flows from operating activities	**2.5**	2.0
Cash flows from investing activities	**0.0**	-0.1
Cash flows from financing activities	**-1.8**	-2.9

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

EUR MILLION	2016	2015
Carrying value Jan. 1	**0.3**	0.3
Disposals		0.0
Translation differences	**0.0**	0.0
CARRYING VALUE DEC. 31	**0.3**	**0.3**

Available-for-sale financial assets comprise of unlisted shares. The most significant is As Oy Tahkon Eagle.

16 RECEIVABLES

EUR MILLION	2016	2015
Non-current receivables		
Interest-bearing		
Loan receivables	**0.0**	0.9
Derivatives		1.9
Other interest-bearing receivables	**0.0**	0.0
Non-interest-bearing		
Trade receivables	**0.1**	0.4
Derivatives		0.2
Other receivables	**0.1**	0.2
Current receivables		
Interest-bearing		
Loan receivables	**0.9**	1.0
Non-interest-bearing		
Trade receivables	**46.3**	46.7
Derivatives	**0.8**	1.7
VAT receivable	**1.6**	2.3
Other prepaid expenses and accrued income	**2.6**	2.5
Other receivables	**2.0**	2.3
TOTAL	**54.4**	**60.0**

Fair values of financial assets are presented in the note 23. The average interest rate of non-current loan receivables was 6.00% (2015: 5.03%). The average interest rate of current loan receivables was 4.00% (2015: 3.90%).

ALLOWANCES BOOKED FOR TRADE RECEIVABLES

EUR MILLION	2016	2015
Allowance for trade receivables Jan. 1	**2.2**	2.5
Additions	**0.9**	0.6
Deductions	**-0.2**	-0.7
Recovery	**-0.3**	-0.2
Translation differences	**0.0**	0.0
ALLOWANCE FOR TRADE RECEIVABLES DEC. 31	**2.7**	**2.2**

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.

17 INVENTORIES

EUR MILLION	2016	2015
Raw material	**13.4**	15.0
Work in progress	**11.8**	11.3
Finished products	**91.3**	95.2
Net realizable value allowance	**-14.2**	-5.3
TOTAL	**102.2**	**116.2**

EUR 9.2 million of the change in net realizable value allowance relates to redefined inventory valuation recognized in conjunction with the Group's strategy update initiated during the fourth quarter 2016.

18 CASH AND CASH EQUIVALENTS

EUR MILLION	2016	2015
Cash at bank and in hand	**33.8**	11.2
Short-term deposits		0.2
TOTAL	**33.8**	**11.4**

19 SHARE CAPITAL AND EQUITY FUNDS

EUR MILLION	2016	2015
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**
Hedging fund Jan. 1	**-0.7**	-1.1
Cash flow hedges, fair value gains and losses during the year	**0.1**	-0.3
Cash flow hedges, reclassification adjustments to income statement	**0.4**	0.7
HEDGING FUND DEC. 31	**-0.2**	**-0.7**
Fund for invested non-restricted equity Jan. 1	**4.9**	4.9
FUND FOR INVESTED NON-RESTRICTED EQUITY DEC. 31	**4.9**	**4.9**

SHARES AND SHARE CAPITAL

SHARES	2016	2015
Number of shares Jan. 1	**39 000 000**	39 000 000
NUMBER OF SHARES DEC. 31	**39 000 000**	**39 000 000**
Own shares Jan. 1	**639 671**	606 807
Purchase of own shares	**37 537**	32 864
OWN SHARES DEC. 31	**677 208**	**639 671**

On December 31, 2016, the share capital fully paid and reported in the Trade Register was EUR 3.6 million and the total number of shares was 39 000 000. For more information on shares and share capital, see the section Shares and Shareholders.

EQUITY FUNDS

Share premium fund includes the premiums received on exercise of share options and other share issues under the old Finnish Companies Act. Fund for invested non-restricted equity includes subscription prices for shares to the extent that it is specifically not to be credited to share capital and other types of equity investments.

Translation differences contain exchange differences arising from the currency translation of foreign subsidiaries' financial statements and exchange differences arising from monetary items that form part of net investments in foreign companies. Hedging fund includes movements in the fair values of derivative instruments used for cash flow hedging.

DIVIDENDS

The dividend paid for 2015 was EUR 0.15 per share, totaling EUR 5.7 million. A dividend of EUR 0.10 per share distributed in two equall installments, a total of EUR 3.8 million, is proposed for the Annual General Meeting of Shareholders to be held on March 30, 2017. This dividend payable is not reflected in the financial statements for 2016.

BOARD'S AUTHORIZATIONS

For information on the Board's authorizations and acquisition of own shares, see section Shares and Shareholders.

20 EMPLOYEE BENEFIT OBLIGATIONS

Most of the Group's pension plans are defined contribution plans. The Group has defined benefit pension plans in France and in some Rest of the World countries. The plans in Rest of the World countries are immaterial as a whole. The retirement benefits are determined based on salary and period of employment. All obligations are unfunded. 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 and in some Rest of the World countries.

EXPENSES RECOGNIZED IN THE INCOME STATEMENT

EUR MILLION	2016	2015
Current service cost	-0.3	-0.2
Interest cost	0.0	0.0
TOTAL	**-0.3**	**-0.3**

AMOUNTS RECOGNIZED IN THE BALANCE SHEET

EUR MILLION	2016	2015
Rest of Europe	2.1	2.1
Rest of the World	0.1	0.2
PRESENT VALUE OF UNFUNDED OBLIGATIONS	**2.2**	**2.3**

BALANCE SHEET RECONCILIATION

EUR MILLION	2016	2015
Obligations Jan. 1	2.3	2.3
Current service cost	0.3	0.2
Interest cost	0.0	0.0
Actuarial gains and losses		
Changes in demographic assumptions	0.0	
Changes in financial assumptions	0.1	-0.1
Changes in experience assumptions	-0.3	0.0
Effect of any curtailments or settlements	-0.2	-0.2
Translation differences	0.0	0.0
OBLIGATIONS DEC. 31	**2.2**	**2.3**

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation.

EUR MILLION	2016	2015
Within one year	0.1	0.1
1–5 years	0.2	0.2
5–10 years	0.5	0.5
Later than 10 years	1.5	1.5
TOTAL	**2.2**	**2.3**

ASSUMPTIONS

Rest of Europe

%	2016	2015
Discount rate	1.5	2.0
Future salary increase	2.6	2.6
Annual inflation rate	1.5	2.0

Rest of the World

%	2016	2015
Discount rate	4.0	4.0
Future salary increase	7.0	7.0

The discount rate and the future salary increase are identified as significant actuarial assumptions. Changes in these assumptions do not cause material impact on the net defined benefit obligation.

The Group expects to pay EUR 0.1 million as contributions to its defined benefit pension plans in 2017.

21 PROVISIONS

EUR MILLION	2016	2015
Restructuring provisions		
Provisions Jan. 1		0.5
Additions		
Utilized provisions		-0.5
PROVISIONS DEC. 31		
Other provisions		
Provisions Jan. 1	0.0	0.1
Additions	0.1	0.0
Utilized provisions	0.0	-0.2
Translation differences		0.0
PROVISIONS DEC. 31	**0.1**	**0.0**
Non-current	0.0	
Current	0.0	0.0
TOTAL PROVISIONS	**0.1**	**0.0**

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 2016, the Group continued to develop its risk management processes. Group Risk Management review financial risks on regular basis to manage Group's financial risk position and decide on necessary actions to manage financial risks. Group Risk Management continued monitoring and management of foreign exchange, interest rate, liquidity and counterparties' solvency risks.

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

Foreign currency risk is the risk that the fair value or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when revenue or expense is denominated in a foreign currency, financing, when debt is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries.

The Group's foreign exchange risk is managed by the business units and Group Risk Management in accordance with the Foreign Exchange Risk Management policy approved by the Board of Directors.

Foreign exchange transaction risk

Foreign exchange transaction exposure arises when an operating unit has commercial or financial transactions and payments in other than its own functional currency, and when related cash inflow and outflow amounts are not equal or noncurrent.

As a result of sales and purchases in foreign currencies as well as operations in several jurisdictions, the Group has foreign currency denominated receivables and payables that are exposed to movements in foreign exchange rates. Income and expenses within different currencies net each other out to some extent, creating thus an effective natural hedge. The remaining, estimated 12-15 month net exposure is then systematically hedged by using derivative instruments. Depending on whether foreign currency monetary receivables and payables relate to sales and purchases or financial items, the foreign exchange gains and losses are recognized in the income statement either above or below operating profit.

The Group has also intra-group loans denominated in currencies that exposes the Group to currency risk that is not fully eliminated on consolidation. In order to hedge currency risk arising from intra-group loans, part of the Group's external financing is denominated in foreign currencies. Depending on whether these loans are classified as net investments on foreign operations or loan receivables, the foreign exchange gains and losses are recognized in the other comprehensive income or income statement.

Business units are responsible for forecasting net foreign cash flows and do most of their currency hedging transactions with the Group's parent company. Group Risk Management is responsible for monitoring the Group's consolidated currency risk exposure and when needed, enters into derivative transactions with group external counterparties.

Derivative instruments that are used for hedging purposes are mainly short term and include forward contracts, option contracts and structured instruments. Because the Group does not apply hedge accounting on currency derivatives, the income statement effect arising from fair value changes of derivative instruments is recognized partly or entirely in different financial periods than exchange rate gains and losses arising from the hedged cash flows.

In 2016 currency derivatives that are used for operative hedging purposes had an income statement effect of EUR 0.3 million (2015: EUR 2.0 million). Fair values and nominal values of currency derivatives are summarized under section 4. Derivatives.

At the end of 2016 and 2015 the following currencies represent a significant portion of the currency mix in the outstanding financial instruments:

Transaction risk position

2016

EUR MILLION	USD	JPY	RUB	SEK
Transaction risk and hedging				
Transaction exposure	**-15.3**	**-6.6**	**2.5**	**-0.5**
Hedges [1]	**8.8**	**1.8**	**-5.2**	**-2.1**

2015

EUR MILLION	USD	JPY	RUB	SEK
Transaction risk and hedging				
Transaction exposure	-27.8	-4.7	0.3	1.0
Hedges [1]	10.5	1.7	-3.7	-2.8

[1] Currency derivatives are used to hedge both transaction risks and translation risks. Hence the derivatives and transaction risks cannot be netted to a net position.

Foreign exchange translation risk

The group is exposed to currency translation risk through its investments in foreign subsidiaries, joint ventures and associated companies with equities' denominated in foreign currencies. The most significant translation exposures are in USD, HKD, IDR, CAD and RUB, which comprise approximately 84% of the total translation exposure. In the Group consolidation equity changes resulting from movements in foreign exchange rates are presented as translation differences within the equity.

The Group Risk Management monitors regularly the amounts of net investments denominated in foreign currencies and when needed, enters into hedging transactions in order to reduce the volatility in equity in the consolidated balance sheet. During 2016

the Group did not hedge any equity exposure.
The total non-euro denominated equity excluding net income of the Group's subsidiaries and associated companies was EUR 194.0 million as of December 31, 2016 (2015: EUR 142.4 million). The exposures are summarized in the following table.

Group translation exposure	2016	2015
EUR MILLION	NET INVESTMENTS	NET INVESTMENTS
USD	**99.0**	48.5
HKD	**33.4**	34.1
IDR	**17.8**	15.7
CAD	**7.2**	7.2
RUB	**5.6**	5.4
TOTAL	**162.9**	**110.9**

Sensitivity analysis

Sensitivity analysis is 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 balance sheet conversion rates prevailing at December 31, 2016.
- The analysis includes the effect of income statement transactions made in the analyzed currency between January 1 and December 31 in Group companies, whose functional currency is other than the analyzed currency (so called transaction impact) as well as in Group companies, whose functional currency equals to the analyzed currency (so called translation impact). The analysis takes into account the currency forward contracts in place at December 31. The sensitivity analysis of income statement transactions excludes Group's internal items as these net out.
- The sensitivity analysis includes the effect of the translation of subsidiaries' equity as per December 31 in subsidiaries, whose reporting currency equals to the analyzed currency.

Group transaction risk

The effect of a 10% weakening of most significant foreign currencies (against euro) in euros:

2016

EUR MILLION	USD	RUB	IDR	SEK	CAD
Operating profit	**0.9**	**-0.6**	**0.9**	**-0.5**	**0.0**
Equity [2]	**-9.9**	**-0.6**	**-1.8**	**-0.4**	**-0.7**

2015

EUR MILLION	USD	RUB	IDR	SEK	CAD
Operating profit	0.4	-1.1	0.8	-1.1	-0.6
Equity [2]	-4.8	-0.5	-1.6	-0.1	-0.7

[2] Without the effect of net income.

2. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's interest-bearing liabilities have mainly an interest period length shorter than one year.

The Group's funding, and consequently also interest rate risk, is managed centrally by the Group's parent company. Interest rate risk, covering cash flow and fair value risk, is analyzed regurarly by the Group Risk Management who is also responsible of taking the actions needed to change the Group's risk position. These actions include changing the currency split of the external loan portfolio, selection between different sources of financing, changing the interest rate duration as well as entering into transactions in derivative financial instruments.

Derivative instruments that are used for hedging purposes consist of interest rate swaps, where the Group pays fixed rate interest and receives a variable rate interest. As at December 31, 2016 the Group had interest rate swaps designated as cash flow hedges in accordance with IAS 39. Fair values and nominal values of interest rate swaps are presented under section 4. Derivatives.

Interest rate sensitivity analysis

Below is presented the effect of liabilities with variable interest rate and interest rate swaps 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 December 31, 2016.
- The sensitivity analysis includes the liabilities and interest rate swaps with variable interest rate in force on Dec. 31.

	2016		2015	
EUR MILLION	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) [3]	NET INCOME (NET OF TAX)	EQUITY (NET OF TAX) [3]
Loans with variable interest rate	**-0.4**	**0.4**	-1.1	1.1

[3] Without the effect of net income.

3. Other market price risks

The Group purchases certain raw-materials, which are priced on global financial markets. These include commodity metals such as copper, zinc and lead, and certain plastics. The value of these purchases is relatively low and actions regarding the management of price risk are decided on an performed locally in each manufacturing unit. Group Risk Management also monitors the development of these raw-material prices. The Group does not currently hedge commodity price risk.

The amount of the Group's investments in available-for-sale financial assets is insignificant and consists of investments in real estate and other unquoted shares for which reliable market values are not obtainable.

4. Derivatives

The Group uses derivative instruments, such as forward contracts, option contracts, swaps and structured instruments, to manage foreign exchange risk and interest rate risk in accordance with the guidelines set by the The Group's Risk Management policy. Foreign currency derivatives, consisting of forward contracts, option contracts and structured instruments, are used to reduce the uncertainty in the fair value of future cash flows that is created by changes in foreign exchange rates. The fair values of the foreign currency derivatives that do not qualify as hedging instruments in accordance with IAS 39, are recognized based on their nature either in operative costs, if the hedge item is an operative transaction, or in financial income and expenses, if the hedged item is a monetary transaction. Because hedge accounting is not applied, the P&L effect arising from foreign currency derivatives is recognized partly or entirely in different financial period than exchange rate gains and losses arising from the hedged cash flows.

Interest rate derivatives, consisting of interest rate swaps, are used to reduce the volatility of interest expenses in the income statement and to adjust the duration of the debt portfolio. Part of the interest rate derivative contracts have been designated as hedging instruments in cash flow and fair value hedging and are accounted for accordingly, if hedge accounting is applied.

Cash flow hedges

The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in other comprehensive income. Any gain or loss relating to the ineffective portion is recognized immediately in the income statement in financial income or expenses. Amounts accumulated in other comprehensive income are recycled in the income statement in the periods when the hedged item affects the Income statement. Interest element of interest rate swaps hedging variable rate interest-bearing liabilities is recognized in the income statement within financial income or expenses.

In 2016, the amount of the ineffective portion that was recognized in the financial income and expenses of income statement was EUR 0.0 million (2015: EUR -0.1 million). Testing for effectiveness of the hedging relationship is conducted on a monthly basis.

Following tables summarizes the nominal values and fair values of the Group's derivative instruments as at December 31, 2016.

	2016		2015	
EUR MILLION	**NOMINAL VALUE**	**FAIR VALUE**	NOMINAL VALUE	FAIR VALUE
Derivative financial instruments designed as cash flow hedges				
Interest rate swaps, less than 12 months	**27.5**	**-0.1**		
Interest rate swaps, 1 to 5 years	**16.7**	**-0.1**	58.9	-0.4
TOTAL	**44.1**	**-0.2**	**58.9**	**-0.4**
Derivative financial instruments designed as cash flow and fair value hedges				
Cross currency swaps, less than 12 months	**15.0**	**-0.7**		
Cross currency swaps, 1 to 5 years			15.0	1.3
TOTAL	**15.0**	**-0.7**	**15.0**	**1.3**
Non-hedge accounting derivative financial instruments				
Interest rate swaps, less than 12 months	**20.0**	**-0.2**		
Interest rate swaps, 1 to 5 years	**16.0**	**0.0**	20.0	-0.4
Currency forwards, less than 12 months	**52.2**	**0.1**	70.9	1.6
TOTAL	**88.2**	**-0.1**	**90.9**	**1.2**

LIQUIDITY RISK

Liquidity risk is defined as financial distress or extraordinarily high financing cost arising due to a shortage of liquid funds in a situation where outstanding debt needs to be refinanced or where business conditions unexpectedly deteriorate and require financing. Transactional liquidity risk is defined as the risk of executing a financial transaction below fair market value, or not being able to execute the transaction at all, within a specific period of time.

The objective of liquidity risk management is to maintain sufficient liquidity, and to ensure that it is available fast enough without endangering its value, in order to avoid uncertainty related to financial distress at all times.

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

The Group's interest bearing funding is mainly managed centrally by the Group Treasury. 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. The Group has a EUR 80 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 Group Treasury, 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. During 2016 the commercial paper program was used actively as part of Group funding and competitively priced debt was acquired through this market.

Group's loan facilities include ordinary gearing ratios and net debt to EBITDA ratio covenants. The Board and Group management are monitoring the fulfillment of the bank covenants on a monthly basis. The Group has agreed with its financiers higher acceptable ratio for net debt to EBITDA ratio for the end of 2016. The Group expects to fulfill the requirements of the loan agreements [the lenders] also at the end of the first quarter of 2017.

Below are presented the Group's unutilized credit limits as of December 31, 2016. Group's domestic commercial paper program not sold at December 31, 2016 was EUR 20.0 million (2015: EUR 33.0 million).

Committed unutilized credit facilities

EUR MILLION	**2016**	2015
Overdraft facilities, expiring within one year	**20.4**	24.1
Revolving credit facility, expiring beyond one year	**59.9**	79.9
TOTAL	**80.3**	**104.0**

Maturity of the group's financial liabilities

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

2016

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES [4]	CONTRACTUAL CASH FLOWS	2017	2018	2019	2020	2021 ONWARDS	TOTAL
Interest-bearing liabilities									
Loans from financial institutions	70.3	70.3	73.8	30.2	6.7	26.7	5.2	5.1	73.8
Commercial paper program	60.0	60.0	60.0	60.0					60.0
Finance lease	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	35.4	15.0	15.0	15.0					15.0
Derivative liabilities and receivables									
Interest rate and currency derivatives, hedge accounted	0.9	0.9	1.0	0.9	0.0	0.0			1.0
Interest rate derivatives, non-hedge accounted	0.2	0.2	0.3	0.2	0.0	0.0	0.0	0.0	0.3
Currency derivatives, non-hedge accounted	-0.1	-0.1	-0.1	-0.1					-0.1
TOTAL	**166.7**	**146.3**	**150.1**	**106.3**	**6.8**	**26.7**	**5.2**	**5.1**	**150.1**

2015

EUR MILLION	CARRYING VALUE	FINANCIAL LIABILITIES [4]	CONTRACTUAL CASH FLOWS	2016	2017	2018	2019	2020 ONWARDS	TOTAL
Interest-bearing liabilities									
Loans from financial institutions	76.3	76.3	79.8	19.2	27.1	17.4	16.2		79.8
Commercial paper program	47.0	47.0	47.0	47.0					47.0
Finance lease	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-interest-bearing liabilities									
Trade and other non-interest-bearing payables	34.7	16.6	16.6	16.6					16.6
Derivative liabilities and receivables									
Interest rate and currency derivatives, hedge accounted	-0.9	-0.9	-0.7	0.6	-1.2	0.0	0.0		-0.7
Interest rate derivatives, non-hedge accounted	0.4	0.4	0.4	0.2	0.2				0.4
Currency derivatives, non-hedge accounted	-1.6	-1.6	-1.6	-1.6					-1.6
TOTAL	**156.0**	**137.8**	**141.6**	**82.0**	**26.1**	**17.4**	**16.2**	**0.0**	**141.6**

[4] The proportion of the carrying values which are classified as financial liabilities according to IAS 39.

CREDIT AND DEFAULT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The maximum exposure to credit risk is limited to the carrying value of the financial assets as included in the consolidated statement of financial position. The carrying value of financial assets is disclosed in note 23.

The Group follows actively credit and default risks associated with customers and other counterparties. The Group's credit and default risk portfolio did not significantly change during the course of the financial period. The proportional amount of Group's trade receivables which are past due, remained almost at same level as in 2015. Net allowance for credit losses related to trade receivables increased EUR 0.5 million from 2015.

Business related credit risk

The Group's accounts receivables are generated by a large number of customers worldwide and do not include any significant concentrations of credit risk by customer or by geographical area.

The management of credit risk 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. Each business unit is responsible for setting credit limits and monitoring it's credit customers' financial situation. Customers' payment behavior is monitored regularly and delays in payments can 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 Group's finance management before taking final decisions. In exceptional cases, payment terms may be renegotiated.

The group recognizes an impairment loss on trade receivables when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default in payments are considered as indicators that a trade receivable is impaired. No allowance is recognized on trade receivables that are past due, when solvency of the customer is considered solid. The assessment and decision of recognition of an impairment loss is taken locally in each business unit on case-by-case basis.

More information on allowance for trade receivables is presented in note 16.

In the table below is presented analysis of trade receivables that were past due but not impaired.

Analysis of trade receivables that were past due, net of allowance for credit losses

EUR MILLION	2016	2015
Not past due	**37.5**	36.7
Past due		
Less than 1 month	**3.3**	4.3
1-3 months	**3.2**	3.1
3-6 months	**1.4**	1.4
Over 6 months	**1.1**	1.5
TOTAL	**46.4**	**47.0**

Financial credit risk

Financial instruments contain an element of risk resulting from changes in market price of such instruments due to counterparties becoming less creditworthy or risk of loss due to counterparties being unable to meet their obligations. This risk is measured and monitored centrally by the Group Risk Management.

Financial credit risk is managed actively by limiting counterparties to a sufficient number of major banks and financial institutions and monitoring the credit worthiness and exposure size continuously as well as through entering into collateral agreements with certain counterparties. The Group reduces credit risk by executing treasury transactions only with approved counterparties. All significant counterparties are rated with the minimum counterparty credit rating requirement being BBB (S&P). Foreign subsidiaries may have bank accounts in unrated financial institutions. In order to decrease credit risk associated with local banks used by subsidiaries in foreign countries, the subsidiaries are required to deposit their excess cash balances with the Group Treasury on an ongoing basis.

Group's all investments related to liquidity management are made in liquid instruments with low credit risk. For instance, the Group does not have investments in commercial papers.

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.

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.

Group's objective for capital management is to keep:
1. Gearing ratio below 150% and
2. Net interest-bearing debt to EBITDA (rolling 12 months) below 3.8.

The Group capital structure is reviewed by the Board regularly. The Group is not subject to externally imposed capital requirements other than the financial covenants set by the banks, which are derived from the above mentioned key figures. For more information on financial covenants set by the banks and their fulfillment, see section on liquidity risks. The Group has temporarily higher net interest-bearing debt to EBITDA , but the Group's objective is to reach the above target during 2017.

The achievements of the objectives are presented in the table below.

For definitions of key figures, see page 46.

	TARGET	2016	2015
Gearing %	below 150%	**70.6**	77.3
Net interest-bearing debt to EBITDA*	below 3.8	**6.8**	3.9

*EBITDA includes EUR 10.0 million of other items affecting comparibility. Net interest-bearing debt to EBITDA without other items affecting comparability was 4.0. Definitions of the alternative performance measures are presented in Definitions of Key Figures on page 46.

23 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES AND FAIR VALUES

EUR MILLION	NOTE	2016 CARRYING VALUE	2016 FINANCIAL ASSETS AND LIABILITIES [1]	2016 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES [1]	2015 CARRYING VALUE	2015 FINANCIAL ASSETS AND LIABILITIES [1]	2015 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES [1]
FINANCIAL ASSETS							
Loans and receivables [2]							
Non-current financial assets							
Loan receivables	16	**0.0**	**0.0**	**0.0**	0.9	0.9	0.9
Other interest-bearing receivables	16	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Non-interest-bearing receivables	16	**0.3**	**0.1**	**0.1**	0.5	0.4	0.4
Current financial assets							
Cash and cash equivalents	18	**33.8**	**33.8**	**33.8**	11.4	11.4	11.4
Loan receivables	16	**0.9**	**0.9**	**0.9**	1.0	1.0	1.0
Trade and other non-interest-bearing receivables	16	**52.4**	**46.3**	**46.3**	53.8	46.7	46.7
Available-for-sale financial assets							
Available-for-sale investments	15	**0.3**	**0.3**	**0.3**	0.3	0.3	0.3
Financial assets at fair value through income statement - held-for-trading							
Currency derivatives - non-hedge accounted	16, 22	**0.8**	**0.8**	**0.8**	1.8	1.8	1.8
Hedge accounted derivatives							
Currency derivatives - fair value hedges	16, 22				1.9	1.9	1.9
FINANCIAL LIABILITIES							
Financial liabilities at fair value through income statement - held-for-trading							
Interest rate and currency derivatives - non-hedge accounted	22, 25	**0.9**	**0.9**	**0.9**	0.6	0.6	0.6
Hedge accounted derivatives							
Interest rate derivatives - cash flow hedges	22, 25	**0.3**	**0.3**	**0.3**	1.0	1.0	1.0
Currency derivatives - fair value hedges	22, 24	**0.5**	**0.5**	**0.5**			
Financial liabilities measured at amortized cost [2]							
Non-current financial liabilities							
Loans from financial institutions	24	**41.5**	**41.5**	**41.5**	58.5	58.5	58.7
Finance lease	24	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Other non-interest-bearing liabilities	25	**0.1**	**0.1**	**0.1**	0.1	0.1	0.1
Current financial liabilities							
Loans from financial institutions	24	**28.8**	**28.8**	**28.8**	17.8	17.8	17.8
Commercial paper program	24	**60.0**	**60.0**	**60.0**	47.0	47.0	47.0
Finance lease	24	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Trade and other non-interest-bearing payables	25	**35.4**	**15.0**	**15.0**	34.6	16.6	16.6

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

[2] Fair value hierarchy level 2.

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

				2016				2015
EUR MILLION	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
FINANCIAL ASSETS AT FAIR VALUE								
Available-for-sale financial assets								
Available-for-sale investments	**0.3**			**0.3**	0.3			0.3
Financial assets at fair value through income statement - held-for-trading								
Currency derivatives - non-hedge accounted	**0.8**		**0.8**		1.8		1.8	
Hedge accounted derivatives								
Currency derivatives - fair value hedges					1.9		1.9	
TOTAL	**1.0**		**0.8**	**0.3**	**4.0**		**3.7**	**0.3**
FINANCIAL LIABILITIES AT FAIR VALUE								
Financial liabilities at fair value through income statement - held-for-trading								
Currency and interest derivatives - non-hedge accounted	**0.9**		**0.9**		0.6		0.6	
Hedge accounted derivatives								
Interest rate derivatives - cash flow hedges	**0.3**		**0.3**		1.0		1.0	
Currency derivatives - fair value hedges	**0.5**		**0.5**					
TOTAL	**1.7**		**1.7**		**1.6**		**1.6**	

FAIR VALUE OF 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 hierarchy 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, 2016, 23.3% (2015: 27.8%) of non-current loans based on floating rates was connected to one-month euribor, libor or similar and the rest to maximum six-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	AVERAGE INTEREST RATE 2016, % 1)	2016	2015
Non-current interest-bearing liabilities			
Loans from financial institutions	**2.56**	**41.5**	58.5
Finance lease	**6.33**	**0.0**	0.0
Current interest-bearing liabilities			
Loans from financial institutions	**3.55**	**3.4**	2.4
Current portion of non-current loans from financial institututions	**2.06**	**25.4**	15.5
Commercial paper program	**0.63**	**60.0**	47.0
Finance lease	**6.33**	**0.0**	0.0
Derivatives		**0.5**	
TOTAL		**130.8**	**123.4**

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.

Fair values of financial liabilities are presented in the note 23.

INTEREST-BEARING LIABILITIES BY CURRENCY

EUR MILLION	2016 NON-CURRENT	2016 CURRENT	2015 NON-CURRENT	2015 CURRENT
Loans from financial institutions				
EUR	**15.0**	**18.5**	22.3	14.1
USD	**16.8**	**4.5**	19.3	3.4
GBP	**9.6**	**4.8**	16.9	
AUD	**0.0**	**0.0**	0.1	0.0
ZAR		**0.9**		0.3
Commercial paper program				
EUR		**60.0**		47.0
Finance lease				
Other	**0.0**	**0.0**	0.0	0.0
TOTAL	**41.5**	**88.8**	**58.6**	**64.8**

25 NON-INTEREST-BEARING LIABILITIES

EUR MILLION	2016	2015
Non-current non-interest-bearing liabilities		
Derivatives	**0.2**	1.3
Other non-current liabilities	**0.1**	0.1
Current non-interest-bearing liabilities		
Trade payables	**15.0**	16.6
Accrued employee-related expenses	**10.4**	9.7
Other accrued expenses and deferred income	**5.2**	5.9
Derivatives	**1.0**	0.2
Advances received	**0.6**	0.5
VAT payable	**1.6**	1.0
Other current liabilities	**2.5**	1.0
TOTAL	**36.6**	**36.3**

Other non-current non-interest-bearing liabilities include contingent considerations of business combinations and other acquisitions on the date of acquisition. Fair values of financial liabilities are presented in the note 23.

26 COMMITMENTS AND CONTINGENCIES

Since Normark Logistics Europe 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

The Group's management does not have knowledge of any 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	2016	2015
Within one year	**5.2**	4.7
1–3 years	**6.1**	5.7
3–5 years	**2.2**	2.8
Later than 5 years	**0.6**	1.2
TOTAL	**14.2**	**14.4**

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	2016	2015
Within one year	**0.3**	0.0
1–3 years	**0.2**	
TOTAL	**0.4**	**0.0**

Some of the offices and warehouses 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

The Group's related parties include subsidiaries, associates, management and entities with significant influence. Subsidiaries owned directly or indirectly by the parent company as well as associates and foreign branches are listed in note 32. Related party transactions between Group companies have been eliminated. Entities with significant influence are specified in section 'Shares and Shareholders'.

TRANSACTIONS AND BALANCES WITH RELATED PARTIES

EUR MILLION	SALES AND OTHER INCOME	PURCHASES	PAID RENTS	OTHER EXPENSES	RECEIVABLES	PAYABLES
2016						
Joint venture Shimano Normark UK Ltd. 1)	**2.8**					
Associated company Lanimo Oü		**-0.1**			**0.0**	
Entity with significant influence over the Group 2)			**-0.2**	**-0.1**	**0.0**	
Management			**-0.2**	**0.0**		**0.0**
2015						
Joint venture Shimano Normark UK Ltd.	3.6			0.0	0.1	
Associated company Lanimo Oü	0.0	-0.1			0.0	
Entity with significant influence over the Group 2)			-0.2	-0.1	0.0	
Management			-0.2	0.0		0.0

1) Group's share in joint venture disposed on September 1, 2016.

2) Lease agreement for the real estate for the consolidated operations in France and a service fee. Entity with significant influence is Viellard Migeon & Cie, who's shareholding alone and together with its subsidiary is presented in section 'Shares and Shareholders'.

EMPLOYEE BENEFITS FOR TOP MANAGEMENT

EUR MILLION	2016	2015
Salaries and other short-term employee benefits	**-3.8**	-3.6
TOTAL	**-3.8**	**-3.6**

Top management consists of members of the Board of Directors, CEO and other members of the Executive Committee. Jussi Ristimäki was appointed as President and CEO of the Group on September 1, 2016 when Jorma Kasslin took the role of Chairman of the Board and left his position in the Executive Committee. Jan-Henrik Schauman left his position in the Board of Directors in 2016. In 2015 Aku Valta and Cyrille Viellard were appointed as new members to Executive Committee and in 2016 Arto Nygren was appointed to executive committee as of January 1, 2017. Juhani Pehkonen left the Executive Committee on December 31, 2016.

On December 31, 2016, the members of the Board and the Executive Committee held (shares and share-based rights of each member and corporations over which he/she exercises control in the company and its group companies) a total of 19 113 Rapala VMC Corporation shares (on December 31, 2015: 3 000). Top management owned 0.0% (0.0) of the issued share capital and voting rights of the company on December 31, 2016. In 2016 and 2015, no share-based incentive plans were granted to top management. Details of top management shareholdings are given in the section 'Board and Management'.

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	2016	2015
Salaries and other short-term employee benefits		
Jussi Ristimäki, CEO starting from Sept 1, 2016	**-0.2**	
Jorma Kasslin, CEO until Aug 31, 2016 3)	**-0.3**	-0.5
TOTAL	**-0.5**	**-0.5**

3) Excluding compensation for being a member of the Board which is presented in section employee benefits for Board of Directors.

In 2016 acting as a CEO, Jussi Ristimäki's base salary and benefits from the time September 1 - December 31, 2016 amounted to EUR 84 000, which was paid in cash. CEO is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. During September 1 - December 31, 2016 he was not paid any bonus accruing from year 2015. Bonus accrued for the full year of 2016 amounted to EUR 58 421. The CEO's pension security is arranged under the statutory Finnish contribution based employee pension plan. There is no additional pension scheme.

A mutual notice time of six months shall be applied when terminating the CEO. If the CEO is dismissed by the corporation without a reason stipulated in the agreement the CEO is entitled to a severance compensation corresponding to 12 months' salary (excluding profit bonuses).

In 2016 acting as a CEO, Jorma Kasslin's base salary and benefits from the time January 1 – August 31, 2016 amounted to EUR 240 867, of which EUR 40 867 was paid in cash and EUR 200 000 as personal supplementary pension insurance policy.

Supplementary pension insurance policy was CEO's personal arrangement. As CEO he was also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. His bonus paid in 2016 totaled EUR 74 384 accruing from year 2015. In addition to the annual salary, CEO was paid in 2016 EUR 36 141 to arrange a pension security corresponding to the Finnish statutory employee pension plan. In addition, he had 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 corresponded to the Finnish employee pension plan. Being a member of the board, Jorma Kasslin was entitled to the same compensation as the other board members.

EMPLOYEE BENEFITS FOR OTHER MEMBERS OF THE EXECUTIVE COMMITTEE

EUR MILLION	2016	2015
Salaries and other short-term employee benefits	**-2.9**	-2.7
TOTAL	**-2.9**	**-2.7**

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 established sales, result 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, to encourage retention of senior management. Principally the bonus can be no more than 100 percent of the annual salary.

EMPLOYEE BENEFITS FOR BOARD OF DIRECTORS

EUR MILLION	2016	2015
Salaries and other short-term employee benefits		
Jorma Kasslin, Chairman of the Board starting from Sep 1, 2016	**-0.2**	0.0
Emmanuel Viellard, Chairman of the Board until Aug 31, 2016	**-0.1**	-0.1
Other Board members	**-0.2**	-0.2
TOTAL	**-0.5**	**-0.4**

In 2016, the annual fee to the Chairman of the Board was EUR 80 000 and the fee to other Board members was EUR 30 000. In addition a reward of EUR 1 000 was paid of a Board or its Committee meetings after AGM. Members of the Board are reimbursed for travel expenses corresponding to the corporation's traveling compensation principles.

Chairman of the Board Jorma Kasslin signed a service agreement with the Group on September 1, 2016 which designates as his duties to answer of strategy process and on the matters affecting the Group more widely together with the CEO. As of September 1, 2016 based on the service agreement Jorma Kasslin was paid a reward of EUR 116 668, of which EUR 16 668 was paid in cash and EUR 100 000 as personal supplementary pension insurance policy. He is also entitled to a profit bonus according to the principles of the Group's senior management bonus scheme. During September 1 - December 31, 2016 he was not paid any bonus accruing from year 2015. Bonus accrued for the full year of 2016 amounted to EUR 57 409.

29 SHARE-BASED PAYMENTS

During the period the Group did not have any share-based incentive programs.

30 EARNINGS PER SHARE

	2016	2015
Net profit (loss) for the period attributable to the equity holders of the parent company, EUR million	**-3.0**	6.7
Weighted average number of shares, 1 000 shares	**38 329**	38 366
Diluted weighted average number of shares, 1 000 shares	**38 329**	38 366
Earnings per share, EUR	**-0.08**	0.17
Diluted earnings per share, EUR	**-0.08**	0.17

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

31 EVENTS AFTER THE BALANCE SHEET DATE

Following the decisions by the Board of Directors on February 15, 2017 the Group has started codetermination negotiations. The aim of the negotiations will be to find solutions where the number of Rapala VMC Corporation's and Marttiini Oy's employees is in line with scope and profitability of current operations. In Rapala VMC Corporation's lure factory in Vääksy the negotiations will cover plans to transfer parts of production to Group's factories in Russia and Estonia. Correspondingly the possible transfer of production together with Group's declined profitability will also lead to reorganization of the work of white-collar personnel in Vääksy factory as well as in Helsinki headquarters. Marttiini Oy knife factory has started codetermination negotiations concerning duplicate production functions (among others assembly, shipping and packaging) in Rovaniemi and Pärnu, Estonia, factories. The aim is to have about EUR 1.5 million annual savings which will be realized in 2018.

The Group has no knowledge of any other significant events after the balance sheet date that would have a material impact on the financial statements for 2016. Other material events after the balance sheet date have been discussed in the Report of the Board of Directors.

32 GROUP COMPANIES

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Nordic				
Normark Denmark A/S	*	Denmark	100	Distribution
KL-Teho Oy	*	Finland	100	Manufacturing
Marttiini Oy	*	Finland	100	Manufacturing
Normark Logistics Europe Oy	*	Finland	100	Sourcing
Normark Suomi Oy		Finland	100	Distribution
Peltonen Ski Oy		Finland	100	Manufacturing
Rapala Shimano East Europe Oy	1)	Finland	50	Administration
Rapala VMC Iceland ehf	*	Iceland	100	Distribution
Normark Norway AS	*	Norway	100	Distribution
Remen Slukfabrikk AS		Norway	100	Administration
Vangen AS		Norway	100	Administration
Normark Scandinavia AB	*	Sweden	100	Distribution
Rest of Europe				
FLLC Normark	1)	Belarus	50	Distribution
Rapala Europe Finance N.V.	*	Belgium	100	Administration
Rapala Finance N.V.	*	Belgium	100	Administration
Normark S.r.o.	1)	Czech Republic	50	Distribution
Marttiini Oü		Estonia	100	Manufacturing
Normark Eesti Oü		Estonia	100	Distribution
Rapala Eesti AS	*	Estonia	100	Manufacturing
Mystic s.a.r.l.		France	100	Manufacturing
Rapala France SAS	*	France	100	Distribution
VMC Péche SA	*	France	100	Manufacturing
Normark Hungary Ltd	*	Hungary	66.6	Distribution
Normark Kazakhstan LLP	1)	Kazakhstan	50	Distribution
SIA Normark Latvia		Latvia	100	Distribution
Normark UAB		Lithuania	100	Distribution
Rapala B.V.	*	Netherlands	100	Administration
Normark Polska Sp.z.o.o.	*	Poland	100	Distribution
Normark Portugal SA		Portugal	100	Distribution
SC Normark Sport Romania S.r.l.		Romania	66.6	Distribution
OOO Raptech	*	Russia	100	Manufacturing
AO Normark	1)	Russia	50	Distribution
Normark Spain SA	*	Spain	100	Distribution
Rapala-Fishco AG	*	Switzerland	100	Distribution
ACE Ltd.		UK	100	Administration
Dynamite Baits Ltd.	*	UK	100	Manufacturing
Normark Sport Ltd.		UK	100	Administration
VMC-Water Queen Ukraine	1)	Ukraine	50	Distribution
North America				
Normark Inc.		Canada	100	Distribution
NC Holdings Inc.	*	USA	100	Administration
Normark Corporation		USA	100	Distribution
Normark Innovations, Inc.		USA	100	Sourcing
VMC Inc.		USA	100	Distribution

SUBSIDIARIES BY GEOGRAPHICAL AREA		COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Rest of the World				
Rapala VMC Australia Pty Ltd	*	Australia	100	Distribution
Rapala V.M.C. Do Brazil	*	Brazil	100	Distribution
Normark Chile Ltd		Chile	100	Distribution
Rapala VMC China Co.	*	China	100	Distribution
Rapala VMC (ShenZhen) Ltd		China	100	Sourcing
Willtech (PRC) Ltd.		Hongkong	100	Sourcing
PT Rapala Indonesia	*	Indonesia	100	Distribution
PT Rapala VMC Batam		Indonesia	100	Manufacturing
PT VMC Fishing Tackle Indonesia		Indonesia	100	Manufacturing
Rapala Japan K.K.	*	Japan	100	Distribution
Rapala VMC (Asia Pacific) Sdn Bhd.	*	Malaysia	100	Distribution
Rapala VMC Mexico S. de R.L. de C.V		Mexico	100	Distribution
Rapala VMC South-Africa Distributors Pty Ltd.	*	South Africa	70	Distribution
Rapala VMC Korea Co., Ltd	*	South Korea	100	Distribution
Rapala VMC Singapore Pte. Ltd.		Singapore	100	Administration
Rapala VMC (Thailand) Co., Ltd.	*	Thailand	100	Distribution
Rapala MENA FZE	2)	United Arab Emirates	70	Distribution

ASSOCIATED COMPANIES AND JOINT VENTURES	COUNTRY	GROUP HOLDING (%)	NATURE OF ACTIVITY
Lanimo Oü	Estonia	33,3	Manufacturing

FOREIGN BRANCHES

Rapala VMC (Hong Kong) Ltd, branch office in Taiwan
Normark S.r.o., branch office in Slovak Republic

1) Controlled by the Rapala Group.
2) Established in 2016.
* Shares owned by the parent company.

DEFINITIONS OF KEY FIGURES

Operating profit before depreciation and impairments (EBITDA)	= Operating profit + depreciation and impairments
Items affecting comparability	= Change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Other items affecting comparability	= Restructuring costs + impairments +/- gains and losses on business combinations and disposals - insurance compensations +/- other non-operational items
Comparable operating profit	= Operating profit +/- change in mark-to-market valuations of operative currency derivatives +/- other items affecting comparability
Net interest-bearing debt	= Total interest-bearing liabilities - total interest-bearing assets - cash and cash equivalents
Capital employed (average for the period)	= Total equity (average for the period) + net interest-bearing debt (average for the period)
Working capital	= Inventories + total non-interest-bearing assets - total non-interest-bearing liabilities
Total non-interest-bearing assets	= Total assets - interest-bearing assets - intangible and tangible assets - assets classified as held-for-sale
Total non-interest-bearing liabilities	= Total liabilities - interest-bearing liabilities
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 (loss) 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-assets ratio, %	= Total equity x 100 / Total shareholders' equity and liabilities - advances received
Earnings per share, EUR	= Net profit (loss) for the period attributable to the equity holders of the parent 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 (loss) for the period attributable to the equity holders of the parent company
Equity per share, EUR	= Equity attributable to equity holders of the parent 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, exluding own shares x share price at the end of the period
Average number of personnel	= Calculated as average of monthly end personnel amounts

PARENT COMPANY FINANCIAL STATEMENTS, FAS

PARENT COMPANY INCOME STATEMENT

EUR	NOTE	2016	2015
Net sales	2	**27 592 687**	31 694 302
Other operating income	3	**73 048**	114 096
Change in inventory of finished products and work in progress		**-501 057**	461 538
Production for own use		**93 417**	157 516
Materials and services	5	**-11 712 658**	-11 978 615
Employee benefit expenses	6	**-8 201 613**	-8 646 927
Other operating expenses	4	**-6 285 140**	-1 867 196
Operating profit before depreciation and impairments		**1 058 684**	**9 934 715**
Depreciation and impairments	7	**-1 286 814**	-1 244 087
Operating profit		**-228 130**	**8 690 627**
Financial income and expenses	8	**978 608**	11 845 902
Profit before appropriations and taxes		**750 479**	**20 536 529**
Appropriations	9	**449 401**	-158 110
Income taxes	10	**-9 446**	-66 463
NET PROFIT FOR THE PERIOD		**1 190 434**	**20 311 956**

PARENT COMPANY BALANCE SHEET

ASSETS

EUR	NOTE	2016	2015
Non-current assets			
Intangible assets	11	**659 174**	854 868
Tangible assets	12	**6 302 315**	6 289 099
Investments	13	**173 365 170**	174 976 608
Interest-bearing receivables	15	**16 792 899**	15 477 948
Non-interest-bearing receivables	15	**174 289**	186 328
Total non-current assets		**197 293 848**	**197 784 851**
Current assets			
Inventories	14	**5 648 439**	6 815 290
Current financial assets			
Interest-bearing	15	**24 276 013**	25 620 798
Non-interest-bearing	15	**5 662 885**	8 769 015
Cash and cash equivalents		**20 532 626**	63 400
Total current assets		**56 119 964**	**41 268 502**
TOTAL ASSETS		**253 413 811**	**239 053 353**

SHAREHOLDERS' EQUITY AND LIABILITIES

EUR	NOTE	2016	2015
Shareholders' equity			
Share capital		**3 552 160**	3 552 160
Share premium fund		**16 680 961**	16 680 961
Fair value reserve		**-245 144**	-874 141
Fund for invested non-restricted equity		**4 914 371**	4 914 371
Own shares		**-5 553 393**	-5 392 359
Retained earnings		**24 762 072**	10 198 535
Net income for the period		**1 190 434**	20 311 956
Total shareholders' equity	16	**45 301 462**	**49 391 483**
Appropriations		**1 745 635**	1 495 036
Non-current liabilities			
Interest-bearing		**49 278 611**	66 432 052
Non-interest-bearing		**198 027**	1 430 308
Total non-current liabilities	17	**49 476 639**	**67 862 360**
Current liabilities			
Interest-bearing		**150 606 762**	115 981 641
Non-interest-bearing		**6 283 314**	4 322 832
Total current liabilities	17	**156 890 076**	**120 304 473**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**253 413 811**	**239 053 353**

PARENT COMPANY STATEMENT OF CASH FLOWS

EUR THOUSAND	NOTE	2016	2015
Net profit for the period		**1 190**	20 312
Adjustments			
Income taxes	10	**9**	66
Financial income and expenses	8	**-979**	-11 846
Reversal of non-cash items			
Depreciation and impairments	7	**1 287**	1 244
Other items		**2 075**	2 400
Total adjustments		**2 393**	**-8 136**
Financial items			
Interest paid		**-3 976**	-3 699
Interest received		**1 811**	585
Income taxes paid		**235**	-568
Other financial items, net		**84**	127
Total financial items		**-1 846**	**-3 555**
Change in working capital			
Change in receivables		**1 442**	2 242
Change in inventories		**545**	-283
Change in liabilities		**1 179**	-22 722
Total change in working capital		**3 166**	**-20 763**
Net cash generated from operating activities		**4 903**	**-12 143**
Net cash used in investing activities			
Purchases of intangible assets	11	**-32**	-127
Proceeds from sale of tangible assets	12	**65**	53
Purchases of tangible assets	12	**-1 138**	-1 101
Investments to subsidiaries and acquisitions of subsidiaries	13		-545
Disposal of subsidiaries	13		4
Disposal of joint ventures	13	**1 214**	
Repayment of capital	13		563
Change in interest-bearing receivables		**360**	-8 099
Dividends received	8	**5 000**	27 001
Total net cash used in investing activities		**5 470**	**17 750**
Net cash generated from financing activities			
Dividends paid		**-5 478**	-7 672
Purchase of own shares		**-161**	-172
Loan withdrawals		**136 917**	121 889
Loan repayments		**-122 210**	-120 888
Group contributions received			900
Total net cash generated from financing activities		**8 798**	**-5 943**
Change in cash and cash equivalents		**19 171**	-336
Cash and cash equivalents at the beginning of the period		**63**	256
Foreign exchange rate effect		**1 299**	143
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**20 533**	**63**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

The financial statements of Rapala VMC Corporation have been prepared according to Finnish Accounting Standards (FAS).

Foreign currency transactions
Monetary assets and liabilities denominated in foreign currencies are translated into euros using the exchange rates at the balance sheet date and exchange differences arising from translation are recognized in the income statement.

Revenue recognition
Sales of goods and services are recognized on accrual basis when the significant risks related to goods and services sold have passed to the buyer and it is not probable that the client would return the goods. Net sales comprise of gross sales less cash discounts and sales taxes.

Research and development costs
Research and development costs are expensed as they are incurred, unless they clearly relate to developing new business areas. Such development costs 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 accrued and future development costs and related production, selling and administrative expenses, and other possible costs related to the project.

Capitalized development expenses are amortized on a straight-line basis over their expected useful lives, a maximum of five years.

Inventories
Inventories are valued at the lower of cost or net realizable value using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises of raw materials, direct labor costs including social costs and other direct costs. Inventories are shown net of a reserve for obsolete or slow-moving inventories.

Tangible and intangible assets
Tangible and intangible assets are stated at historical cost excluding accumulated depreciation according to plan. Planned depreciation is based on historical cost and expected useful life. Land is not depreciated. Depreciation is based on the following expected useful lives:

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

Pension arrangements
All of the company's pension arrangements are defined contribution plans, with the majority being local statutory arrangements. Pension costs are expensed as incurred.

Valuation of financial 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. Fair value of standard foreign currency forwards are determined by discounting the future nominal cash flows with relevant interest rates and then converting the discounted cash flows to the foreign currency using spot rates. Determination of fair values of other derivative instruments are based on quoted market prices and rates, discounting of cash flows and option valuation models. The fair values of these instruments are either computed by Bloomberg market data tool by the company or received from the respective bank.

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 directly in equity and the ineffective portion is recognized immediately in the income statement as well as the change in fair value of the contracts that are not designated to hedge accounting.

Own shares
Own shares acquired by the company, including directly attributable costs, are presented as a deduction from the total equity on the day of trading. Purchases or subsequent sales of treasury shares are presented as changes in equity.

2 NET SALES

EUR THOUSAND	2016	2015
By destination		
North America	**16 249**	18 942
Nordic	**1 839**	2 811
Rest of Europe	**5 077**	5 906
Rest of the World	**4 428**	4 035
TOTAL	**27 593**	**31 694**

The parent company's net sales consist of Lure Business which is included in Group Products in the consolidated operating segment reporting.

3 OTHER OPERATING INCOME

EUR THOUSAND	2016	2015
Rental income	**21**	21
Compensation from disputes		66
Reversal of contingent consideration	**41**	
Gains from sale of intangible and tangible assets	**9**	20
Other income	**1**	8
TOTAL	**73**	**114**

4 OTHER OPERATING EXPENSES

EUR THOUSAND	2016	2015
Maintenance	**-1 318**	-1 441
Selling and marketing expenses	**-715**	-788
Traveling expenses	**-497**	-525
IT and telecommunication	**-407**	-486
Rents paid	**-402**	-402
Auditors fees and services	**-164**	-120
Freight	**-71**	-76
Sales commissions	**-76**	-54
Losses on disposals of intangible and tangible assets	**-10**	-3
Loss on disposal of joint venture	**-398**	
Currency derivatives	**460**	4 600
Other expenses	**-2 687**	-2 573
TOTAL	**-6 285**	**-1 867**

AUDITORS' FEES AND SERVICES

EUR THOUSAND	2016	2015
Audit fees	**-164**	-120
TOTAL	**-164**	**-120**

5 MATERIALS AND SERVICES

EUR THOUSAND	2016	2015
Materials, goods and supplies		
Purchases during the financial year	**-11 025**	-11 774
Change in inventory	**-666**	-179
External services	**-22**	-25
TOTAL	**-11 713**	**-11 979**

6 EMPLOYEE BENEFIT EXPENSES

EUR THOUSAND	2016	2015
Wages and salaries	**-6 569**	-6 953
Pension costs	**-1 205**	-1 231
Other personnel expenses	**-428**	-462
TOTAL	**-8 202**	**-8 647**
Average personnel for the period	**147**	**156**

Annual fees for the Board of Directors amounted to EUR 278 thousand (2015: EUR 370 thousand).

7 DEPRECIATION AND IMPAIRMENTS

EUR THOUSAND	2016	2015
Amortization of intangible assets		
Trademarks	**-93**	-92
Other intangible assets	**-134**	-94
Depreciation of tangible assets		
Buildings	**-64**	-103
Machinery and equipment	**-881**	-841
Other tangible assets	**-115**	-114
TOTAL	**-1 287**	**-1 244**

8 FINANCIAL INCOME AND EXPENSES

EUR THOUSAND	2016	2015
Dividend income	**5 000**	27 001
Foreign exchange gains	**6 738**	6 338
Foreign exchange losses	**-3 826**	-12 565
Impairment losses		
Investments in Group companies		-5 233
Non-current loan receivables		-1 675
Interest and other financial income		
Interest income	**1 061**	1 376
Other financial income	**370**	1 550
Interest and other financial expenses		
Interest expenses	**-3 498**	-3 378
Other financial expenses	**-4 867**	-1 567
TOTAL	**979**	**11 846**

FINANCIAL INCOME AND EXPENSES FROM AND TO SUBSIDIARIES

EUR THOUSAND	2016	2015
Dividend income from subsidiaries	**5 000**	27 000
Impairment losses		
Investments in Group companies		-5 233
Non-current loan receivables		-1 675
Interest and other financial income		
Interest income	**982**	1 356
Other financial income	**210**	212
Interest and other financial expenses		
Interest expenses	**-321**	-274
TOTAL	**5 870**	**21 385**

TRANSLATION DIFFERENCES RECOGNIZED IN THE INCOME STATEMENT

EUR THOUSAND	2016	2015
Translation differences recognized in net sales	**445**	1 023
Translation differences included in purchases and other expenses	**56**	40
Foreign exchange gains and losses in financial income and expenses	**2 912**	-6 227
TOTAL	**3 413**	**-5 164**

9 APPROPRIATIONS

EUR THOUSAND	2016	2015
Change in depreciation difference	**-251**	-158
Group contribution	**700**	
TOTAL	**449**	**-158**

CHANGE IN DEPRECIATION DIFFERENCE

EUR THOUSAND	2016	2015
Intangible assets	**0**	-36
Buildings	**-19**	12
Machinery and equipment	**-231**	-134
TOTAL	**-251**	**-158**

10 INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR THOUSAND	2016	2015
Income taxes on operating activities		-63
Taxes from previous financial years	**-9**	-4
TOTAL	**-9**	**-66**

Deferred tax assets and liabilities of the parent company are not presented in the parent company's balance sheet.

11 INTANGIBLE ASSETS

2016

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	**924**	**2 282**	**3 206**
Additions	**6**	**26**	**32**
ACQUISITION COST DEC. 31	**930**	**2 307**	**3 238**
Accumulated amortization Jan. 1	**-563**	**-1 789**	**-2 352**
Amortization during the period	**-93**	**-134**	**-227**
ACCUMULATED AMORTIZATION DEC. 31	**-656**	**-1 923**	**-2 579**
Book value Jan. 1	**361**	**493**	**854**
Book value Dec. 31	**274**	**384**	**659**

2015

EUR THOUSAND	TRADEMARKS	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost Jan. 1	924	1 780	**2 704**
Additions		127	**127**
Reclassifications		374	**374**
ACQUISITION COST DEC. 31	**924**	**2 282**	**3 206**
Accumulated amortization Jan. 1	-470	-1 695	**-2 165**
Amortization during the period	-92	-94	**-186**
ACCUMULATED AMORTIZATION DEC. 31	**-563**	**-1 789**	**-2 352**
Book value Jan. 1	454	85	**539**
Book value Dec. 31	361	493	**854**

12 TANGIBLE ASSETS

2016

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	106	4 679	18 132	1 536	389	24 842
Additions		13	110	6	1 009	1 138
Disposals			-47	-39		-86
Reclassifications			882	14	-896	
ACQUISITION COST DEC. 31	106	4 691	19 077	1 517	502	24 894
Accumulated depreciation Jan. 1		-3 944	-13 690	-919		-18 553
Disposals			8	13		21
Depreciation during the period		-64	-881	-115		-1 060
ACCUMULATED DEPRECIATION DEC. 31		-4 008	-14 563	-1 021		-19 592
Book value Jan. 1	106	735	4 442	617	389	6 289
Book value Dec. 31	106	684	4 514	496	502	6 302

2015

EUR THOUSAND	LAND	BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS	TOTAL
Acquisition cost Jan. 1	106	4 646	17 123	1 504	849	24 227
Additions		16	145	121	836	1 118
Disposals			-12	-118		-130
Reclassifications		17	877	28	-1 296	-374
ACQUISITION COST DEC. 31	106	4 679	18 132	1 536	389	24 842
Accumulated depreciation Jan. 1		-3 841	-12 849	-873		-17 563
Disposals				68		68
Depreciation during the period		-103	-841	-114		-1 058
ACCUMULATED DEPRECIATION DEC. 31		-3 944	-13 690	-919		-18 553
Book value Jan. 1	106	805	4 273	630	849	6 664
Book value Dec. 31	106	735	4 442	617	389	6 289

13 INVESTMENTS

2016

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	**173 136**	**1 612**	**228**	**174 976**
Disposals		**-1 612**		**-1 612**
BOOK VALUE DEC. 31	**173 136**		**228**	**173 365**

2015

EUR THOUSAND	SHAREHOLDINGS IN SUBSIDIARIES	HOLDINGS IN JOINT VENTURES	AVAILABLE-FOR-SALE INVESTMENTS	TOTAL
Book value Jan. 1	178 388	1 612	234	**180 234**
Additions	545			**545**
Disposals	0		-6	**-6**
Repayment of capital	-563			**-563**
Impairment losses	-5 233			**-5 233**
BOOK VALUE DEC. 31	**173 136**	**1 612**	**228**	**174 976**

14 INVENTORIES

EUR THOUSAND	2016	2015
Raw material	**1 407**	2 073
Work in progress	**2 856**	3 101
Finished products	**1 385**	1 641
TOTAL	**5 648**	**6 815**

15 RECEIVABLES

EUR THOUSAND	2016	2015
Non-current receivables		
Interest-bearing		
Loan receivables	**16 793**	13 611
Derivatives		1 867
Non-interest-bearing		
Derivatives		186
Other receivables	**174**	
Current receivables		
Interest-bearing		
Loan receivables	**24 276**	25 621
Non-interest-bearing		
Trade receivables	**2 239**	3 300
Prepaid expenses and accrued income	**879**	1 172
Other receivables	**1 776**	2 642
Derivatives	**768**	1 656
TOTAL	**46 906**	**50 054**

RECEIVABLES FROM SUBSIDIARIES

EUR THOUSAND	2016	2015
Non-current receivables		
Interest-bearing		
Loan receivables	**16 793**	13 611
Current receivables		
Interest-bearing		
Loan receivables	**24 276**	25 621
Non-interest-bearing		
Trade receivables	**2 204**	3 289
Prepaid expenses and accrued income		13
Other receivables	**1 776**	2 642
Derivatives	**7**	
TOTAL	**45 057**	**45 175**

16 SHAREHOLDERS' EQUITY

EUR THOUSAND	2016	2015
Share capital Jan. 1	**3 552**	3 552
SHARE CAPITAL DEC. 31	**3 552**	**3 552**
Share premium fund Jan. 1	**16 681**	16 681
SHARE PREMIUM FUND DEC. 31	**16 681**	**16 681**
Fair value reserve Jan. 1	**-874**	-1 433
Gains and losses on cash flow hedges	**629**	559
FAIR VALUE RESERVE DEC. 31	**-245**	**-874**
Fund for invested non-restricted equity Jan. 1	**4 914**	4 914
FUND FOR INVESTED NON- RESTRICTED EQUITY DEC. 31	**4 914**	**4 914**
Own shares Jan. 1	**-5 392**	-5 221
Purchase of own shares	**-161**	-172
OWN SHARES DEC. 31	**-5 553**	**-5 392**
Retained earnings Jan. 1	**30 510**	17 871
Dividends paid	**-5 748**	-7 672
RETAINED EARNINGS DEC. 31	**24 762**	**10 199**
Net income for the period	**1 190**	20 312
TOTAL SHAREHOLDERS' EQUITY	**45 301**	**49 391**

DISTRIBUTABLE FUNDS

EUR	2016	2015
Fund for invested non-restricted equity	**4 914 371**	4 914 371
Retained earnings	**24 762 072**	10 198 535
Own shares	**-5 553 393**	-5 392 359
Fair value reserve	**-245 144**	-874 141
Net income for the period	**1 190 434**	20 311 956
TOTAL DISTRIBUTABLE FUNDS	**25 068 341**	**29 158 362**

PARENT COMPANY SHARE CAPITAL

	2016	2015
Shares	**39 000 000**	39 000 000
EUR	**3 510 000**	3 510 000

Each share is entitled to one vote. Information on Board's authorizations, own shares and dividend is available in the section Shares and shareholders.

17 LIABILITIES

EUR THOUSAND	2016	2015
Non-current liabilities		
Interest-bearing		
Loans from financial institutions	**41 479**	58 632
Other non-current liabilities	**7 800**	7 800
Non-interest-bearing		
Other liabilities	**47**	103
Derivatives	**151**	1 327
Current liabilities		
Interest-bearing		
Loans from financial institutions	**27 340**	16 681
Commercial paper program	**60 000**	47 000
Derivatives	**541**	
Other current liabilities	**62 726**	52 300
Non-interest-bearing		
Derivatives	**1 043**	308
Trade payables	**2 786**	1 672
Accrued liabilities and deferred income	**2 454**	2 343
TOTAL	**206 367**	**188 167**

LIABILITIES TO SUBSIDIARIES

EUR THOUSAND	2016	2015
Non-current liabilities		
Interest-bearing		
Other non-current liabilities	**7 800**	7 800
Current liabilities		
Interest-bearing		
Other non-current liabilities	**62 726**	52 300
Non-interest-bearing		
Derivatives		64
Trade payables	**1 739**	788
Accrued liabilities and deferred income		12
TOTAL	**72 265**	**60 964**

All loans included in non-current liabilities mature in less than five years.

18 LEASE CONTRACTS

PARENT COMPANY AS A LESSEE

Repayment schedule of non-cancellable operating lease commitments

EUR THOUSAND	2016	2015
Within one year	376	374
1-3 years	631	844
3-5 years		3
TOTAL	**1 007**	**1 221**

19 COMMITMENTS AND CONTINGENCIES

COMMITMENTS

EUR THOUSAND	2016	2015
On own behalf and on behalf of subsidiaries		
Guarantees	5 441	4 661
TOTAL	**5 441**	**4 661**

Guarantees consist of subsidiaries' lease agreements and of other guarantees given on behalf of subsidiaries. The company's loan facilities are unsecured and include normal financial covenants.

Since Normark Logistics Europe Oy, a 100% owned subsidiary of Rapala VMC Corporation, is the legal shareholder of the distribution joint venture with Shimano Inc., the parent company has guaranteed to Shimano the fulfillment of its subsidiary's obligations related to the joint venture.

20 DERIVATIVES

EUR THOUSAND	2016	2015
Currency derivatives with bank		
Fair value	105	1 598
Nominal value	52 236	70 940
Currency derivatives with subsidiaries		
Fair value	7	-64
Nominal value	1 395	2 777
Interest rate derivatives		
Fair value	-1 079	540
Nominal value	95 131	93 905

In 2016, currency derivatives had an income statement effect of EUR -1 422 thousand (2015: EUR -1 412 thousand) and interest rate derivatives EUR -2 248 thousand (2015: EUR 692 thousand). Hedge accounting is applied for some of the interest rate derivatives, and the change in fair value of interest rate derivatives under hedge accounting has been directly booked to fair value reserve in equity.

RISK MANAGEMENT

The objective of Rapala VMC Corporation'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.

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 activities are primarily delegated to the management of business units.

The importance of risk management has increased as the Group has continued to expand its operations. Risk management continued to receive management attention in 2016. The focus of Group level risk management in 2016 was on foreign exchange risk management as well as risk management activities on liquidity, interest rate and hazard risks. Other emphasized areas were Group wide insurance programs and strategic supply chain management.

Below is a summary of key strategic, operational and financial risks as well as the main actions to mitigate these risks.

STRATEGIC RISKS

Sport fishing is a form of leisure hobby and the Group's products are competing against a 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 needs and creating new needs for the consumers.

Brand portfolio and corporate reputation are among the most valuable intangible assets of the Group. The Group is actively managing its brands and their identity and securing that the value of the brands or corporate reputation are 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 they don't 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 in. Pollution and potential environmental catastrophes are concerns for the Group. The Group is actively promoting initiatives to enhance environmental protection and increasing preparedness to comply with continuously tightening environmental regulations by taking steps to reduce environmental impacts of its operations and products. The Group is also acting in the forefront to develop products, e.g. catch-and-release equipment, to comply with fish protection initiatives. For more details on environmental actions, see the "Corporate Responsibility and Sustainable Development" report available on corporate website (www.rapalavmc.com).

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

The Group has a limited amount of global competitors. The biggest competitors have significant power in their home markets, but globally the geographical scope of their operations is smaller. The Group's global distribution network is unique in the industry and difficult to imitate. Within each market, the Group's competitors are often local fishing tackle producers and distributors operating with a limited range of products and narrow geographical scope.

In some countries, competition is created by fishing tackle retailers selling private label products. Cross-border internet sales is an increasing trend and could cause some price erosion. 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, is essential in succeeding in market competition.

The Group's production is spread out in several countries. Some of these countries have higher political risks but simultaneously provide access to competitive labor cost. The Group monitors country risks and costs and is actively seeking ways to manage the risk of rising production and distribution costs. The establishment of the world's biggest lure factory in Batam, Indonesia, secured moderate production costs for the Group.

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 different production applications.

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

The Group's customer base is geographically and quantitatively well diversified. 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 around 5 % of the Group's net sales. The Group 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.

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

OPERATIONAL AND HAZARD RISKS

The fishing tackle business has traditionally been relatively resilient to increased uncertainties and downturns in the general economic climate. The truly global nature of the Group's sales and operations spreads the market risks caused by uncertainties in the global economy.

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

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 could have knock-on effects throughout the rest of the Group. The importance of proper order forecasting and production planning has increased. The related risks are managed with high level of co-operation between manufacturing and distribution units, safety stocks and extensive insurance coverage. The Group-wide supply chain and logistics initiatives continued in 2016 and mitigated 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 costs 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 the section "Financial Risks" and in note 22 to the consolidated financial statements.

In respect of manufacturing activities, the Group is not critically dependent on any single external production factor supplier. Availability of competent production labor is essential and the Group aims to maintain good employer reputation and labor relations.

There are significant dependencies between the Group's manufacturing units, which could cause supply challenges 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, the Group emphasizes hazard risk management. The Group has together with its property and business interruption insurer continued to conduct annually several hazard prevention reviews to Group's key factories and distribution warehouses. Group management has also continued to build risk awareness throughout the organization.

The Group constantly develops its 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 liability. The Group has increased its focus also on mitigating fraud risk.

The Board evaluates the Group's operational risks at least once a year as part of 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. The 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 of the consolidated financial statements.

SHARES AND SHAREHOLDERS

Rapala VMC Corporation's shares have been traded on the Nasdaq Helsinki since 1998. In 2016, the shares traded between EUR 4.90 and EUR 3.90 with an average price of EUR 4.30.

Shares and Voting Rights

On December 31, 2016, the share capital fully paid and reported in the Trade Register was EUR 3 552 160.41 and the total number of shares was 39 000 000. The average number of shares during the financial year was 39 000 000. Each share is entitled to one vote.

There were no changes in the share capital in 2016.

Board's Authorizations

The issuance of New Shares, Transfer of the Company's Own Shares and the Issuance of Options and Special Rights

The Annual General Meeting (AGM) authorized the Board to decide on the issuance of new shares, transfer of the company's own shares and the issuance of options and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act.

The amount of new shares which may be issued or transferred by the Board of Directors by one or several decisions shall not exceed 10 000 000 shares. The new shares may be issued and the company's own shares may be transferred against payment or without payment. The Board of Directors is furthermore authorized to issue options and special rights referred to in Chapter 10 Section 1 of the Companies Act for the holder to receive new shares or the company's own shares against payment. The amount of shares which may be issued or transferred based on the option and special rights are included in the above mentioned aggregate numbers of shares.

The new shares and the options and special rights referred to in Chapter 10 Section 1 of the Companies Act may be issued and the company's own shares transferred to the shareholders in proportion to their current shareholdings in the company or in deviation from the shareholders' pre-emptive rights by way of a directed issue if there is a weighty financial reason for the company to do so. The deviation from the shareholders' pre-emptive rights may be carried out for example in order to develop the company's capital structure, in order to finance or carry out acquisitions, investments or other business transactions, or in order to use the shares for incentive schemes. A directed share issue may be executed without payment only if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account.

The Board of Directors decides on all other matters related to the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Companies Act. The authorization is effective until March 31, 2017.

Share Repurchases

The AGM authorized the Board to resolve to repurchase a maximum of 2 000 000 own shares by using funds in the unrestricted equity. The proposed number of shares corresponds to less than 10 per cent of all shares in the company. The shares may be repurchased to develop the company's capital structure. In addition, the shares may be repurchased to finance or carry out business acquisitions or other arrangements, to settle the company's equity-based incentive plans, to be transferred for other purposes, or to be cancelled. The shares may be repurchased in deviation from the proportion of the shares held by the shareholders. The shares will be repurchased through public trading arranged by Nasdaq Helsinki Oy at the market price of the acquisition date. The shares will be acquired and paid in pursuance of the rules of Nasdaq Helsinki Oy and applicable rules regarding the payment period and other terms of the payment. The authorization is in force until the end of the next Annual General Meeting, however, no longer than until June 30, 2017.

Own Shares

In accordance with the authorization granted by the AGM, a total of 37 537 shares were repurchased in 2016 at the average price of EUR 4.29. At the end of December 2016, the company held 677 208 own shares, representing 1.7% of the total number and the total voting rights of shares. The average share price of all repurchased own shares held by the company was EUR 5.08.

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.

Share-Based Incentive Plans

In 2016, no new share-based incentive plans were granted and there are no plans in place.

Management Shareholding

On December 31, 2016, the members of the Board and the Executive Committee held directly a total of 19 113 company shares corresponding to 0.0% of all shares and voting rights. Details of management shareholdings are given on page 61.

Trading and Performance of the Company's Shares

The company share (RAP1V) is quoted on the Nasdaq Helsinki. The 2016 closing price on December 31 was EUR 4.13. The highest price in 2016 was EUR 4.90, the lowest price EUR 3.90 and the average price EUR 4.30. A total 2 782 154 company's shares were traded in 2016. This represents 7.1% of all shares on December 31, 2016.

At the end of 2016, the market capitalization of all outstanding shares, excluding own shares, was EUR 158.3 million. Earnings per share (basic) were EUR -0.08 (EUR 0.17 in 2015). For more share related key figures see page 7.

Dividend

The Board proposes to the AGM that a dividend of EUR 0.10 per share will be paid for the financial year 2016 and will be distributed in two equal installments.

PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2016

SHAREHOLDERS	NUMBER OF SHARES	%
Viellard Migeon & Cie	14 972 892	38.4
Sofina S.A.	7 500 000	19.2
Nordea Funds	4 114 496	10.5
Odin Funds	1 345 200	3.4
The State Pension Fund	1 290 000	3.3
Shimano Singapore Private Limited	889 680	2.3
Taaleritehdas Funds	650 000	1.7
Ilmarinen Mutual Pension Insurance	408 899	1.0
LähiTapiola Funds	375 200	1.0
Elo Mutual Pension Insurance	155 000	0.4
Rapala VMC Corporation (own shares)	677 208	1.7
Other shareholders total	6 621 425	17.0
TOTAL NUMBER OF SHARES	**39 000 000**	**100.0**

* Viellard Migeon & Cie's holds together with its subsidiary De Pruines Industries 15 078 202 shares, representing 38.7% of total number and the total voting rights of shares.

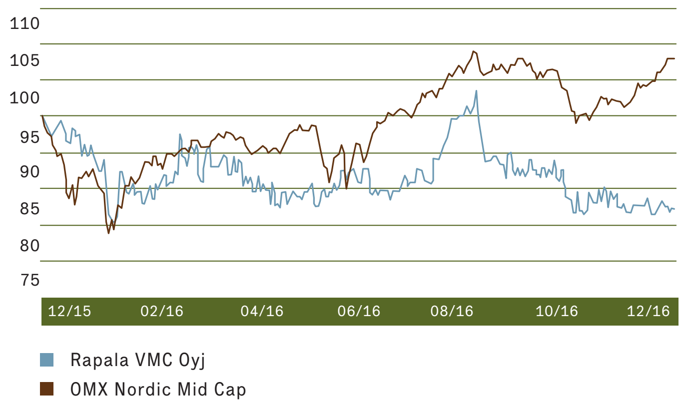
SHAREHOLDERS BY CATEGORY ON DECEMBER 31, 2016

SHAREHOLDER CATEGORY	NUMBER OF SHARES	%
Private and public corporations	1 720 360	4.4
Financial and insurance companies	4 690 254	12.0
Public institutions	1 854 199	4.8
Non-profit organizations	41 561	0.1
Individuals	2 025 243	5.2
International shareholders	24 820 802	63.6
Administrative registrations	3 847 581	9.9
TOTAL	**39 000 000**	**100.0**

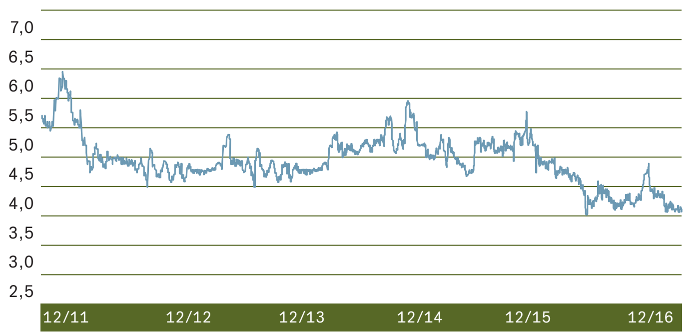
DISTRIBUTION OF SHAREHOLDING ON DECEMBER 31, 2016

NUMBER OF SHARES	NUMBER OF SHAREHOLDERS	%	TOTAL SHARES	%
1 - 100	1 109	33.4	69 375	0.2
101 -500	1 378	41.5	384 533	1.0
501 - 1 000	444	13.4	362 707	0.9
1 001 - 10 000	334	10.1	930 623	2.4
10 001 - 1 000 000	47	1.4	4 906 048	12.6
1 000 001 -	8	0.2	32 346 714	82.9
TOTAL	**3 320**	**100.0**	**39 000 000**	**100.0**

SHARE PRICE IN 2016, %



SHARE PRICE DEVELOPMENT IN 2012–2016, EUR



BOARD OF DIRECTORS AND MANAGEMENT

BOARD OF DIRECTORS

JORMA KASSLIN
Chairman of the Board
Chairman of the Board since September 1, 2016
Board member since 1998
M.Sc. (Eng.)
Year of birth: 1953
Shareholding*: 16 113

EMMANUEL VIELLARD
Board member since 2005
Chairman of the Board 2005–2016
President of Viellard Migeon & Cie
Chief Executive Officer and Vice Chairman of Lisi Industries
B.A., CPA
Year of birth: 1963
Shareholding*: -

EERO MAKKONEN
Board member since 1998
Chairman of the Board 1999–2005
Retiree
B.Sc. (Eng.)
Year of birth: 1946
Shareholding*: -

CHRISTOPHE VIELLARD
Board member since 2000
Chairman of the Board of Viellard Migeon & Cie
Diploma ESCP
Year of birth: 1942
Shareholding*: -

MARC SPEECKAERT
Board member since 2005
Retiree
MBA
Year of birth: 1951
Shareholding*: -

JULIA AUBERTIN
Board member since 2014
Deputy Managing Director, Good Goût Babyfood
M.Sc. (EDHEC)
Year of birth 1979
Shareholding*: -

EXECUTIVE COMMITTEE

JUSSI RISTIMÄKI
President and Chief Executive Officer, Chairman of the Executive Committee
President and Chief Executive Officer since September 1, 2016
Executive Committee member since 2010
Shareholding*: -

OLLI AHO
Executive Vice President, Company Counsel, Investor Relations, Secretary of the Board
Executive Committee member since 1998
Shareholding*: -

JUHANI PEHKONEN (until December 31, 2016)
Executive Vice President, Lure Manufacturing and Product Development
Executive Committee member since 1998
Shareholding*: -

STANISLAS DE CASTELNAU
Executive Vice President, Manufacturing Operations and Global Supply Chain Development, Head of Hook and Carp business unit
Executive Committee member since 2002
Shareholding*: -

TOM MACKIN
Executive Vice President, Distribution and Brands in North America
Executive Committee member since 2007
Shareholding*: 3 000

LARS OLLBERG
Executive Vice President, Accessory and Outdoor Business, Group Innovations, Distribution in Asia, Pacific, Middle East and South Africa
Executive Committee member since 2008
Shareholding*: -

VICTOR SKVORTSOV
Executive Vice President, Distribution in Russia, Belarus, Kazakhstan
Executive Committee member since 2013
Shareholding*: -

CYRILLE VIELLARD
Executive Vice President, Distribution in Europe and Latin America, Shimano Partnership Coordination
Executive Committee member since 2015
Shareholding*: -

AKU VALTA
Executive Vice President, International (excluding North America) Lure Sales, Marketing, Brands and Communication
Executive Committee member since 2015
Shareholding*: -

ARTO NYGREN (as of January 1, 2017)
Executive Vice President, Lure Manufacturing
Executive Committee member since 2017
Shareholding*: -

* Shareholdings on December 31, 2016.

SIGNATURES FOR THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, February 15, 2017

Jorma Kasslin
Chairman of the Board

Emmanuel Viellard

Christophe Viellard

Marc Speeckaert

Eero Makkonen

Julia Aubertin

Jussi Ristimäki
President and CEO

THE AUDITOR'S NOTE

A report on the audit performed has been issued today.
Helsinki, March 2, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

AUDITOR'S REPORT

TRANSLATION OF THE FINNISH ORIGINAL

TO THE ANNUAL GENERAL MEETING OF RAPALA VMC OYJ

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Rapala VMC Oyj (business identity code 1016238-8) for the year ended December 31, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

1) Revenue recognition

Refer to accounting principles for the consolidated accounts and note 2 (Segment information).

The Group focuses on revenue as a key performance measure which could create the incentive for revenue to be recognized before the risks and rewards have been transferred. Due to local entities being relatively independent management may also have an opportunity to overstate revenues.

Our audit procedures to address the risk of material misstatement relating to revenue recognition, which was considered to be a significant risk, included, among others:

- Assessing the Group's accounting policies over revenue recognition including those relating to discounts, incentives and rebates and assessing compliance with applicable accounting standards.
- Testing of the Group's controls over correct timing of revenue recognition and over the correct calculation of discounts, incentives and rebates. These controls comprised a combination of transaction level prevent controls and detect controls.
- Testing the sales of cut-off with substantive analytical procedures supplemented with test of details on a transaction level either side of the balance sheet date as well as credit notes issued after the balance sheet date to assess whether revenue was recognized in the correct period.
- Considering the Group's disclosures in respect of revenues.

2) Goodwill and intangible assets

Refer to accounting principles for the consolidated accounts and note 11 (Intangible assets).

At the balance sheet date, the value of goodwill and intangibles amounted to 78.2 M€ (78.2 M€) representing 24.7 % (24.9 %) of the total assets.

Procedures regarding management's annual impairment test were significant to our audit because the test imposes estimates. The Group management use assumptions in respect of future market and economic conditions such as revenue and margin developments.

Our audit procedures to address the risk of material misstatement relating to goodwill and intangible assets, included, among others:

- Evaluating the assumptions and methodologies used by the Group relating to the forecasted revenue growth, profitability and weighted average cost of capital. We focused on how much recoverable amounts exceed the carrying amounts of cash-generating units and whether any reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount.
- Assessing the historical accuracy of management's estimates.
- We also assessed the adequacy of the Group's disclosures in note 11 in the financial statements about the assumptions to which the outcome of the impairment tests were more sensitive.

3) Inventory allowances

Refer to accounting principles for the consolidated accounts and note 17 (Inventories).

The total net value of inventories and related net realizable value allowance as of December 31, 2016 amounted to 102.2 M€ (116.2 M€) and 14.2 M€ (5.3 M€), respectively. The inventories are material to the financial statement representing 32.3 % (37.1 %) of the total assets. The calculation of net realizable value allowance involves management judgment and is thus subject to uncertainty.

Our audit procedures to address the risk of material misstatement relating to net realizable value allowance, which was considered to be a significant risk, included, among others:

- Assessing the Group's accounting policies regarding inventory allowances and assessing compliance with applicable accounting standards.
- Evaluating, amongst others, the analyses and assessments made by management with respect to obsolete and slow-moving inventories, the expected demand and market value related to the items.
- Assessing the adequacy of the Group's disclosures in notes 1 and 17 in the financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations requirements.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki March 2, 2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

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